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OFFICE OF THE SECRETARY  
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SECNAVINST 5300.22C  
ASN(M&RA)/OCPM 2N

27 April 1992

SECNAV INSTRUCTION 5300.22C

From: Secretary of the Navy

Subj: NAVY AND MARINE CORPS PERSONNEL POLICY MANUAL FOR  
NONAPPROPRIATED FUND INSTRUMENTALITIES (NAFIs)

Ref: (a) DOD 1401.1-M, Subj: Personnel Policy Manual for  
Nonappropriated Fund Instrumentalities of 13 Dec 88  
(NOTAL)

Encl: (1) Subject manual

1. Purpose. To revise policies, responsibilities, and standards for administering a civilian personnel system for NAFIs. This manual is a complete revision and should be read in its entirety.

2. Cancellation. SECNAVINST 5300.22B.

3. Background. This revision is being issued to reflect changes initiated by Change 2 to reference (a).

4. Reports. SECNAV 5300-3 is assigned to the report of federal pension plan systems required by paragraph VI3 of enclosure (1). This report is approved for 3 years from the date of this instruction.

H. Lawrence Garrett, III  
Secretary of the Navy

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CHAPTER I

INTRODUCTION

1. Policy

a. The Department of the Navy (DON) conducts its relationships with its Nonappropriated Fund Instrumentality (NAFI) employees following those policies and principles set forth in the Department of Defense (DOD) Manual 1401.1-M of 13 December 1988, reference (a), and changes, other referenced DOD directives, applicable Public Law, pertinent Executive Orders, specified Office of Personnel Management (OPM) regulations, this manual, and other DON instructions. This manual supplements and is to be read in conjunction with reference (a) and changes.

b. Underlying the personnel administration program for NAFI employees is a value system which holds:

(1) Mission achievement is the overriding factor. Primary consideration must be given to the financial integrity of NAFI.

(2) Human resources are the primary NAFI resource. The DON NAFIs will recognize human dignity and individual worth and embrace the principles of equal opportunity.

(3) Personnel decisions affect other decisions. Employment, selection, promotion, and training decisions impact not only on the individuals directly affected, but also on overall morale, productivity, and, in some cases, on the success or failure of the NAFI.

(4) Training is important if employees are to perform satisfactorily.

c. Appropriated fund civilian personnel offices may provide technical advice and counsel on an ad hoc, as required basis to NAFIs without reimbursement. However, day-to-day personnel administration is authorized only when no additional incremental appropriated fund costs are incurred. This threshold is defined as the annual expenditure of more than \$500 of appropriated funds in direct labor costs. Accordingly, appropriated fund civilian personnel offices are prohibited from expending more than \$500 of appropriated funds in direct labor costs on day-to-day NAFI personnel administration, unless NAFI reimbursement is provided.

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Reimbursement will, as a minimum, be calculated at 113.9 percent of direct labor costs. Reimbursement in excess of 113.9 percent is subject to negotiation between NAFI and the civilian personnel office. The amount of reimbursement provided will be reviewed and adjusted at least annually.

2. Applicability. The provisions of this manual apply to all NAFI employees who are:

- a. U.S. citizens.
- b. U.S. nationals.
- c. Off-duty non-U.S. citizen members of the U.S. Armed Forces.
- d. Resident aliens residing in the United States, the Commonwealth of Puerto Rico, and in any of the possessions of the United States.
- e. Non-U.S. citizen dependents of U.S. citizens employed by the Federal Government and of non-U.S. citizen military members, where the host government recognizes such dependents as being a part of the United States Forces stationed in the host country.

3. Responsibilities

a. The Assistant Secretary of the Navy (Manpower and Reserve Affairs) (ASN(M&RA)) is responsible for all civilian personnel policy matters related to NAFI employees of the DON.

b. The ASN(M&RA) has designated the Deputy Assistant Secretary of the Navy (Civilian Personnel Policy/Equal Employment Opportunity) (DASN(CPP/EEO)) to act in the following matters:

(1) Review and endorse all NAFI civilian personnel policy issues forwarded to DOD.

(2) Review and comment upon all NAFI civilian personnel policy issues referred by DOD to DON.

(3) Exercise such authorities as are specified in this manual.

c. The ASN(M&RA) has designated the Director, Office of Civilian Personnel Management (OCPM), as administrator for this manual. The Director, OCPM, shall:

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(1) Maintain this manual and publish necessary revisions and amendments.

(2) Maintain oversight of the policies and programs contained in this manual.

(3) Approve or disapprove requests for exceptions to this manual.

(4) Provide advice and guidance to Heads of NAFI Headquarters Elements.

(5) Convene NAFI Civilian Personnel Policy Advisory Committee meetings.

d. Heads of NAFI Headquarters Elements will manage all NAFI civilian personnel programs within their cognizance. Heads of NAFI Headquarters Elements shall:

(1) Issue regulations to implement the programs in this manual.

(2) Give advice and guidance to the local activities and commands providing NAFI personnel services.

