

**Army Regulation 215-7**

**Morale, Welfare, and Recreation**

**Civilian  
Nonappropriated  
Funds and Morale,  
Welfare, and  
Recreation  
Activities**

**Headquarters  
Department of the Army  
Washington, DC  
26 January 2001**

**UNCLASSIFIED**

# ***SUMMARY of CHANGE***

AR 215-7

Civilian Nonappropriated Funds and Morale, Welfare, and Recreation Activities

This regulation--

- o Replaces the joint Army Regulation 215-7/AFR 176-14 due to the dissolution of the Army and Air Force Civilian Welfare Fund.
- o Incorporates the charter of the Army Civilian Welfare Fund, the Army successor to the Army and Air Force Civilian Welfare Fund.
- o Incorporates recent Army and Department of Defense nonappropriated fund instrumentality and morale, welfare, and recreation policy guidance (para 1-13).
- o Issues current guidance of the Army Civilian Welfare Fund Board of Directors (para 1-8).
- o Clarifies guidance for nonappropriated fund instrumentality governing councils (para 1-9).
- o Requires that all civilian nonappropriated fund instrumentalities budget for positive cash flow (para 4-11b).
- o Affirms that all civilian nonappropriated fund instrumentalities must utilize centralized nonappropriated fund accounting and reporting services (para 2-7b).
- o Modifies the terms of the employee emergency loan program (para 2-18).
- o Revises the regular and special dividend distribution policy (para 4-14).
- o Requires all dividend payments made to the Army Civilian Welfare Fund be made electronically (para 4-14f).
- o Clarifies Civilian Welfare Fund authorized and unauthorized programs and activities (para 5-5).
- o Modifies financial planning objectives (para 4-11).
- o Clarifies the relationship between Category C activities and Category II and IV activities (para 1-5b(3)).
- o Adds a section on management controls (app B).

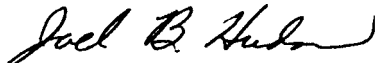
Morale, Welfare, and Recreation

Civilian Nonappropriated Funds and Morale, Welfare, and Recreation Activities

By Order of the Secretary of the Army: guidance relating to support of nonappropriated fund instrumentalities and morale, welfare, and recreation activities.

ERIC K. SHINSEKI  
General, United States Army  
Chief of Staff

Official:

  
JOEL B. HUDSON  
Administrative Assistant to the  
Secretary of the Army

**History.** This printing publishes a revision. Because the publication has been extensively revised, the changed portions have not been highlighted.

**Summary.** This regulation governs the management of nonappropriated fund instrumentalities and morale, welfare, and recreation activities for civilian employees. It implements DODD 1015.8 and DOD 1015.8-R. It also implements those portions of DODD 1015.1, DODD 1015.2, DODD 1015.4, DODD 1015.6, and DODI 7000.12 that pertain to civilian nonappropriated fund instrumentalities and morale, welfare, and recreation activities. It administratively applies and adapts as necessary, Department of the Army

**Applicability.** This regulation applies to those commands and installations of the active Army and Defense agencies that have established, or may establish, civilian nonappropriated fund instrumentalities and morale, welfare, and recreation activities. It does not apply to the Army National Guard of the United States or the U.S. Army Reserve. During mobilization, procedures in this publication may be modified to support policy changes, as necessary.

**Proponent and exception authority.** The proponent of this regulation is the Assistant Secretary of the Army (Manpower and Reserve Affairs). The proponent has the authority to approve exceptions to this regulation that are consistent with controlling law and regulation. Proponents may delegate this approval authority in writing to a division chief within the proponent agency in the grade of colonel or the civilian equivalent.

**Army management control process.** This regulation contains management control provisions, but does not identify key

management controls that must be evaluated. Nonappropriated fund instrumentalities governed by Army regulations are subject to the requirements of AR 11-2.

**Supplementation.** This regulation may be supplemented at major command and installation level. One copy of each supplement will be furnished the Board of Directors, Army Civilian Welfare Fund, 21 Army Pentagon, Washington DC 20310-0021 and to the next higher headquarters.

**Suggested Improvements.** Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) directly to the Chairperson, Board of Directors, Army Civilian Welfare Fund, 21 Army Pentagon, Washington, DC 20310-0021. Defense Agency users are invited to send comments and suggested improvements by memorandum.

**Distribution.** Distribution of this publication is available in electronic media only and is intended for command levels A, B, C, D, and E for Active Army.

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## **Glossary**

# Chapter 1 Introduction

## Section I General

### 1-1. Purpose

This regulation prescribes policies and procedures that govern establishing, operating, controlling, and dissolving Department of Defense (DOD) and Army civilian nonappropriated fund instrumentalities (NAFIs). Civilian NAFIs are a function of the Department of the Army (DA) that financially support morale, welfare, and recreation (MWR) programs dedicated for DOD employees, as authorized by DOD Directive (DODD) 1015.1, DOD Instruction (DODI) 1015.2, and DODD 1015.8. These programs and activities provide employee food and other resale, recreation, and welfare services, thereby enhancing the quality of worklife at DOD installations.

### 1-2. References

Required and related publications and referenced forms are listed in appendix A.

### 1-3. Explanation of abbreviations and terms

Abbreviations and special terms used in this regulation are explained in the glossary.

