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BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Honorable Steve Symms United States Senate

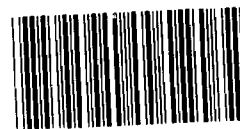
Improved Controls Needed Over Waivers Of The Armed Services Exchange Regulations

If a base exchange wants to sell items other than those authorized by the Armed Services Exchange Regulations, a waiver can be approved by the Secretary of the service concerned on the grounds that the base is geographically isolated.

The Secretary of the Air Force approved a waiver so that the base exchange at Mountain Home Air Force Base could sell certain major home appliances.

It is questionable whether the base should still be considered isolated and, therefore, whether there is a continued need for the waiver. Further, GAO found several areas where the internal controls over the granting and revalidation of waivers could be improved.

This report makes several recommendations designed to improve these internal controls. DOD agreed with GAO recommendations and has instituted actions to implement them.



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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

B-217897

The Honorable Steve Symms
United States Senate

Dear Senator Symms:

This report is in response to your inquiry concerning the waiver to sell major home appliances (i.e., washers, dryers, refrigerators, freezers, televisions, etc.) at the base exchange at Mountain Home Air Force Base, Idaho. Specifically, your letter requested that we determine whether the base exchange is selling major home appliances contrary to the intent of law and applicable regulations. Our findings are outlined briefly below and are discussed in more detail in the appendix.

FINDINGS IN BRIEF

Air Force base exchanges, including the one at Mountain Home Air Force Base, are authorized under 10 U.S.C. 8012. The sale of major home appliances by the base exchange at Mountain Home Air Force Base is within the authorities granted in existing military regulations.¹ The Department of Defense (DOD) and the Air Force have issued regulations establishing policies and procedures for base exchanges. The "Armed Services Exchange Regulations" (ASER), formulated by DOD, contain a listing of items which normally may be sold in base exchanges in the continental United States. If a base exchange wants to sell items other than those authorized, a waiver of the regulations can be approved by the Secretary of the service concerned. A primary criterion in the regulations covering the granting of waivers is that a base be geographically isolated. Mountain Home Air Force Base has been considered isolated for the last 10 years with respect to the availability of major home appliances. It is questionable whether the base should still be considered isolated because there are now six retailers of major home appliances within 11 miles of the base. However, the waiver criteria, even after extensive revisions in 1978 and 1984, do

¹As used in this context, the term "regulation(s)" includes internal directives, policies, and guidelines of DOD, the Army, and the Air Force that are not included in the Code of Federal Regulations.

not provide sufficient guidance on how to determine what constitutes adequate availability of commercial facilities. A related problem is that the regulations do not require the submission of current data to support the annual revalidations of the initial waiver request. Further, the regulations do not require periodic audits of the initial waiver and subsequent revalidation processes.

Policies and Procedures for the Operation of Base Exchanges

The establishment and operation of Air Force base exchanges is carried out under authority contained in 10 U.S.C. 8012. The Secretary of the Air Force is responsible for, and has the authority necessary to conduct all affairs of the Department including functions necessary or appropriate for its welfare and other activities as may be prescribed by the President or the Secretary of Defense. The Air Force has established base exchanges primarily to provide authorized patrons with articles and services necessary for their health, comfort, and convenience. Regulations promulgated by DOD allow the Secretary of the Air Force to grant waivers so that certain exchanges at isolated bases can sell items in addition to those permitted in the authorized list of items for sale at base exchanges.

The joint Army (AR 60-10) and Air Force (AFR 147-7) regulation, "Army and Air Force Exchange Service (AAFES) General Policies" provides general policies for the Army and Air Force Exchange Service. The joint Army (AR 60-20) and Air Force (AFR 147-14) Regulation, "Army and Air Force Exchange Service (AAFES) Operating Policies" implements, among other policies, the ASER waiver process.

The AAFES Operating Policies provide that requests for waivers permitting additions to the list of authorized items for sale at base exchanges will be limited to those items necessary to assure a reasonable standard of living to active duty military personnel and their families assigned to isolated installations. The instructions for obtaining a waiver to the ASER are contained in a recently revised appendix D to the AAFES Operating Policies. The instructions for annually revalidating the need for the waiver are contained in section 3-3 of this regulation.