(3) Exercise such authorities as are specified in this manual. Except where specifically noted in this manual, all authorities and responsibilities delegated to "Heads of DOD Components" or "DOD Components" by reference (a) or successor regulations are redelegated to Heads of NAFI Headquarters Elements.

#### 4. Definitions

a. Heads of NAFI Headquarters Elements are:

(1) Commandant of the Marine Corps (CMC) for all NAFIs falling under the cognizance of the Marine Corps.

(2) Bureau of Naval Personnel (BUPERS) for all morale, welfare, and recreation activities and other NAFIs falling under the cognizance of BUPERS.

(3) Commander, Navy Exchange Service Command (NEXCOM), for all Navy Exchanges and other NAFIs falling under the cognizance of NEXCOM.

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(4) Superintendent of the Naval Academy for all NAFI personnel employed by Naval Academy NAFIs.

b. Heads of local NAFIs are designated by NAFI Headquarters Element regulation.

c. Non-U.S. Citizen Member of the U.S. Armed Forces. A citizen of a foreign country who is serving on active duty as a member of the U.S. Armed Forces. When employed in an off-duty status as a NAFI employee, such personnel shall be treated the same as U.S. citizen members of the U.S. Armed Forces who are NAFI employees.

d. Non-U.S. Citizen Dependent of a U.S. Citizen. A non-U.S. citizen NAFI employee who is a bona fide dependent of a U.S. citizen serving in a foreign area and where such dependents are recognized by the host government as being part of the U.S. Armed Forces under a Status of Forces or other agreement.

#### 5. New and Revised Programs

a. The provisions of this manual do not limit the continuance, development, implementation, and administration of personnel programs, including insurance and other employee benefits, designed for the establishment and maintenance of sound, progressive career development and management programs. However, any Head of NAFI Headquarters Element desiring to issue any regulation at variance with the provisions of this manual must obtain prior written authorization, via the appropriate chain of command, from the Director, OCPM.

b. Pilot programs that test new approaches to NAFI personnel management are encouraged. Any pilot program at variance with any part of this manual requires prior approval, via the appropriate chain of command, of DASN(CPP/EEO). The DASN (CPP/EEO) may waive policies issued by this manual, provided such waiver is not contrary to statute or DOD regulations. Heads of NAFI Headquarters Elements will notify the DASN(CPP/EEO) in writing, via the appropriate chain of command, when initiating pilot programs not at variance with any part of this manual.

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6. Implementation

a. Heads of NAFI Headquarters Elements will forward five copies of revised implementing documents to the Director, OCPM (ATTN: OCPM 02N), within 120 days of the effective date of this manual.

b. Heads of NAFI Headquarters Elements will forward five copies of any changes to the revised implementing documents to the Director, OCPM (ATTN: OCPM 02N), within 30 days of the publication or announcement of the change.

CHAPTER II

EMPLOYMENT AND PLACEMENT

1. Employment

a. Categories of Employees. Heads of NAFI Headquarters Elements shall categorize NAFI employees as:

(1) Regular Employees

(a) Regular full-time (RFT) employees serve in continuing positions on a regularly scheduled workweek of 35 hours or more.

(b) Regular part-time (RPT) employees serve in continuing positions for a minimum of 20 hours per week but fewer than 35 hours per week on a regularly scheduled basis.

(2) Flexible Employees. Flexible employees serve in either continuing or temporary positions up to 40 hours per week. The work may be scheduled in advance or may be on an as-needed intermittent basis. Flexible employees may not participate in the insurance and retirement programs, nor are they eligible for the leave program.

b. Equal Employment Opportunity (EEO)

(1) The DON EEO Program calls for a plan for affirmative action, designation of personnel to perform specific equal employment duties, discrimination complaint processing, and report procedures and requirements. Each NAFI will follow SECNAVINSTs 12720.4 and 12720.1A, Civilian Personnel Instructions (CPI) 713 and 720, and local command EEO directives. Note, however, that the provisions of paragraph I1c of this manual apply to the utilization of appropriated fund EEO personnel.

(2) Instructions on the processing and reporting of discrimination complaints are contained in CPI 713.

c. Employment of the Handicapped. The DON NAFIs will give full consideration to employment of the handicapped. Selection, placement, and promotion of handicapped individuals will be based solely on their ability to perform satisfactorily the duties of the position.

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d. Employment of Relatives

(1) Heads of NAFI Headquarters Elements will issue sufficient regulation or guidance needed to ensure compliance with the provisions of 5 U.S.C. 3110 and Chapter 310 of the Federal Personnel Manual (FPM).

(2) Heads of NAFI Headquarters Elements may prescribe regulations authorizing the temporary employment, in the event of emergencies resulting from natural disasters or similar unforeseen events or circumstances, of individuals whose employment would otherwise be prohibited by this policy.

2. Recruitment, Selection, and Placement

a. Qualification Requirements. Establishment of realistic minimum qualification requirements for any NAFI position is the responsibility of the Head of the appropriate Headquarters Element. These qualifications will be written so that the competition for the job is not restricted to any one individual.

b. Probationary periods

(1) All newly appointed regular employees will be subject to a 1-year probationary period. Separation during probation is not an adverse action.