### 1-4. Responsibilities

*a. Assistant Secretary of the Army (Manpower and Reserve Affairs) (ASA(M&RA)).* Pursuant to DA General Order 12, 30 August 1995, the (ASA(M&RA)) will exercise authority over Army and member Defense agency civilian NAFIs and civilian nonappropriated funds (NAFs).

*b. Board of Directors, Army Civilian Welfare Fund.* The Deputy Assistant Secretary of the Army (DASA) (Civilian Personnel Policy)(CPP) (DASA CPP) will act on behalf of the ASA(M&RA) as the Board of Directors, Army Civilian Welfare Fund (BDACWF) chairperson to—

(1) Supervise the administration and operation of the Army Civilian Welfare Fund (ACWF) and all Army and DOD Agency civilian NAFIs as a function of the DA. (See para 1-5.)

(2) Approve the establishment and disestablishment of civilian NAFIs.

(3) Establish policies for the administration and control of civilian NAFIs and MWR activities.

*c. Major commanders.* These commanders will—

(1) Supervise the establishment, administration, operation, and dissolution of civilian MWR programs along with supporting civilian NAFIs.

(2) Ensure sound financial operation of civilian NAFIs, and compliance with regulations and directives cited throughout this regulation.

(3) Make recommendations to the BDACWF relating to the civilian MWR/NAFI programs, including requests for grants or loans and budgeted project priorities.

(4) Appraise the adequacy of command installation facilities and services provided for civilian employees, in relation to the objectives of civilian personnel management, and take appropriate action. (See *c* below.)

(5) Advise and assist in the development of NAFI budgets. Review budgets for capability to achieve planned financial objectives. (See para 2-6.)

(6) Review financial statements and take follow-up action, as required, particularly when budget objectives have not been met and/or the financial condition of the NAFI is poor. Ensure accuracy in the computations of dividend distributions to the installation civilian welfare funds (CWFs) and the ACWF.

*d. Installation commanders.* The civilian MWR/NAFI responsibilities are executed within an installation's organizational and functional alignments. Authority may be delegated according to assigned responsibilities.

(1) Conduct a survey at least triennially (in accordance with para 1-13) to determine the need for employee services, MWR activities, and supporting civilian NAFIs. In determining these needs, give particular attention to the following:

(a) Employee requirements in relation to work area locations, working conditions, and work performance.

(b) Existence, adequacy, and use eligibility and priority of comparable MWR facilities, services, and activities either on the installation or in reasonably available adjacent communities.

(c) Employee interest in managing the activities, including volunteer help and leadership.

(d) Fulfillment of the DOD criteria for a NAFI, as described in paragraph 1-7.

(e) Other factors pertinent to the needs and interests of the installation's Federal civilian work force.

(2) Identify installation buildings and areas occupied predominantly by civilian employees. Initiate requests to establish Category II PR activities and/or vending services in locations where feasible.

(3) Supervise the establishment and operation of approved Category II and IV activities, services, and facilities along with supporting NAFIs to enhance civilian employee morale and efficiency.

(4) Provide authorized support from appropriated fund (APF) resources to civilian MWR programs to the greatest extent possible. Authorized support is delineated in AR 215-1 and includes, but is not limited to, available and useable surplus or excess Government facilities or equipment. For APF support, consider civilian NAFIs Category C activities.

(5) Appoint and properly orient civilian NAFI custodians. Provide for the appointment or election of civilian NAFI governing councils. Approve or otherwise act on minutes of council meetings.

(6) Ensure efficient administration, financial stability, and proper use of civilian NAFI resources.

(7) Establish proper safeguards to ensure that no official or employee receives extra compensation for supervising, controlling, operating, or providing assistance to a civilian NAFI or MWR activity. Ensure that no official or employee accepts any gifts, privileges, or perquisites (other than authorized awards and prizes) from a civilian NAFI or from vendors, vendees, or others dealing with a civilian NAFI.

(8) Implement the patronage priorities outlined in paragraphs 4-9 and 5-6.

(9) Approve concessionaire contracts and initiate renewal or other action at the appropriate time.

*e. Civilian personnel directors/officers at all levels.* The responsibilities that follow are in the nature of assisting, coordinating, and monitoring, rather than operating, MWR programs. They are compatible with enhancing the quality of worklife for civilian employees as outlined in DA Pamphlet 690-37.

(1) Major command Directors of Civilian Personnel will—

(a) Ensure that patron interest surveys of civilian employee MWR program needs and interests are conducted in accordance with paragraph 1-13.

(b) In conjunction with these surveys, ensure and assist, as required, in establishing or reviewing for continuance civilian employee MWR programs at command installations.

(c) Act on or coordinate, as appropriate, civilian MWR program and NAFI matters that concern the major commander and staff, including emergency preparedness planning and participation.

(2) Civilian Personnel Advisory Center (CPAC) Directors will—

(a) Provide the commander staff assistance and support in implementing this regulation.

(b) Assist in establishing Federal civilian employee MWR programs with adequate supporting NAFI resources, where justified and viable, to attract and retain a motivated, effective work force. (See paras 1-5 and 1-13.)

(c) Conduct or participate in the triennial survey that evaluates the needs, desires, and attitudes of the civilian employee work force, and establish or continue civilian MWR programs, employee services, and MWR facilities, as required.