The AAFES Operating Policies provide that requests for waivers will be submitted and evaluated primarily on the basis of the geographical isolation of the installation concerned. Three criteria are to be used to determine whether an installation may be considered isolated:

--The type of clientele served.

--The availability and adequacy of commercial shopping facilities.

--The degree of difficulty involved in visiting adequate commercial shopping facilities.

The Base Exchange at
Mountain Home Air Force Base

The town of Mountain Home, Idaho, is located approximately 11 miles from Mountain Home Air Force Base. Based on information submitted in July 1983 (the latest information available), the authorized clientele for the base exchange consisted of 1,213 families living in on-base quarters, 1,733 single personnel or personnel without dependents living on base, 1,025 families and 300 single personnel or personnel without dependents living off base, and approximately 600 retired personnel and their families living off base.

A key criterion in determining base isolation is the availability of commercial shopping facilities. However, the AAFES Operating Policies do not define what constitutes adequate commercial shopping facilities. For example, the regulation does not specify how many retail outlets are needed nor the quantity of goods and services they should offer.

Today, the town of Mountain Home has two appliance retailers with large floor inventories, two retailers with smaller floor inventories whose main business is catalog sales, and two retailers with small floor inventories. Five of the six retailers have been in business for several years and have access to a wide range of appliance models of the brands they carry. If a customer wants an appliance not immediately available in inventory, these retailers are able to provide delivery within 3 or 4 days. Even though the AAFES Operating Policies do not specify the number and type of retail outlets needed in a market area or whether or not catalog stores should be considered a part of the available market, the relatively wide selection of appliances offered by the six retailers would appear to represent reasonably adequate commercial shopping.

Access between the town of Mountain Home and the air base is by a four-lane divided highway. According to data provided by the Air Force in July 1983 (latest available data) 3,280 individuals (about 80 percent of the personnel assigned to the base) possessed automobiles.

While not directly related to determining whether an installation is geographically isolated, the recently revised appendix D to the AAFES Operating Policies states that the retail price advantage between those prevailing in commercial outlets within a 25-mile radius of the installation and those

that would prevail in the exchange if an exception were granted will not be considered as a basis for an exception. However, the appendix also states that it is not intended that military personnel be required to pay excessive prices beyond those found in a competitive market environment. We found that the prices of the retail outlets in the town of Mountain Home for major home appliances did not differ significantly from national prices for similar items.

The original waiver to sell major home appliances at the base exchange was granted in 1974. It has been annually revalidated since that time without a market analysis of the availability of alternate commercial sources. The AAFES Operating Policies state that the Air Force Manpower and Personnel Center will provide letters of instruction to the appropriate major Air Force commands directing them to review existing ASER waiver requests at their bases annually (by June 30 each year) to insure that the conditions continue to meet the prescribed isolation criteria. However, the information updating requirements for revalidating the continued need for the waiver are not specified. Currently, all that is required is a certification from the installation commander that the conditions which prompted the original ASER waiver continue to exist. The base commander would then request that the waiver be continued.

The AAFES Operating Policies do not require that updated market information be submitted with a request to continue a waiver. However, according to DOD officials, the Army has for several years required its installation commanders to annually submit current market data with their requests for revalidation of an ASER waiver.

The ASER generally provide for periodic audits of various activities. Also, the AAFES General Policies provide for command inspections and internal audits of the various exchanges. However, the regulation does not specifically provide for any audits of the ASER waiver request and revalidation processes. Also, Air Force Inspector General and Army and Air Force Exchange Service audit officials told us that they do not review the ASER waiver request and revalidation processes. We believe that periodic audits of the waiver processes would help assure the Secretaries of the Army and the Air Force that a continuing need for the waivers exists and that the AAFES General Policies should include provisions for periodic reviews of these processes.