(2) Heads of NAFI Headquarters Elements may authorize additional probationary periods of any regular employee upon appointment as a supervisor or as a manager. Action documents must reflect the imposition of such a probationary period and its duration. Demotion during a supervisory or managerial probationary period, to a position no lower in grade and pay than the one held prior to the supervisory or managerial position, is not an adverse action.

c. Transfers

(1) Voluntary Transfers between DON NAFIs

(a) Regular nonprobationary employees may transfer without loss of authorized rights, benefits, or privileges that have accrued.

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(b) Full credit for all prior regular NAFI service within DOD will be given.

(2) Transfer of Function

(a) Personal expenses incident to transfer may be authorized and reimbursed by the gaining NAFI provided those expenses have been identified and have been made a part of the offer of employment to a prospective incumbent. Those expenses may not exceed the covered expenses, rates, and allowances prescribed in the Joint Travel Regulations, Volume 2. A Transportation Agreement will be completed and made a part of the employee's personnel folder.

(b) An employee who refuses an offer of assignment incident to a transfer of function may be separated. Such a separation will be considered as a resignation if the assignment is within the commuting area. The separation will be considered an externally induced termination.

d. When a nonprobationary regular employee who has been separated from a DON NAFI because of a reduction in force is rehired by a DON NAFI within 12 months of that employee's release date, the employee will be credited with previous sick leave balance and will be eligible for any applicable benefits.

3. Employment of Spouses of Military Personnel. Heads of NAFI Headquarters Elements will submit required reports directly to the Assistant Secretary of Defense (Force Management and Personnel) with a copy to OCPM (ATTN: OCPM 02N).

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CHAPTER III

POSITION CLASSIFICATION, PAY, AND ALLOWANCES

1. Compensation

a. General Policies

(1) All compensation, except commission and piece rate, shall be paid following positional salary and wage schedules which have been published by the DOD NAF Wage Fixing Authority (WFA) or the current Universal Annual Salary Plan.

(2) Compensation for commission, tipped, and piece rate employees will be administered per Appendix V, FPM, Supplement 532-2.

(3) All changes in fixed pay rates normally are effected on the first day of the first pay period after the action is approved.

(4) Time and Attendance records must be maintained for all NAFI employees. A biweekly period is prescribed for all NAFIs except where a different pay period is specifically authorized in writing by the appropriate Headquarters Element.

(5) Advance payment of salaries or wages not yet earned shall not be made except as specifically authorized in this manual.

(6) Personal loans to employees or other personnel assigned to NAFI for duty shall not be made from NAFI funds.

(7) Established salaries and wages of NAFI civilian employees constitute the only authorized remuneration and will not be increased or supplemented by bonuses (except under special programs approved by the DASN(CPP/EEO), by gifts of cash or merchandise, or by special celebrations or parties financed by NAFIs. Expenditures of nonappropriated funds are authorized for the following purposes:

(a) Recognition and incentive programs, including awards ceremonies, authorized by Heads of NAFI Headquarters Elements.

(b) Awards and certificates.

(c) Other programs as approved by the DASN(CPP/EEO).

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(8) Upon termination of employment or when an employee enters the Armed Forces of the United States, payment shall be made in full for all monies due and unpaid, less any valid indebtedness to NAFI.

(9) Within the applicable pay plan, NAFI wage and salary policies specified here will be uniformly applied in all DON NAFIs.

b. Increased Minimum Rates, Special Pay Rates, and Special Schedules

(1) NAFI employees may be compensated on other than a time rate basis provided that:

(a) Similar jobs in comparable private sector establishments in the immediate locality are compensated on the same basis.

(b) The application of commission rates, piecework rates, or tips will result in wages comparable to those received by private sector employees in similar jobs.

(c) Within the jurisdiction of the Fair Labor Standards Act, as amended, the employee's earnings, when computed on an hourly basis, will be at least equal to federal, state, or municipal minimum wage rates, whichever is higher, for the applicable category of employment.

(d) Heads of NAFI Headquarters Elements may recommend increased minimum rates, special pay rates, and special schedules for NAFI employees. All such recommendations must be approved by ASN(M&RA). Send all recommendations via the DASN(CPP/EEO) (ATTN: OCPM 02C) prior to forwarding to the DOD Wage Fixing Authority.

(2) Employees engaged in the preparation and service of food and beverage items may be provided a "free meal" provided the meal qualifies under the Internal Revenue Service "convenience of the employer" rule. To qualify, the meal must be served on the employer's premises, the employee must be required to partake of the meal without substitution, and there is no other dining facility readily available where the employee may eat. Incumbents in the following positions are excluded from this "free meal" provision: exempt managerial personnel, administrative support/patron services personnel, drivers, warehousemen, and janitors.