(d) Act on or coordinate civilian MWR program and civilian NAFI matters that relate to the installation, including emergency preparedness planning and participation, as required.

(e) Advise and assist the commander to ensure that the command fulfills its obligations to bargain and consult with applicable labor organizations in accordance with the Federal Service Labor-Management Relations Statute, sections 7101-7135, title 5, United States Code (5 USC 7101-7135), and any applicable collective bargaining agreements.

*f. Custodians.* Custodians have a combination of fiduciary and administrative responsibilities. In addition to the following, further specific guidance for custodians is in paragraph 1-10. General guidance is also found throughout this regulation. Custodians are termed fund managers at Army installations in military NAFIs.

(1) In their fiduciary capacity, custodians will—

(a) Receive, safeguard, disburse, account for, and otherwise administer the financial affairs of the fund.

(b) Prepare, authenticate, and interpret fund financial statements; alternatively, review and interpret statements prepared by the central accounting office.

(c) Prepare and secure approval of all required budgets.

(d) Monitor budgets and financial performance for compliance during the operating fiscal year (FY), and ensure adjustments are made, as required.

(2) In their administrative capacity, custodians will—

(a) Serve on the governing council without vote.

(b) Assist the chairperson to prepare for and conduct council meetings.

(c) Implement, or ensure implementation of, approved council actions.

(d) Secure council approval, organize, and manage a support office, as required.

(3) Custodians will maintain major responsibility for the administration of the NAFI. When using centralized accounting, personnel, or procurement services, each custodian will—

(a) Initiate and define the requirements for service, and ensure acceptable standards of quality for services received.

(b) Supervise or ensure proper supervision and administration of the NAFI work force.

(c) Provide basic documentation for accounting, disbursing, or other transactions, as applicable.

(d) Approve future purchases by the servicing NAF contracting officer. Alternatively, contract only within the authority and limits prescribed in AR 215-1 and AR 215-4.

(e) Review and authenticate for accuracy documents prepared by a servicing office. Physical inaccessibility of the servicing office may not permit review and authentication prior to document finalization, for example, personnel or



payroll actions. Custodians will review finalized documents on receipt and take any appropriate action with the servicing office.

## **Section II**

### **Authorization, Establishment, and Relationships of Nonappropriated Fund Instrumentalities**

#### **1–5. Civilian nonappropriated fund instrumentalities authorized**

*a. Establishment of nonappropriated fund instrumentalities for the financial support of civilian employee MWR activities.* As cited in paragraph 1–4a, the supervision and control of civilian DA and DOD agency nonappropriated funds (NAFS) is delegated to the BDACWF. In accordance with DODD 1015.1, each civilian NAF entity is administered by a civilian NAFI and is *an integral DOD organizational entity that performs an essential Government function*. The BDACWF exercises supervision and control for the DA and DOD Agencies over civilian NAFIs through major commands and installation commanders, whose responsibilities are delineated in paragraph 1–4b and *c*.

*b. Authorized nonappropriated fund instrumentalities.* The civilian NAFIs listed below are authorized by DA and are subject to the specific provisions of this regulation and the other regulations made applicable herein.

(1) *Army civilian welfare fund nonappropriated fund instrumentality.* The ACWF NAFI is a Category IV NAFI and is the central civilian NAFI at departmental level. It is a DA NAFI governed by the BDACWF. Functions of the central successor fund are as follows:

(a) Assets of dissolved civilian NAFIs are deposited in the ACWF.

(b) Liabilities of those being disestablished are paid through the ACWF.

(c) Financial assistance and services to civilian NAFIs are provided within the ACWF's financial capabilities. The ACWF will be administered in accordance with chapter 3 and other applicable provisions of this regulation.

(2) *Post restaurant fund nonappropriated fund instrumentality.* Within the standard DOD NAFI classification system, post restaurant fund (PRF) NAFIs are a type of Category II NAFI. Approved goods and services are sold to Federal employees and other authorized personnel on the installation; and financial support is provided to Category IV civilian NAFIs. For APF support and base realignment and closure (BRAC), consider Category II NAFIs Category C activities.

(3) *Post civilian welfare fund nonappropriated fund instrumentality.* Within the standard DOD NAFI classification system, CWFs are Category IV civilian NAFIs. CWFs receive income from the PR and in turn provide financial assistance to approved employee MWR programs and facilities. For APF support and BRAC, consider Category IV NAFIs Category C activities.

*c. Consolidation not authorized.* DOD 1015.8–R requires that the financial integrity of Categories II and IV civilian NAFIs be maintained, once established. Civilian NAFIs will not be consolidated with one another or combined with other NAFIs.

#### **1–6. Relationships within Department of Defense**

All Army installations and activities inside the 50 United States, except as provided in *b* below, must comply with this regulation. With the agreement of the agencies concerned and in accordance with DODD 1015.8, this regulation also governs civilian NAFIs of the Defense Contract Audit Agency, the Defense Finance and Accounting Service (DFAS), the Defense Intelligence Agency, the Defense Logistics Agency (DLA), the Defense Special Weapons Agency, the National Imagery & Mapping Agency, the National Security Agency, and the Uniformed Services University of the Health Sciences. Major commanders outside the 50 United States may address inquiries regarding the establishment of a civilian NAFI within their command jurisdiction to the BDACWF.