CONCLUSIONS

We believe that Army and Air Force implementing instructions can be improved to provide better control over the ASER waiver and revalidation processes. We also believe that the continued approval of the revalidation of the original waiver request by the Secretary of the Air Force to permit the base

exchange at Mountain Home to sell major home appliances may not be consistent with the intent of DOD Directive 1330.9 and the joint Army and Air Force regulations.

RECOMMENDATIONS

Because the problems we noted are related to the controls over the ASER waiver request, approval, and revalidation processes, and only incidentally relate to what we believe to be questionable waiver approval at Mountain Home Air Force Base, most of our recommendations address the joint regulations concerning these processes. We believe that to improve controls over the ASER waiver request, approval, and revalidation processes, the Secretary of Defense should direct the Secretaries of the Army and Air Force to amend their joint exchange regulations.

We recommend that the AAFES Operating Policies be amended to provide more specific guidance for determining the availability of commercial shopping facilities and evaluating their adequacy. To strengthen the waiver revalidation process, which is required annually, we also recommend that the AAFES Operating Policies be amended to require that sufficient updated information be provided with the revalidation request so that changes in circumstances can be fully evaluated. We also recommend that consideration be given to amending the AAFES General Policies to require periodic audits of the initial ASER waiver and revalidation processes by the appropriate service audit organization. In view of the questions raised in this report, we also recommend that the Secretary of the Air Force closely review the 1985 revalidation of the ASER waiver authorizing the base exchange at Mountain Home Air Force Base to continue to sell major home appliances.

AGENCY COMMENTS

DOD provided official oral comments on a draft of this report on April 4, 1985. DOD concurred with our recommendations and has agreed to implement actions that should improve controls over waivers to the Armed Services Exchange Regulations.

DOD commented that it would be difficult, and perhaps not desirable, to develop a quantitative matrix or decision table covering the number and type of stores needed to create adequate commercial markets. However, DOD suggested that it could satisfy our recommendation by amending the AAFES Operating Policies to (1) specify that catalog stores are to be considered as acceptable retail outlets, and (2) require installation commanders to submit complete market data each year to support their requests that waivers be continued. DOD commented that the information to be required would be similar to that currently provided annually by Army installation commanders with their

requests for ASER waiver continuations. According to DOD, the increased information resulting from these changes would help decision-makers better determine whether to grant or deny a request for a waiver's continuation. We believe that these changes are within the intent of our recommendations to provide more guidance and control over the ASER waiver granting and revalidation processes.

DOD also agreed to direct the Secretaries of the Army and the Air Force to transmit copies of this report to their audit organizations and that consideration be given to periodic audits of the ASER waiver and revalidation processes. Further, DOD agreed to direct the Secretary of the Air Force to closely review, no later than June 30, 1985, the 1985 revalidation request for the ASER waiver authorizing the base exchange at Mountain Home Air Force Base to continue selling major home appliances. We believe that these actions as well as the amendments to the AAFES Operating Policies represent positive steps toward improving the controls over the ASER waiver granting and revalidation processes.

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As agreed with your office, we are sending copies of this report to the Secretaries of Defense, Air Force, Army, and Navy, and the Commandant of the Marine Corps; the Chairmen, House and Senate Committees on Armed Services and Appropriations, House Committee on Government Operations, and Senate Committee on Governmental Affairs. We will also make the report available to other interested parties.

Sincerely yours,



Frank C. Conahan
Director

IMPROVED CONTROLS NEEDED OVER WAIVERS
TO THE ARMED SERVICES EXCHANGE REGULATIONS

On July 25, 1984, we were asked by Senator Symms to assess whether the base exchange at Mountain Home Air Force Base, Idaho, is selling major home appliances contrary to applicable laws and regulations. Our findings related to these issues are outlined below.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our review was to assess whether the sale of major home appliances by the base exchange at Mountain Home Air Force Base is consistent with current laws and regulations. The Air Force has a number of installations where base exchanges have received waivers of the "Armed Services Exchange Regulations" (ASER), permitting them to sell items not on the authorized list of items for sale. However, we reviewed only the waiver to sell major home appliances at the base exchange at Mountain Home Air Force Base. In conducting our review, we evaluated the original ASER waiver granted in 1974. We also determined the legal basis for the establishment of base exchanges and reviewed the DOD and Air Force regulations concerning the operation of base exchanges.