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c. Student Employment Rates of Pay. In foreign areas, such employment shall be under summer and student programs and paid under a special summer and student wage schedule. The wage rates for U.S. Citizen dependent youth employed in foreign areas in programs involving full-time summer or part-time school year employment will be issued by the DOD WFA. Student employees working on second and third shifts will be paid the applicable shift differential.

d. Tips and Service Charges. Management personnel and personnel assigned administrative duties are prohibited from accepting tips or participating in receipt of distributed service charges.

e. Premium Pay. Shift differentials, holiday pay, and leave and Sunday premium pay will be paid only in those localities where it is the prevailing practice. Within those wage areas in which it has been determined by surveys conducted by the DOD WFA that one or more of these premium pays are to be paid, they will be uniformly applied in all DON NAFIs. Until such determination is made by the DOD WFA, Heads of NAfi Headquarters Elements will determine the policy to be applied.

2. Travel and Transportation. Specific exceptions exceeding the provisions of the Joint Travel Regulations may be authorized by the DASN(CPP/EEO) (ATTN: OCPM 02N) when it is in the best interests of DON. Heads of NAfi Headquarters Elements may make written application for such exceptions. Any such application must specify the reason for the exception, employees or class of employees to be covered, benefits to be gained, and total costs of exception.

3. Relocation Assistance Allowance. Relocation Assistance Allowance programs may be authorized by the DASN(CPP/EEO) (ATTN: OCPM 02N). Heads of NAfi Headquarters Elements may make written application for such programs. Any such application must specify the reason for the allowance, employees or class of employee to be covered, benefits to be gained, and total costs of the program.

4. Position Classification and Job Evaluation

a. Classification authority is delegated to the Heads of NAfi Headquarters Elements. Under the DOD Pilot Pay Band System, Heads of NAfi Headquarters Elements are responsible for placing a position in a pay level. Headquarters Elements are responsible for careful job analysis, preparation of accurate job descriptions, job evaluations, and determination of proper pay

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category for all NAFI positions:

(1) A current job description will be maintained for each NAFI position.

(2) Every NAFI employee will be given a copy of his or her job description.

b. Position Classification/Job Grading Review and Appeal Procedures. When a classification action results in a change to a lower grade or loss in pay, the employing NAFI will notify the affected employee promptly, in writing, of its decision. The notice will advise the employee of his/her right of review by the appropriate DON review authority and right of appeal to the Office of DOD NAF Personnel Policy or appropriate office of the OPM.

5. Severance Pay. Payment of severance pay will be documented on final personnel action forms and made a permanent part of the employee's official personnel folder. Such documentation will include the number of weeks authorized for severance pay and the period of service upon which severance pay is based.

CHAPTER IV

ATTENDANCE AND LEAVE

1. General Policy. Heads of NAFI Headquarters Elements will establish uniform and equitable attendance and leave policies.

a. Where Heads of NAFI Headquarters Elements have re delegated authority to authorize approval for carryover of annual leave in excess of 240 hours from 1 leave year to the next, that Headquarters Element will monitor such approvals to ensure equitable and efficient application of the delegated authority.

b. Upon separation from a NAFI, an employee who has completed 90 days as a regular employee will be paid for the accumulated annual leave credited to the employee's account.

2. Heads of NAFI Headquarters Elements will establish procedures to monitor and oversee local NAFI use of annual leave, sick leave, administrative leave, and leave without pay.

3. Heads of NAFI Headquarters Elements may establish policies governing advancement of annual leave and sick leave.

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## CHAPTER V

PERSONNEL RELATIONS AND SERVICES1. Political Activity

a. Any NAFI employee having knowledge of a violation of the regulations governing political activity by any other NAFI employee will immediately report such knowledge to the head of the local NAFI.

b. The head of the local NAFI will investigate all such reports and forward a written statement of findings and recommended disposition to the Secretary of the Navy via the appropriate Headquarters Element and the DASN(CPP/EEO).

c. The Secretary of the Navy will make the final determination as to violations of this policy.

2. Incentive Awards and Recognition Programs

a. Heads of NAFI Headquarters Elements will establish incentive awards programs which recognize employees' contributions and performance per the following:

(1) The maximum cash award which may be approved under a Headquarters Element incentive award or recognition program is \$7,500.

(2) There will be a consistently applied standard for granting cash awards which takes into consideration tangible and intangible benefits accruing to the NAFI from the employees' contributions.

(3) The program will include a means of recognizing NAFI employees' adopted beneficial suggestions.

b. NAFI employees are eligible for the following DON honorary awards:

(1) Distinguished Civilian Service Award.

(2) Superior Civilian Service Award.

(3) Meritorious Civilian Service Award.

c. Criteria and procedures for honorary awards and procedures for cash awards above the level of the NAFI Headquarters Element are specified in CPI 451.

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3. Performance Appraisal. Heads of NAFI Headquarters Elements will establish performance appraisal systems which rate regular employees' performance at least annually. Performance appraisal systems will, at a minimum, distinguish between satisfactory and unsatisfactory performance.

4. Unsatisfactory Performance

a. Heads of NAFI Headquarters Elements shall establish uniform regulations dealing with unsatisfactory performance which incorporate the following requirements:

(1) Regular nonprobationary employees shall not be terminated or be subject to any other disciplinary action based on unsatisfactory performance until given a letter of caution.