*a. Department of the Army regulations.* References to Army regulations herein are applicable to civilian NAFIs on installations of the Army and the Defense agencies.

*b. Exclusions.*

(1) This regulation does not apply to departmental level NAFIs that obtain their income from resale activities operated under the immediate supervision and control of the Office of the Secretary of Defense (OSD) and the Office of the Secretary of the Army (OSA). Such NAFs are administered under separate guidance issued by those offices.

(2) Also excluded from this regulation are the following:

(a) Funds established for contractors' employees at contractor-operated installations. Within the contract terms, DOD civilian employees at these installations or at commercial activity (CA) locations may be authorized to participate in contractor employee programs.

(b) Activities and funds pertaining to civilian employees' individual personal choices, such as charity drives, hospitalization insurance collections, and mutual heir or death benefit associations.

(c) Private organizations (POs) permitted to operate on the installation will not duplicate or compete with civilian NAFIs. However, POs may be considered alternatives to establishing or maintaining small civilian NAFI's.

#### **1–7. Establishment, continuance, and disestablishment of nonappropriated fund instrumentalities**

Civilian NAFIs are established and disestablished by the installation commander when approved by the major

command and the BDACWF. Because of the complementary financial relationship between the two categories of civilian NAFIs, requests for establishment will be submitted for both PRF and CWF NAFIs and acted on simultaneously. Requests to establish a Category IV NAFI without a continuous and dependable source of Category II PRF NAFI income will normally not be approved. Only one Category II PRF NAFI and one Category IV CWF NAFI will be established on an installation. However, each NAFI may financially support more than one civilian MWR facility, activity, or outlet. Since civilian NAFIs are established and administered by the authority of this regulation, charters, constitutions and/or bylaws are not required. However, local procedures and operating instructions that do not conflict with this regulation may be published.

*a. Department of Defense criteria for establishing a nonappropriated fund instrumentality.*

(1) Prior to establishing a NAFI, DODD 1015.1 requires that the establishing authority will—

(a) Determine that there is a need for a separate fiscal entity to support an MWR activity.

(b) Ensure that the protection and immunities accorded an instrumentality of the U.S. Government are necessary.

(c) Ensure that no prohibition by or conflict with Federal statutes or applicable Federal regulations exists.

(2) Civilian NAFIs approved by the BDACWF for establishment or continuance following the triennial survey (para 1–13) will be considered to have met the criteria in (1) above.

*b. Criteria for establishing a civilian nonappropriated fund instrumentality.* Requests to establish a NAFI will be addressed to the BDACWF through the responsible MACOM or Defense agency and will include the following information:

(1) Number of persons employed or on duty at the installation by grouping (that is, APF civilian employees; NAFI employees; military personnel; employees of tenant Federal agencies; contractor employees; and all others).

(2) Number of persons, by groupings, for whom the services are required if different from (1) above (for example, military personnel may be included in the justification only if no military MWR program exists on the installation). Also furnish this information for a building or area of the installation if Category II PR resale activities are to be so concentrated.

(3) Number of persons included in (2) above who reside on the installation.

(4) Space criteria allowances; availability of facility space and surplus Government equipment; estimate of APF support authorized and budgeted for the current fiscal year (FY) and the first full FY following.

(5) Proposed MWR facilities and services together with a complete list of products or items to be sold and the proposed estimated prices on which financial projections are based. Cite the proposed method of operation (see para 4–7).

(6) Need for financial assistance through loan or grant. Substantiate financial viability by first and second year budgets, then forward both the annual operating budgets (AOBs) and the capital expenditure budgets (CEBs). The BDACWF may be consulted in advance, particularly for any financial projections necessary to prepare the request. (See para 2–17d.)

(7) Availability, adequacy, and accessibility of similar installation and off-base facilities and services and feasibility of their use by patrons of the proposed MWR activity.

(8) Complaints, if any, anticipated from off-base businesses of alleged unfair competition of resale activities.

(9) Any additional information supporting the request. This may include customary practices of private employers in competing labor market areas, unusual employee recruitment problems that the request is expected to alleviate, or other employee morale considerations.

*c. Criteria for continuance.*

(1) Installation roles and missions change, thus affecting personnel demographics. Numbers, physical locations, and composition within civilian employee and military groupings may affect the patron base and thus the financial health of established civilian NAFIs. The two principal criteria for continuance of a NAFI within essentially the same scope of MWR activities are—

(a) A continuing MWR program need to serve the authorized patrons listed in paragraphs 4–9 and 5–6 exists.

(b) The NAFI is projected to remain financially viable and capable of fulfilling both its financial and MWR program commitments.

(2) If the broad criteria in (1) above are satisfied, the criteria for initial establishment are assumed to have been substantially fulfilled and need not be re-justified.

*d. Expansion of approved activities.* Facilities and services for future operation, in addition to those already approved, may be requested in accordance with the guidance in *c* above.

*e. Triennial survey requirement.* All NAFIs, in conjunction with the survey of MWR activities, must be reviewed not less than every 3 years. The reason for this review is to assess the need for continuance and the qualification within the guidance of *c* above. (Also, see paras 1–4 and 1–13.)