We interviewed Army and Air Force Exchange Service (AAFES) and Air Force individuals responsible for the base exchange at Mountain Home. In addition, we interviewed personnel responsible for administering the joint regulations at the Air Force Manpower and Personnel Center, Randolph Air Force Base, Texas. We also discussed the ASER waiver process with officials from the Tactical Air Command, the Air Force Audit Agency, the Air Force Office of the Inspector General, and the Office of the Secretary of Defense. In addition, we interviewed consumers and local appliance dealers in Mountain Home, Idaho. Our review was made between November 1984 and February 1985 and was performed in accordance with generally accepted government auditing standards.

BASIS FOR ESTABLISHING AND
OPERATING BASE EXCHANGES

Base exchanges are authorized under section 8012 of title 10, United States Code which delineates the powers and duties of the Secretary of the Air Force. The Secretary is responsible for, and has the authority necessary to conduct, all affairs of the Department, including functions necessary or appropriate for its welfare and other activities as may be prescribed by the President or the Secretary of Defense. The Secretary is also authorized to prescribe regulations to carry out his functions, powers, and duties.

REGULATIONS GOVERNING THE ESTABLISHMENT
AND OPERATION OF BASE EXCHANGES

Air Force base exchanges are governed by DOD Directive 1330.9, "Armed Services Exchange Regulations" (ASER). This directive is implemented by (1) the joint Army Regulation 60-10, Air Force Regulation 147-7, "Army and Air Force Exchange Service (AAFES) General Policies," and (2) the joint Army Regulation 60-20, Air Force Regulation 147-14, "Army and Air Force Exchange Services (AAFES) Operating Policies."

Armed Services Exchange Regulations

ASER provides uniform policies for the services to use in operating base exchanges. It also authorizes each of the services to prescribe detailed procedures and instructions which are to be reviewed by DOD and the other services for operating the exchanges. Base exchanges within the continental United States are authorized to stock and sell only the items of merchandise specified in ASER unless a waiver is approved.

ASER delegates authority to the secretaries of the military departments to approve deviations from the list of items authorized for sale within the continental United States. Further delegation of this authority is prohibited. ASER provides that deviations "shall be authorized only after judicious review and granted solely on the basis of geographical isolation of the installation concerned." (Emphasis supplied.) ASER also requires that deviations granted by the secretaries of the military departments will be reviewed annually as of June 30 and a report submitted to the Assistant Secretary of Defense for Manpower, Reserve Affairs, and Logistics specifying the ASER deviations and justifications. ASER also stipulates that each service shall determine and require such internal audits and inspections as it may consider necessary or desirable, provided that the internal audits meet the requirements set forth in various DOD instructions.

Army and Air Force Exchange Service
General and Operating Policies

Under the authority of ASER, the U.S. Army and Air Force issued joint regulations prescribing detailed instructions for operating base exchanges at their installations. The AAFES General Policies outline responsibilities and basic policies. The AAFES Operating Policies set forth operating policies, and describe the procedures for justifying a request for a waiver of ASER, for processing the request, and for revalidating an existing ASER waiver.

The portions of the ASER Operating Policies dealing with ASER waivers were changed significantly in November 1978 and

more recently in August 1984. According to Air Force officials, the latest revisions reflect a continuing trend toward tightening up on the waiver request process as even more information is now required to obtain the initial waiver. However, we believe that the regulations and instructions could be further improved to provide more specific guidance for determining the availability and adequacy of commercial outlets and specific updating information requirements for the annual revalidation process.