(2) A letter of caution reflects written concern by management about the unsatisfactory performance of an employee. It is a nondisciplinary, nonadverse action which is neither grievable nor appealable. A letter of caution shall not be included in the employee's Official Personnel Folder unless it is subsequently used as a basis for disciplinary action.

(3) Each letter of caution must:

(a) State the employee's performance shortcomings.

(b) State the standard of performance which must be met to achieve a satisfactory level.

(c) Set a definite trial period of reasonable duration. (During this time, the employee must demonstrate at least satisfactory performance or show sufficient substantial improvement to warrant continued employment.)

(d) State that reasonable assistance will be offered by the employee's supervisor.

(e) State that improvement must be sustained.

(f) State that failure to improve may result in demotion or removal.

(4) If, upon completion of the trial period, the employee's performance meets the standards established in the letter of caution, the employee will be notified in writing. This written notification will advise the employee that similar deficiencies in performance occurring within a specified time period established by management may result in a proposed

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disciplinary action. This proposal may be issued without the issuance of another letter of caution or establishment of another trial period.

b. Demotion or removal of a regular nonprobationary employee for unsatisfactory performance will be effected under disciplinary action procedures.

#### 5. Step Increases

a. Heads of NAFI Headquarters Elements may establish procedures which allow for the withholding of a step increase.

b. No NAFI employee with an official rating of less than Satisfactory may receive a step increase.

c. Heads of NAFI Headquarters Elements may establish regulations providing for Quality Step Increases (QSIs), i.e., a step increase in advance of the regularly scheduled step increase granted for extraordinary performance, subject to the following requirements:

(1) Only regular employees may receive QSIs.

(2) No employee may receive more than one QSI in any 52-week period.

(3) A QSI may not raise the employee's base salary above the highest level established for that grade.

#### 6. Administrative Grievance Procedure

a. NAFI employees may present their complaints and grievances to management officials for prompt and equitable consideration.

b. Heads of NAFI Headquarters Elements will establish administrative procedures for the equitable and timely resolution of employee grievances. These procedures must include:

(1) A requirement for a timely, written presentation of the grievance which must specify the relief requested by the grievant.

(2) A right of representation by a person of the employee's own choice subject to the willingness of the chosen person to serve, no conflict of interest or position, and the

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priority needs of the local NAFI. Any fees charged by the employee's representative are the responsibility of the employee.

(3) Assurance that the employee and representative will be free from restraint, coercion, discrimination, or reprisal stemming from the presentation of the grievance.

(4) A method of reviewing the grievance which will consist of one or more of the following options:

(a) Personal presentation to the official designated to decide the grievance.

(b) Personal presentation to an agent designated by the deciding official to review the grievance and submit a report of findings and, optionally, recommendations.

(c) A review of the written record by the deciding official.

(5) A final written decision by an authorized official within 90 calendar days of the filing of the grievance. The final written decision will be made by an authorized official not personally involved in the events leading to the grievance, except that this provision does not apply to the Heads of NAFI Headquarters Elements.

c. Matters excluded from this grievance procedure include:

(1) Any matter which is subject to final administrative review above the local installation command level.

(2) The content of published policy.

(3) Nonselection for promotion, except for procedural error.

(4) Termination of a temporary personnel action.

(5) An action terminating a probationary or flexible employee.

(6) Nonadoption of a suggestion or disapproval of a cash or honorary award or any award the granting of which is discretionary with management.

(7) A proposed action, notice of warning or caution, or any other prospective discretionary management action.

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(8) Alleged discrimination.

(9) Any action for which another adjudicatory procedure exists.

(10) Failure to receive a pay adjustment or the amount of a pay adjustment under the DOD Pay Banding System.

7. Disciplinary Actions. Heads of NAFI Headquarters Elements will establish consistent procedures for effecting disciplinary actions against regular employees. These procedures must include:

a. For letters of reprimand and suspensions for 30 calendar days or less:

(1) Written notice of decision which specifies the reasons for the action.

(2) Opportunity to grieve the action.

b. For demotions, terminations, and suspensions for more than 30 calendar days:

(1) Not less than 14 calendar days advance written notice specifying the reasons for the proposed action.

(2) Opportunity to reply to the proposed action. The reply must be made to the official who is to decide the action or that official's designee. If an oral reply is permitted, a summary of any oral reply will be made and appended to the official record.

(3) Opportunity to review all evidence relied upon to support the reasons for the proposal.

(4) A right to representation by a person of the employee's own choice, subject to the willingness of the chosen person to serve, no conflict of interest or position, and the priority needs of NAFI. Any fees charged by the employee's representative are the responsibility of the employee.

(5) Assurance that the employee and representative will be free from restraint, coercion, discrimination, or reprisal.

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(6) Written decision of disciplinary action which:

(a) Is delivered to the employee in advance of the effective date of the disciplinary action.

(b) Identifies which reasons were sustained and which were not sustained.