*f. Disestablishment and dissolution of nonappropriated fund instrumentalities.*

(1) Disestablishment authority has the same limits as establishment authority. For civilian employee NAFIs, this authority is the BDACWF. The authority to disestablish the NAFI and dissolve the NAF assets will normally be

exercised when direction from higher authority is given, when the DOD criteria for a NAFI can no longer be met, and/or because the financial viability of the NAFI cannot be sustained.

(2) When disestablishment of a civilian NAFI is contemplated, installation commanders, through the custodian and governing body, will take action to ensure against the dissipation of assets, unnecessary expenditures, and other wasteful actions. Disbursements will be limited to the most essential expenses; all future commitments will be cancelled; and contractual agreements phased out, cancelled, or renegotiated, as appropriate. The objective is to conserve the assets of the NAFI at this time to ensure continued use, when feasible, by other civilian NAFIs within the parent command, component, or the civilian NAFI system. During disestablishment, applicable portions of AR 215-1 will be followed. The following disestablishment and dissolution actions will be taken at the appropriate time.

(a) Notify the responsible MACOM and the BDACWF of the actions and proposed dates.

(b) Act on employee terminations or transfers in accordance with applicable NAFI personnel procedures.

(c) Collect all receivables.

(d) Liquidate outstanding obligations in an orderly manner.

(e) Redistribute or dispose of property in accordance with paragraph 2-25.

(f) Perform a terminal audit (see para 2-11.)

g. *Control of nonappropriated fund instrumentality assets.* When dissolution occurs because the installation is converted to a contracted operation, no civilian NAFI assets will be transferred to the APF property accounts or used by the contractor without the advance concurrence of the MACOM and approval of the BDACWF. Such concurrence and approval for transfer of assets will not be given where the predominant work force will be contractor employees. Priority for redistribution of civilian NAFI assets that result from conversion to contractor operations will be the continuance and strengthening of civilian NAFIs at other locations for the benefit of Federal employees.

h. *Residual assets and terminal audits.* Upon completion of all disestablishment and dissolution actions, residual NAFI cash assets will be forwarded directly to the BDACWF together with an information copy of the required terminal audit of the NAFI. Action copies of terminal audits are forwarded through command channels.

### **Section III**

#### **Organization of Nonappropriated Fund Instrumentality Governing Bodies**

##### **1-8. Board of Directors, Army Civilian Welfare Fund**

a. The board, which functions as a governing body, will be comprised of the following members:

(1) Chairperson—Deputy Assistant Secretary of the Army, Civilian Personnel Policy.

(2) Board member—Administrative Assistant to the Secretary of the Army.

(3) Board member—Deputy Chief of Staff for Personnel, U.S. Army Materiel Command.

(4) Board member—The Director for Personnel and Security, Washington Headquarters Services, representing the member Defense agencies.

b. The representatives in *a* above, as principal board members, will be designated by the Secretary of the Army. An alternate may be designated for each principal member. When possible, permanent alternates should be selected.

c. In the absence of the chairperson, his/her alternate will serve as the acting chairperson. The chairperson is authorized to use the command line of the Secretary of the Army in the execution of chair duties. The DASA (CPP) is also the proponent for civilian MWR and NAFI matters.

d. The BDACWF will report and make recommendations to the ASA (M&RA) pursuant to the ASA (M&RA)'s authority under Department of the Army General Order 12, 30 August 1995 and Successor General Orders; will supervise the administration and operation of the ACWF; and will execute regulatory authority over Army and member Defense agency civilian NAFIs and civilian NAFs. The DASA (CPP) will act on behalf of the ASA (M&RA) with respect to the ACWF.

e. The board may appoint an executive secretary to serve as the custodian in administering the ACWF and to act as the civilian employee MWR program manager. A board office will perform secretariat and other assigned duties and will be maintained in accordance with paragraph 3-4.

f. Meetings of the board will be held upon the call of the chairperson. Any member of the board may request the chairperson to call a meeting. A quorum of three voting members is required to conduct board business.

##### **1-9. Civilian nonappropriated fund instrumentality governing councils**

a. A governing council of at least 5 but not more than 11 voting members who are Federal civilian employees will be established for each civilian NAFI. At the discretion of the installation commander, members may be elected, appointed, or a combination thereof. The composition of the council will be a representative cross-section of the Federal employee work force, to include all grades, with actual or potential qualifications and an interest to assist in NAFI or MWR management.

(1) Civilian NAFI councils will meet at least quarterly, except that Category II councils for PRFs engaged in direct

operations will meet monthly. (See para 4–7.) Attendance of not less than a simple majority of the voting membership is required to constitute a quorum.

(2) The council will choose a chairperson and a recorder from its voting membership. Alternatively, the custodian may serve as the recorder without vote.

(3) Councils may be augmented by nonvoting attendees with special expertise such as legal, procurement, or financial management.

(4) As governing bodies, civilian NAFI councils are responsible to the installation commander for the overall management of civilian MWR programs and the supporting NAFI.

(5) Councils may provide statements of work performance to the rating supervisor of a NAFI employee hired as custodian and/or MWR program manager. (See para 1–10*a*.)

*b.* Department of Defense Instruction 1015.2 provides that Category IV civilian MWR activities are authorized to meet the program needs of military personnel where military MWR activities are not available. When civilian NAFI resources are required to support both civilian and military MWR programs, a minimum of one military member will be appointed to serve on the PRF and CWF NAFI councils. When Federal civilian employees comprise a majority of the council membership, additional military members may be appointed in some direct proportion of the installation military population to the Federal work force of APF and NAFI employees.