AAFES Operating Policies, April 1972

When the ASER waiver to permit the base exchange at Mountain Home Air Force Base to sell major home appliances was originally requested in 1974, the instructions for obtaining a waiver of the ASER were contained in a footnote to appendix B of the AAFES Operating Policies, which was at that time the list of items authorized for sale in base exchanges. The regulation stated that items other than those listed would not be stocked unless exceptions based on local existence of particular hardships were specifically approved by the Assistant Secretary of Defense (Manpower and Reserve Affairs). Each exception was to be reevaluated annually by the Secretary of the department concerned and the Assistant Secretary of Defense (Manpower and Reserve Affairs) to determine the need for its continuation. Where civilian shopping centers were not conveniently available to patrons served by an exchange, application was to be made to stock those additional items required to preclude a condition of personal hardship. Because the authorization of exceptions constituted a matter of public interest, a request for an exception was to be initiated only in instances of clearly existent and demonstrated hardships, and with due regard to the effect on community relations.

According to officials from the Air Force Manpower and Personnel Center, the Air Force provided some limited additional instructions for base commanders to use in applying for an ASER waiver. These instructions provided some factors to be considered in determining whether a base should be considered isolated.

AAFES Operating Policies, November 1978

The AAFES Operating Policies were revised and reissued effective November 15, 1978. The procedures and criteria for requesting and evaluating requests for exceptions to the ASER at installations in the continental United States were expanded and included as appendix D to the regulation. The 1978 regulation stated that installation commanders could request (through appropriate command channels) Secretary of the Air Force approval for exceptions to the ASER list of authorized items. Requests for waivers of ASER were to be based on geographical isolation and limited to those items required to preclude a

condition of personal hardship. Waiver requests had to be for items that military personnel and their families would normally require to maintain a reasonable standard of living. The following three factors were to be considered in determining isolation: (1) the type of clientele served, (2) the availability and adequacy of commercial shopping facilities, and (3) the degree of difficulty involved in visiting adequate commercial shopping centers. The 1978 regulation also provided some guidance in evaluating the isolation criteria.

The regulation stated that installations serving a large percentage of lower-grade personnel should provide additional items in their base exchanges. The assumption was made that many of these personnel may not have automobiles and, consequently, could not visit commercial facilities without some degree of hardship.

The 1978 AAFES Operating Policies stated a number of issues must be addressed when available commercial shopping facilities were assessed. The commercial shopping facilities were to offer reasonable service capabilities, hours of operation, and delivery charges. They were also to offer a reasonable selection of items and services for the item(s) being considered for an ASER exception, including styles, sizes, quality, price, and nationally established brands where applicable. The 1978 regulation also stated that sufficient commercial shopping facilities were to be within a reasonable distance of each other to permit free and open competition. According to the regulation, this would allow prices to react in accordance with demand and be comparable to the prices in modern metropolitan department and discount stores. In addition, the 1978 regulation stated that the element of relative price disadvantage was not to be construed as the sole determining factor constituting sufficient hardship for the approval of an exception to the list of approved items. However, the regulation also stated that it was not intended that military customers be required to pay excessive prices. The 1978 regulation also stated that if relative price was to be included as an issue in the waiver request, then an actual comparison of the prices and shipping costs, if any, of a representative group of items sold at the commercial shopping facilities was required to support the request.

In determining the degree of difficulty involved in visiting adequate commercial shopping centers, the 1978 regulation provided that it was reasonable to assume that an installation located more than 25 miles from the nearest shopping center would require a wider range of exceptions than an installation that was relatively close to an adequate shopping center. Distance to adequate commercial shopping centers was to be measured from the center of the installation's primary housing area along the route that would normally be used in traveling to these facilities. The 1978 regulation also recognized that the

degree of difficulty in visiting adequate commercial shopping centers was also influenced by travel conditions including (1) weather; (2) time required to travel to commercial facilities (during those hours when personnel would have normally done their shopping); (3) suitability of roads; and (4) suitability, time, and cost of using commercial transportation.