(c) Explains the rationale for the decision.

(d) Specifies the employee's right of appeal, how such appeal is to be filed, and the time limits for submission of an appeal.

(7) A written decision may not increase the penalty proposed in the advance notice.

c. An employee may be placed on emergency suspension without pay, pending disciplinary action, when retention of the employee might result in damage to or loss of property or funds, might be injurious to the employee or others, might be detrimental to the interests of the NAFI, or when there are justifiable reasons to believe that the employee is guilty of a crime for which a prison sentence may be imposed. In such cases, the employee will be provided at least 24 hours' advance notice, in a pay status, of the emergency suspension. If the final disciplinary action taken on an employee so suspended is less than removal, the employee will be paid for the time so suspended, less any loss of pay required by the disciplinary action. An emergency suspension without pay which extends for 30 calendar days or less may be grieved; one which extends for more than 30 calendar days may be appealed.

d. Heads of NAFI Headquarters Elements may establish guidelines for effecting a range of penalties for disciplinary offenses. Any such guidelines must be applied equitably throughout all local NAFIs under the cognizance of the Headquarters Element.

e. The standard of proof in deciding disciplinary actions and any grievances or appeals thereof shall be substantial evidence. Substantial evidence is defined as such relevant evidence as a reasonable mind might accept to support a conclusion.

f. An official record will be established for each disciplinary action effected. This official record will be

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maintained for a period of at least 2 years from the date of the action. The record will consist of:

- (1) The appellant's petition of appeal.
- (2) A copy of the notice of proposed disciplinary action.
- (3) A copy of the appellant's written response, if any, to the notice of proposed action.
- (4) A summary of the appellant's oral response, if any, to the notice of proposed action.
- (5) A copy of the written decision of disciplinary action.
- (6) A copy of the official document effecting the disciplinary action.
- (7) Any and all evidence relied upon in support of the disciplinary action.

8. Business-Based Actions. Heads of NAFI Headquarters Elements shall establish uniform procedures for effecting business-based actions on regular employees with a minimum of disruption to operations. Such procedures shall include:

- a. At least 14 calendar days' advance written notice of the action to be taken and the specific reasons for the action.
- b. As an exception to the 14 days' notice, a notice to the employee at least 24 hours in advance of the action is authorized when it is necessary to reduce hours of work, furlough, or separate employees due to unforeseeable circumstances such as:
  - (1) A significant reduction in the business of a NAFI because of a sudden mission change at the base or installation (e.g., a sudden deployment of personnel to another location).
  - (2) A sudden breakdown of equipment or an emergency situation requiring immediate curtailment of activities (e.g., an act of war, extreme weather conditions, etc.).
- c. The right for employees to grieve the action.
- d. When there is more than one employee in a category to be affected by a business-based action, an orderly and equitable

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procedure for determining which employees are to be affected. Such procedure shall include consideration of length of service and performance.

9. Appeals of Disciplinary Actions.

a. The procedure for appealing disciplinary actions will be a two-step process conducted under the cognizance of the Head of the NAFI Headquarters Element.

b. If an employee alleges that the action resulted from an act of discrimination, the action may be contested through the discrimination complaint procedure.

c. Heads of NAFI Headquarters Elements will establish procedures for employees to appeal appealable disciplinary actions which will include the following elements:

(1) Establishment of a two-step appeal process with the second decision level for all appeals to be the Head of the NAFI Headquarters Element.

(2) The right to one formal hearing, if the employee requests, to ascertain and consider the facts upon which the disciplinary action was taken and the reasons the employee feels the decision should be reversed. A comprehensive record of the hearing will be maintained, including the recommendation of the hearing officer on the proposed disposition of the appeal, and appended to the official record. The employee shall be given the opportunity to submit evidence and the testimony of witnesses, cross-examine witnesses, and present appropriate affidavits and depositions.

(3) The right of the employee to be represented by an individual of his or her own choosing, subject to the willingness of the chosen person to serve, the priority needs of NAFI, and no conflict of interest or position. Any fees charged by the employee's representative are the responsibility of the employee.

(4) An initial written decision within 60 days of submission of the appeal or within 60 days of completion of the hearing, if a hearing is held. The initial decision will:

(a) Identify which reasons were sustained and which were not sustained.

(b) Explain the rationale for the decision.

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(c) Specify the employee's right of appeal to the Head of the NAFI Headquarters Element, the time limits for such an appeal, and how and where such an appeal is to be filed.

(5) The standard of review shall be substantial evidence.

(6) The decision of the Head of the NAFI Headquarters Element will be issued in writing, explaining the rationale for the decision. This is the final decision on the appeal.

10. Termination during Probation. Termination during probation will be effected, in writing, and will state the reason for the termination.

11. Termination for Disability. Termination for disability extending beyond sick leave allowance is not an adverse action.

12. Employee Assistance Programs. Heads of NAFI Headquarters Elements shall establish programs to counsel employees on matters, e.g., alcohol abuse, drug abuse, etc., which impact on work performance.