*c.* A single combined civilian NAFI council, in lieu of separate councils, requires the approval of the BDACWF. Under a combined council, the Category II and IV NAFIs will remain as separate fiscal instrumentalities but may have a common custodian.

(1) The council agenda will be divided into two parts to more efficiently transact the business of each fund separately; however, only one set of minutes is required.

(2) Separate PRF and CWF committees of the council may also be established.

*d.* No governing council member will receive compensation for performing council duties. (Also see para 1–12*f*.)

*e.* No person charged with the audit or inspection of a NAFI will serve as a member of a civilian NAFI governing council.

*f.* Since NAFI governing councils are organized to conduct the affairs of an official instrumentality of the United States, meetings are authorized during the members' normal duty hours. Between meetings, council members will be kept informed on matters that the chairperson deems sufficiently important, such as summary financial information. However, upon completion by the servicing accounting office, the custodian and the chairperson will review all monthly financial statements.

*g.* Councils may be organized into committees for specific purposes, such as inventory, organized sports, or social activities. Such committees assist in carrying out certain NAFI management functions or provide liaison and representation with MWR program participants. The council will consider committee reports and recommendations; council decisions will govern.

*h.* A civilian NAFI council record of proceedings of will consist of the following:

(1) Minutes of each meeting, signed by the recorder and countersigned by the chairperson. Written approval and records of other actions by the responsible commander become a part of the minutes. Minutes will be reviewed at the next convened council meeting.

(2) Documentation to the minutes in the agenda and back-up items.

*i.* Following commander approval, copies of approved minutes will be furnished promptly to the appropriate major Army command (MACOM), the BDACWF, Central Accounting Office (CAO) and applicable installation activities, such as the civilian personnel office (CPO) or NAF contracting office.

*j.* When all Category II PRF operations are solely concessionaire-operated and the PRF owns no fixed assets nor has other income and expenses, requests for exception to having a council may be submitted to the BDACWF for consideration. (Also see para 4–17 for commission fee checks.)

#### **1–10. Civilian nonappropriated fund instrumentality custodians**

*a.* Each civilian NAFI will be administered by a custodian who will follow the guidance contained or referenced herein or furnished by the governing council. The installation commander will appoint the custodian. Custodians will normally be civilian employees (APF or NAF) who have a working knowledge of accounting principles and are capable of managing funds. One person may be appointed as custodian of both civilian NAFIs, but may not serve as custodian, agent, officer, or assistant of any other installation NAFI. If an officer or warrant officer is appointed restaurant officer as an additional duty, he or she may also be appointed as custodian. However, the two duties should be separated. If sufficient NAFs are available and if not otherwise prohibited by paragraph *b* above, a NAFI employee may be hired for custodial duties.

*b.* The Dual Compensation Act prohibits individuals from receiving basic pay from more than one position, whether APF or NAF, for more than an aggregate of 40 hours of work in one calendar week (Sunday through Saturday). (See 5 USC 5533(a) and AR 215–3). Civilian NAFI custodial duties may be assigned within an employee's position description. Civilian NAFI custodians may not be paid from NAFs for custodial duties that are in addition to the duties

for which pay is received as a full-time civilian employee of the United States Government or an instrumentality thereof.

*c.* Personnel charged with the audit or inspection of NAFIs, or whose duties entail the disbursement of public funds, will not be appointed custodian or assist in custodial duties.

*d.* The duties of a custodian are necessarily altered by the NAFI's participation in centralized accounting, disbursing, banking, and investing programs. (See para 1–4*f*.) These common services are provided through the Army CAO. More detail on the relationship of civilian NAFIs to the functions of the CAO is provided in DOD 7000.14–R.

*e.* An assistant custodian who meets the criteria above may be appointed by the installation commander to assist the custodian in the performance of certain functions on a continuing basis. An assistant custodian will not perform all the custodian's duties nor assume overall responsibility for the NAFI unless—

(1) The custodian is absent for more than 30 but not more than 60 days.

(2) An interim period occurs between the departure of an incumbent and the arrival of the replacement custodian.

*f.* If an assistant custodian has not been appointed, an acting or interim custodian will be appointed by the installation commander to act during temporary absences of the custodian, not to exceed 60 days.

*g.* Persons appointed to act for the custodian in accordance with *e* and *f* above will assume accountability for negotiable assets, cash equivalent assets, and property when the custodian will be absent for more than 30 days, but not more than 60 days. However, accountability for cash will be assumed on appointment.

*h.* Installation commanders will appoint successor custodians at the earliest practicable date, preferably on an overlap basis but no later than 60 days after the incumbent's departure. For economy and efficiency, changes of custodians should occur at the end of an accounting period. Assets will be transferred in accordance with paragraph 2–12.

*i.* Fidelity bonding at Army or Defense agency locations for custodians and other NAFI positions requiring a bond will be in accordance with AR 215–1.