Although the November 1978 AAFES Operating Policies were an improvement over the previous version, there were still some problems with the regulation. For example, the regulation did not furnish any guidance to installation commanders for determining what was meant by "adequate commercial shopping centers" nor for determining whether a "reasonable selection of items and services" for the item(s) existed. In addition, the regulations did not specify any particular informational requirements, including an update of previously provided data, for the annual revalidation of the ASER waiver items. The regulation did refer to ASER which contained the requirement for annual revalidation and which stated that each exception would be reevaluated annually by the respective service secretaries to determine the need for the continuation of the waiver. However, no guidance was furnished in the 1978 revision to the AAFES Operating Policies concerning the type or amount of documentation which should be provided for revalidation. Consistent with these policies, the installation commanders at Mountain Home Air Force Base annually certified that the conditions which prompted the original ASER waiver request still existed without providing any justification for their certification. They then requested that the waiver be continued.

AAFES Operating Policies, August 1984

A revised and expanded version of appendix D to the AAFES Operating Policies became effective August 1, 1984. This new version is an improvement over the previous version in that the amount of information to be gathered, reported, and considered in order to justify each new ASER waiver item has been substantially increased and some language has been clarified. For example, the potentially misleading third criterion for determining isolation which previously read "degree of difficulty involved in visiting adequate commercial shopping centers" has been changed to read "degree of difficulty involved in visiting adequate commercial shopping facilities." (Emphasis supplied.) Also, the installation requesting an ASER waiver must now furnish specific information in various categories to support that each isolation criterion applies.

Although there have been improvements made in the regulation, we believe there are still improvements and clarifications which should be made. For example, the methods for determining the availability and adequacy of shopping facilities have not been explained. While certain statistics are required, little

guidance is furnished installation commanders for using this information to determine the availability and adequacy of commercial shopping facilities. We believe it would be helpful if the base commanders were provided with specific criteria on the number of retail outlets required by various product categories, and the variety and availability of products necessary for the commercial shopping facilities to be considered adequate. We recognize that this improved criteria may not be applicable in all circumstances. Therefore, some judgment will be necessary in applying the new criteria and should be provided for in amending the AAFES Operating Policies. However, deviations from the improved criteria should be well documented.

DOD commented that it would be difficult to develop a quantitative matrix or decision table covering the number and type of stores needed to create adequate commercial markets. For example, DOD was concerned that if DOD established four retail outlets as an adequate market for an item, installations near two catalog stores would need a waiver even though two catalog stores might represent a better supply. Because each installation is unique according to DOD, a single formula may not be desirable. DOD did, however, agree that the AAFES Operating Policies should be amended to (1) specify that catalog stores are to be considered as acceptable retail outlets, and (2) require installation commanders to submit complete market data each year with their requests that waivers be continued. According to DOD, the information to be supplied would be similar to that currently submitted annually by Army installation commanders to request continuation of waivers. DOD believes that the amendments, especially the increased market information submitted to request the continuation of a waiver, would enable decision makers to better determine whether to grant or deny a request for a waiver's continuation.

Information requirements for revalidation process needed

Guidance concerning what information should be submitted to justify each annual revalidation of the continued need for an ASER waiver is still needed. Currently, an Air Force installation commander need only certify that the conditions which prompted the original ASER waiver request continue to exist. The Air Force base commander can then request a continuation of the waiver based on this certification. As discussed above, this type of certification is essentially all that has been provided to request a renewal of the waiver to sell major home appliances at the base exchange at Mountain Home Air Force Base for the last 10 years. Even though the AAFES Operating Policies do not require it, DOD commented that Army installation commanders are required to submit complete market data with their annual requests for a continuation of a waiver of the ASER.

We believe that circumstances change over time and the adequacy of commercial shopping facilities should be periodically reviewed. This should be provided for by changing the AAFES Operating Policies to require that sufficient updated information be provided with the revalidation request so that changes in circumstances can be fully evaluated. As indicated above, DOD has agreed to amend the AAFES Operating Policies to require that updated information be provided with the revalidation request.

Guidance for periodic audit of waiver
and revalidation process needed

DOD Directive 1330.9 states that each service shall determine and require such internal audits and inspections as it may consider necessary or desirable. These audits are to meet the requirements of various DOD instructions. The AAFES General Policies provide for command inspections and internal audits of the various exchanges. However, there are no specific provisions for the periodic audit or review of the initial ASER waiver and revalidation processes.