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## CHAPTER VI

RETIREMENT AND INSURANCEGeneral Policy

1. Heads of NAFI Headquarters Elements will assure that their eligible NAFI employees are afforded the opportunity to participate in retirement and insurance programs meeting the requirements established in reference (a) and changes thereto. The retirement and insurance policies will be designed so as to ensure that the financial integrity of these instrumentalities, their federal status, and the public interest are given due consideration.
2. Each Head of a NAFI Headquarters Element will publish and distribute the details of the various programs under their cognizance.
3. PL 95-595 and reference (a) require an annual retirement fund review report. Information copies of the reports will be forwarded via OCPM 02N and questions directed to the DOD NAF Personnel Policy Office.

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## CHAPTER VII

PERSONNEL MANAGEMENT EVALUATION

1. Policy. Effective civilian personnel support is necessary if DON NAFIs are to operate in an effective manner. In order to determine the effectiveness of civilian support, Heads of NAFI Headquarters Elements will evaluate periodically the offices providing the support.

2. Criteria for Personnel Management Evaluation (PME) Programs

a. Civilian personnel support offices will be evaluated at least once every 60 months.

b. Heads of NAFI Headquarters Elements will develop NAFI PME methodologies consisting of onsite review, use of Inspector General audits, evaluation through automated data processing means, etc., consistent with their need for information.

c. Servicing Civilian Personnel Offices will be evaluated in the following areas:

(1) Staffing:

(a) Staffing levels are sufficient to meet the goals of NAFI following Headquarters Element guidelines and cost effective in relation to mission accomplishment.

(b) Positions are filled promptly with qualified personnel and appropriate merit staffing regulations are utilized.

(c) Management officials are satisfied with the quality of staffing services and advice provided.

(d) Selections are made following EEO principles, the NAFI Affirmative Action Plan is current, and the EEO program meets requirements of Chapter II of this instruction.

(2) Classification:

(a) Jobs are accurately classified.

(b) Management officials are satisfied with the quality of classification services and advice provided.

(3) Employee development and training:

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(a) Adequate training opportunities exist to ensure that employees can perform their duties in an efficient manner.

(b) Management officials actively support Headquarters Elements' career and executive development plans.

(4) Employee relations and benefits:

(a) Disciplinary actions are effected when necessary and are generally supported upon review.

(b) Employee grievances and appeals are handled in a timely manner per Chapter V of this instruction.

(c) Complaints of discrimination are handled in a timely manner per Chapter II of this instruction.

(d) Newly hired employees are fully advised of their retirement, insurance, and other benefits.

(e) Both management and employees are satisfied with the quality of employee relations, services and benefits advice, and assistance provided.

(f) Employees are informed of the standards of conduct on a regular basis.

(5) Labor relations:

(a) The labor-management relationship is generally healthy with few or no sustained grievances or unfair labor practice charges against management.

(b) Contract negotiations are conducted in an effective manner, preferably without third party involvement.

(c) Management is satisfied with the labor relations advice and assistance provided.

(6) Pay administration and compensation:

(a) Pay administration is effected strictly following the guidance of this instruction and other regulatory criteria.

(b) Annual leave, sick leave, and other types of leave are managed in an equitable and efficient manner.

d. Each area evaluated will be rated as Sufficient or Deficient. Heads of NAFI Headquarters Elements may add

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## CHAPTER VIII

CIVILIAN NONAPPROPRIATED FUND INSTRUMENTALITIES

1. Purpose and Scope. The policies established in this chapter govern the establishment, disestablishment, administration, and control of civilian NAFIs throughout DON.

2. Policy. The DON advocates the establishment of well-rounded morale, welfare, and recreational programs to promote the mental and physical health of its personnel and to assist in the recruitment and retention of civilian employees. To that end, civilian NAFIs may be established.

3. Responsibilities

a. Program management of DON civilian NAFIs is vested in BUPERS. Program management responsibilities include:

(1) Administration of total employee benefits program (e.g., retirement system, workers' compensation, health insurance, unemployment compensation, etc.).

(2) Maintenance of appropriate regulations and instructions.

(3) Authority to approve the establishment and disestablishment of civilian NAFIs.

(4) Supplement chain of command audits and reviews through conduct of fiscal oversight reviews and review of local audit reports of individual NAFIs.

(5) Management and control of the Navy Central Civilian Fund (i.e., BUPERS shall act as the governing board).

(6) Redistribution of NAF assets among civilian NAFIs as appropriate for their collective interests. (Note: Redistribution of civilian NAFI funds to military NAFIs, and vice versa, is prohibited.)

(7) Training of civilian NAFI employees, supervisors, and managers.

(8) Oversight, review, and evaluation of the total civilian NAFI program including operational and financial management and civilian personnel.