## **Section IV**

### **Principles, Policies, and Programs**

#### **1–11. Operating principles**

*a. Federal instrumentality status.* The services, activities, and facilities provided through civilian MWR programs and NAFIs are integral functions of the DA. As Federal instrumentalities, Army and DOD agency civilian NAFIs are controlled and supervised by the Secretary of the Army. These NAFIs assist in fulfilling the duties entrusted to the Secretary of the Army and, except as otherwise specified, share in whatever immunities the department may have under the Constitution and Federal statutes.

*b. Controls and supervision.* The operation and administration of civilian NAFIs are exercised through command channels. In accordance with DOD policy, overall managerial control and supervision is exercised through executive control and essential command supervision (ECECS).

*c. Federal civilian employees to benefit.* Civilian employee MWR programs and activities, coupled with their supporting NAFI resources, are established and operated to serve the needs and interests of all Federal employees on DOD installations. MWR/NAFI programs are also intended to contribute to the recruitment and retention of the civilian work force. Employee benefits are derived through participation in civilian MWR programs. The individuals served, the installation on which located, and the MACOM will not have any proprietary interest in the funds, their assets, or their income. Civilian NAFIs will not engage in fundraising efforts or make contributions for charitable causes.

*d. Limits of control and individual responsibility.* The control and supervision of DOD NAFIs at all organizational levels entails a system of administration not comparable to operations in the private sector. The standards of conduct, prescribed in DOD 5500.7–R, required of Federal employees, including NAFI employees, are directed toward the elimination of fraud, waste, and abuse. Implementation of these standards by NAFIs limits an individual's responsibilities, such as in NAF purchasing or in NAF accounting transactions. Internal controls stress the interdependence of financial transaction steps that are built on the checks and balances inherent in NAF accounting systems. These characteristics of the NAFI system must be fully understood in the implementation of this and other applicable regulations, particularly in the resale operations of the Category II PRF NAFIs.

*e. Overall management standards.* Civilian NAFI operating policies and procedures are based on public laws, OSD issuances, BDACWF guidance, and certain directive material issued by DA, as made applicable by the board. These published standards are designed to maintain integrity and contribute to effective and efficient management. Such management standards are also intended to achieve economy in the use of resources and equitability in providing needed MWR programs for the Federal civilian work force.

*f. Health and fitness programs.* Employee participation in health and fitness activities, conducted either on the installation or in the off-base civilian communities, will be encouraged and supported. The MWR activities authorized herein can become effective tools in the implementation of civilian employee health promotion and fitness programs on the installation.

## 1–12. Operating policies

*a. Basic authority for civilian nonappropriated fund instrumentalities.* Departmental-level responsibility for Army and DOD agency civilian MWR programs and related civilian NAFIs has been vested in the BDACWF. This encompasses the authority to approve the establishment, continuance, and disestablishment of civilian NAFIs, as well as the ultimate control over all civilian NAFI assets.

*b. Relationship to other nonappropriated fund instrumentalities.* Since many NAF policies and procedures have a basis in law or DOD regulatory issuances, a commonality exists in the management of all NAFIs, regardless of the MWR program supported. Based on this commonality, and with the concurrence of the responsible proponent or cognizant military NAFI staff offices at HQDA level, the BDACWF has administratively adopted certain programs and procedures of the departmental regulations and other guidance for civilian NAFIs, as cited throughout this regulation.

*c. Self-sustaining characteristics of civilian nonappropriated fund instrumentalities.* AR 215–1 authorizes limited support from APF resources to civilian employee MWR activities. However, these activities must be self-sustaining for the most part through the supporting NAFIs. The Category IV CWF NAFI depends on the flow of dividends from the Category II PRF NAFI. In addition to generating these dividends, the PRF must also sustain its operation and maintain, replace, and upgrade most of its capital requirements, such as furniture, fixtures, and equipment.

### *d. Use of official time.*

(1) The use of official duty time of APF employees in conjunction with the administration of civilian NAFIs is limited to incidental or collateral responsibilities associated with ECECS, as defined in the glossary.

(a) Civilian NAFI board or council membership duties are a part of ECECS and may be included in official position descriptions.

(b) Those custodian and restaurant officer management functions that are separate from either daily working-level tasks or the direct operation of the restaurant are also considered as ECECS.

(2) The exclusion of operating functions and the limitations on use of official time for ECECS duties are based on DODD 1015.4. AR 215–1 controls the type and amount of personnel support for MWR activities and will be strictly observed in the management of all civilian NAFIs and MWR activities.

*e. Status of nonappropriated fund instrumentality employees.* DOD 1401.1–M states that all NAFI employees are “Federal employees within the DOD.” However, because they are paid from NAFs they are administered under a personnel system separate from that for APF employees and the Office of Personnel Management (OPM).

(1) Laws or regulations administered by OPM do not apply to NAFI employees, except as provided in 5 USC 2105, or as administratively adopted by DOD or Army regulation.

(2) DOD 1401.1–M prohibits a service contract from being used when a NAFI job requirement is for employment on a continuing basis. Civilian NAFI personnel guidance is further provided for in chapter 2 of this regulation and in AR 215–3.

(3) If otherwise eligible and qualified, enlisted military personnel may be voluntarily employed after duty hours and on a part-time or intermittent basis and will be recruited, employed, and administered as prescribed in NAFI personnel regulations.

### *f. Personal services contracts.*

(1) A personal services contract is a written agreement between an individual and a NAFI. No employer-employee relationship is created.