During our review, we contacted officials from the Army and Air Force Exchange Service, the Air Force Tactical Air Command, the Air Force Audit Agency, the Office of the Air Force Inspector General, and the Office of the Secretary of Defense to determine whether audits of the ASER waiver and revalidation processes had been performed. None of these officials was aware of any audits or audit reports on the ASER waiver and revalidation processes. In March 1984, however, the 366th Tactical Fighter Wing Self Inspection Monitor at Mountain Home Air Force Base did do some limited work to help prepare input to the Air Force's response to Senator Symms' initial inquiry on the ASER waiver revalidation.

We believe that consideration should be given to amending the AAFES General Policies to require periodic audits of the initial ASER waiver and revalidation processes by the appropriate service audit organization. Periodic audits would (1) help assure the Secretaries of the Army and the Air Force that a continuing need for the particular ASER waiver exists; (2) establish and maintain confidence in the Army and Air Force administration of the ASER waiver request, approval, and revalidation processes; and (3) provide for greater internal control over the ASER waiver and revalidation processes. DOD has agreed to direct that the Secretaries of the Army and the Air Force transmit copies of this report to their audit organizations and that consideration be given to periodic audits of the initial ASER waiver and the revalidation processes.

CONTINUED NEED FOR ASER WAIVER AT
MOUNTAIN HOME AIR FORCE BASE IS QUESTIONABLE

The initial waiver to sell major home appliances at the base exchange at Mountain Home Air Force Base was granted in 1974 under fairly general guidance contained in a footnote to the AAFES Operating Policies. It has been annually revalidated since that time without periodic reviews of its continued need. This revalidation process has also continued even though the waiver granting criteria have been tightened. Situations do change over time. As outlined below the availability of major appliances at commercial outlets in Mountain Home has changed. We believe there are now reasonably adequate retail outlets in Mountain Home, and the continued need for the waiver is questionable.

Mountain Home yesterday

In 1974, the Secretary of the Air Force authorized the base exchange at Mountain Home Air Force Base to sell certain major home appliances, that is, washing machines, clothes dryers, black-and-white and color televisions, and food freezers, because the base was considered isolated. These items were not on the authorized ASER list of items for sale in the continental United States base exchanges. However, they could be added through the waiver process. At that time, documentation was submitted which addressed the isolation situation. The data was believed to be sufficient to justify approval of the ASER waiver request. The documents showed that in 1974, the base exchange provided services for 1,538 families in on-base quarters, 1,581 single personnel in base dormitories and bachelor officer quarters, and 1,049 families residing in the local community. At that time, the total known population for exchange purposes was 12,642, including an estimated 690 retired personnel who also used the base exchange. The request stated that many of the lower graded personnel did not have automobiles and were unable to visit the Mountain Home shopping facilities without unnecessary hardships and were dependent on the base exchange. The total vehicle density of the base was approximately 4,400. The number of vehicles was not further broken out to show the number of vehicles belonging to families living in on-base family housing, the on-base population most likely to be interested in purchasing a major home appliance.

The ASER waiver request stated that Mountain Home Air Force Base was located approximately 11 miles from the town of Mountain Home, which had a population of 6,451. Further, the judgment was made that there were no commercial shopping centers in Mountain Home and that the nearest adequate shopping facilities were located in Boise, Idaho, approximately 50 miles from the base.

The installation commander believed that visiting commercial shopping centers imposed a hardship on both active personnel and dependents at the base. The difficulty in making the round trip to Boise was thought to be especially acute during the winter months (November through March) when heavy snowfall and icy road conditions made driving difficult. Additionally, according to the waiver request, the distance involved caused unnecessary high consumption of gasoline which (at the prices in effect during the 1974 gas crisis) caused undue financial hardships on the military members and their families. Also, at that time, there was no government provided transportation nor commercial bus service between the base and either Mountain Home or Boise.