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additional rating levels and/or utilize other rating terms provided their rating system maintains a clear distinction between a Deficient rating and all other rating levels.

e. Headquarters Elements' implementing regulations will define the criteria for each rating level in each civilian personnel area evaluated in order to establish consistency of evaluation.

f. Each PME will consist of a written report and may include oral presentations.

g. A copy of each written PME will be provided to the Director, OCPM (ATTN: OCPM 02N), within 60 days of completion of the PME. This copy will be utilized for oversight purposes only. Correction of deficiencies will be the sole responsibility of the Heads of NAFI Headquarters Elements.

h. Heads of NAFI Headquarters Elements PME regulations will include a means of correcting deficiencies uncovered as a result of the evaluation.

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(9) Issuance of regulations supplementing this chapter to ensure the effective operation of the civilian NAFI program.

b. Program management of civilian NAFIs within the Marine Corps is vested in the CMC. Program manager responsibilities for the Marine Corps civilian NAFIs include:

(1) Administration of total employee benefits program (e.g., retirement system, workers' compensation, health insurance, unemployment compensation, etc.).

(2) Maintenance of currency of appropriate regulations and instructions.

(3) Authority to approve the establishment and disestablishment of civilian NAFIs.

(4) Conduct of audits and review of audit reports submitted by individual NAFIs.

(5) Redistribution of NAF assets among civilian NAFIs as appropriate for their collective interests. (Note: Redistribution of civilian NAFI funds to military NAFIs, and vice versa, is prohibited.)

(6) Training of civilian NAFI employees, supervisors, and managers.

(7) Oversight, review, and evaluation of total program including operational and financial management and civilian personnel.

(8) Issuance of regulations supplementing this chapter to ensure the effective operation of this civilian NAFI program.

c. Heads of activities/commands (e.g., local commanding officers) have command responsibility and authority for management of civilian NAFIs. Heads of activities and commands will:

(1) Determine the need for and supervise the operation of approved civilian NAFIs.

(2) Ensure the effective administration, financial stability, and proper use and dissolution of civilian NAFIs located at the activity.

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(3) Ensure that no official or employee receives extra remuneration for duty concerned with supervision or control of a civilian NAFI and that no official or employee accepts any gifts, privileges, or other favors from civilian NAFIGs or from concessionaires, vendors, vendees, or others doing business with, or for, a civilian NAFI.

(4) Ensure the proper administration of personnel management programs to govern the employment rights, benefits, and privileges of direct hire employees of civilian NAFIGs and conditions of employment.

(5) Ensure observance of applicable laws, Executive Orders, and regulations by concessionaires serving civilian NAFIGs.

#### 4. Authorized Activities and Exclusions

a. The following types of civilian NAFIGs are authorized:

(1) Civilian food service activities. NAFIGs in this category are authorized for the operation of approved food and related services and facilities primarily for the use of civilian employees of Navy activities or Marine Corps commands.

(2) Civilian welfare activities. These activities are authorized for the conduct of approved welfare functions and services which will promote the morale and well-being of all employees of the activity or command.

(3) Civilian recreation activities. These activities are authorized for the conduct of approved recreational and leisure time programs, events, facilities, and services for all employees of the activity or command.

(4) Civilian miscellaneous activities. In unusual circumstances, a need may exist for special facilities and services not provided for under the categories listed above. In these instances, the establishment of such a civilian NAFI requires the prior approval of BUPERS or CMC, as appropriate.

b. Exclusions. The following types of activities are not civilian NAFIGs or instrumentalities of the Federal Government and, hence, not subject to this chapter.

(1) Voluntary associations of individuals. Such associations, and their funds, organized by and for groups of employees for fraternal, charitable, religious, and other objectives, but not specifically authorized under this chapter, are not civilian NAFIGs.

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(2) Personnel service organizations. Some activities authorized by statute or DON regulations are not civilian NAFIs. These include credit unions, banking facilities, American National Red Cross, Navy Relief Society, and recognized employee groups and unions.

(3) Informal employee groups. Intra-office or activity/command groups of employees established solely for the purpose of providing flowers or gifts on such occasions as illness, marriage, retirement, or death or informal coffee messes are not civilian NAFIs.

#### 5. Operating Principles

a. Employees paid from appropriated funds will not be used in operating civilian NAFIs during the official working day, except that incidental time of such employees may be used in limited welfare operations, provided such functions do not interfere with regularly assigned duties. Command and control functions, e.g., participation in a civilian NAfi governing board or council, are not operational functions; therefore, appropriated fund employees may be utilized in such functions.

b. Civilian NAFIs may not purchase real estate in their own name, that of DON, or that of the activity or command.

c. Activity heads/heads of commands (e.g., local commanding officers) may authorize the use of space and furnishings and equipment for operation of civilian NAFIs. Maintenance and repair of space, furnishings, and equipment so authorized will be provided from appropriated funds.

d. Personnel responsible for the custody of funds of civilian NAFIs will be bonded. Payments for these bonds will be made from nonappropriated funds.

e. Audits of civilian NAFIs will be conducted at least annually by local commands. Copies of all audits will be provided to BUPERS or CMC, as appropriate.

f. Incentive or honorary cash awards may be granted only to NAF employees of the individual civilian NAFIs. Civilian NAfi funds may not be expended on awards for appropriated fund employees.