Mountain Home today

ASER requires that all waivers granted by the secretaries of the military departments be reviewed annually as of June 30. Ten years have passed since the original ASER waiver request and approval for the base exchange at Mountain Home Air Force Base to sell major home appliances. However, for the June 30, 1984, annual revalidation of the continued need, the installation commander certified that basically the same 1974 isolation conditions still exist in 1984, without submitting information to support that certification. This practice has been followed each year since 1974.

In order to independently assess the continued need for the base exchange at Mountain Home Air Force Base to sell major home appliances, we visited the base and the town of Mountain Home during November 13-14, 1984. The base is part of the Tactical Air Command, headquartered at Langley Air Force Base, Virginia. Mountain Home Air Force Base is located approximately 11 miles from the town of Mountain Home which has a population of about 7,600. Of the military personnel assigned to Mountain Home Air Force Base, according to information submitted in July 1983 (latest available data), there were 1,213 families living in on-base quarters, 1,733 single personnel or personnel without dependents living on base, and 1,025 families and 300 single personnel or personnel without dependents living off base. In addition, there were approximately 600 retired personnel and their families living in the area. There still is no commercial or military transportation between the base and the town. Travel between the two is across level terrain along a modern four lane, divided highway. The Air Force also provided information in July 1983 showing that 3,280 individuals (about 80 percent of the personnel assigned to the base) possessed vehicles. However, the figures did not indicate how many families living in on-base housing had cars. This is the population on base which would generally have a need for major household appliances.

We also noted that many military personnel living off base commute to the base for work. Thus, it would not appear that travel between the base and the town of Mountain Home is too difficult.

The town of Mountain Home is the county seat of Elmore County and is located in an area largely devoted to agriculture. The town is approximately 50 miles southeast of Boise, Idaho. Although there are no major shopping centers or major department stores comparable to those in a metropolitan area, there are the expected retail businesses to support a town of this size, including six which sell major home appliances.

We visited the six retail outlets for major home appliances in Mountain Home. Three of the six retailers, Art's Western Auto Store; Sears, Roebuck & Company (catalog store); and Montgomery Ward Sales Agency (catalog store), are the Mountain Home outlets of large, nationally known chains.

Two of the commercial outlets, Statewide Electric and Art's Western Auto Store, carried representative products of more than one manufacturer and had large floor stocks of appliances with a variety of models, options, capabilities, and prices. In addition to the floor samples and backup stock, these retailers had access to the entire model line of the manufacturers they represented. Delivery of specially ordered appliances could be made within 3 to 4 days.

Two other retailers, Sears, Roebuck & Company and Montgomery Ward Sales Agency, were primarily catalog stores. However, they also had a sizable floor stock of appliances in order to show customers what was available in a range of options and prices. There was limited backup stock in the stores. However, delivery on items ordered from the catalog was usually within 2 to 3 days.

The remaining two retailers of major appliances, the Moth Shop and Devon Home Center Stores, Inc., had limited floor stocks of new appliances and no backup stock in their stores. The Moth Shop had a catalog of nationally known appliances and delivery could be arranged in 3 to 5 days. The owner stated that he was changing and upgrading the business to become the town's outlet for a nationally known brand of appliances. A sales representative of Devon Home Center Stores, Inc., told us the chain was considering bringing out a catalog that would include major home appliances.

To fully determine what selection of major appliances was available in the Mountain Home area, we also visited the base exchange at Mountain Home Air Force Base. We found that the base exchange had limited floor samples, consisting of two models of refrigerators, one freezer, one stove, and two models of both washers and driers. Where more than one model of an

appliance was displayed, the two models differed in capability, options, and price. Delivery of ordered items was generally made on a weekly basis.

The retail appliance dealers in Mountain Home offer a full line of products of a number of nationally known manufacturers. Based on our review, we believe that the selection of major appliances commercially available in Mountain Home should be considered a reasonably large selection that should meet the requirements of the military personnel assigned to Mountain Home Air Force Base. DOD agreed to direct the Secretary of the Air Force to closely review, no later than June 30, 1985, the 1985 revalidation request for the ASER waiver authorizing the base exchange at Mountain Home Air Force Base to continue to sell major home appliances.

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