(2) A NAFI may pay a full-time APF or NAFI civilian employee or a military member, including an officer, through a personal services contract on a one-time or short-term basis for services performed during non-duty hours. Such contract services must require special skills or talents not appropriate for NAFI employees to perform. Examples include sports officials, and instructors in recreational or educational activities.

(3) Further information on personal services contracts is provided in AR 215–1 and AR 215–3.

### *g. Income-generating and resale activities.*

(1) Category II PRF NAFIs have the three-fold mission of selling, sustaining themselves, and sharing income. This financial relationship is based on DODD 1015.1 and DODD 1015.8. Coordinated planning, programming, and budgeting between Category II and IV NAFIs is essential. Competition by the CWF with the PRF resale mission undermines the generation of restaurant income and reduces the amount of revenue to be shared. Conversely, valid income needs of the CWF must be recognized in the financial planning/budgeting process of the PRF.

(2) Unless otherwise authorized, civilian NAFI resale activities are to be conducted by the PRF NAFI, including Category II food services and vending machines located in Category IV CWF facilities. Individually justified exceptions may be granted only by the BDACWF for Category IV resale, including rental, other than those listed in (3) below.

(3) When approved by the installation commander, the CWF may engage in the following resale activities:

(a) Merchandise or services necessary to participate in a civilian or joint civilian/military MWR activity, such as golf items at golf courses or bowling items at bowling alleys. Category IV NAFI participation fees and charges are not considered as resale activities and are encouraged as a supplemental source of income.

(b) Occasional self-help activities oriented to seasonal observances, such as holiday cards and nuts, Federal almanacs, and calendars.

(c) Occasional cultural events featuring, for example, antiques, hand-crafted collector or hobby items, or home-prepared foods.

(4) Carnivals, amusement companies, or similar types of entertainment, subject to paragraph 5-5d(1).

*h. Official hosting and representation.*

(1) When budgeted, CWF expenditures for official hosting and representation may be authorized by the installation commander on an individual event basis.

(2) Two of the three conditions listed below must be present before authorization can be granted.

(a) Appropriated funds are not otherwise authorized or available, and

(b) Event will directly or indirectly promote the commander's responsibility for the morale and welfare of the civilian workforce, or

(c) If the installation has no military welfare or morale support NAFI, the event will benefit the installation's mission and its internal and external relationships.

(3) Because of limited civilian NAF resources, this authorization must be conservatively administered, and modest standards of hospitality adhered to. Although not prohibited, its use is not intended for guests or visitors on per diem or expense accounts unless payment by a guest would place the host commander in an embarrassing position.

(4) Expenditures are authorized as above if they are not—

(a) Otherwise precluded by this regulation.

(b) In conflict with the Standards of Conduct cited in DOD 5500.7-R.

(5) Expenditures will be charged to the Army GLAC 748r NAF account.

*i. Redistribution of civilian nonappropriated fund instrumentality assets.* Excess or residual assets will be redistributed to civilian NAFIs of the same military department or Defense Agency in accordance with *m* below, or per paragraph 2-25 for property, or as otherwise directed by the BDACWF for all other assets. These include accumulations in excess of the operating or approved budget requirements of a civilian NAFI, and residual assets of a dissolved NAFI.

*j. Joint funding with military nonappropriated fund instrumentalities.*

(1) Civilian and military NAFIs may jointly fund or provide assets in support of an authorized MWR activity to be commonly used, providing such common utilization or joint participation is on an equitable basis. In order to achieve equitability, the civilian NAFI patronage priorities prescribed in paragraphs 4-9 and 5-6 must be integrated with the military priorities. For example, DOD civilian employees working on the installation will have equal priority and an identical pricing structure with active duty military personnel assigned to the installation.

(2) The installation commander will designate one of the participating NAFIs as the fiscal agent for joint support. This includes the receipt of, accounting for, and protection of joined assets, and the transfer and disbursement of cash assets at the appropriate time. Once a civilian NAFI is designated as fiscal agent, any change in this arrangement requires the coordination of the BDACWF.

(3) Jointly funded projects may range from picnics to construction. Because of their diverse and unique nature, special advance approval levels for the use of civilian NAFs are hereby established.

(4) Following approval action as prescribed in table 1-1, the processing of construction projects will be in accordance with paragraph 2-26 and the regulations cited therein.

(5) Joint funding further requires a determination as to the NAFI category in which the expenditure or the project will be reported. Also, if applicable, the MWR activity category in which to be classified and reported for APF or NAF support purposes must be determined.

**Table 1-1**  
**Approval levels for use of civilian NAFIs**

Project cost:	Approving authority:
\$10,000 or less	Installation commander.
More than \$10,000 through \$25,000	MACOM (copy of action will be provided BDACWF).
More than \$25,000	BDACWF (will coordinate with DA and/or Defense Agency, including integrated patron priorities).

*k. Receipts and disbursements.*

(1) Receipts and disbursements of civilian NAFIs will be limited to those prescribed in or authorized by this regulation.

(2) Transfers or payments to military NAFIs will be only for joint project funding, goods purchased, or services rendered. These transfers will take place only when payment to the outside vendor or concessionaire is due.

(3) Civilian NAFI assets will not be disbursed, transferred, or otherwise distributed to POs.

(4) Contributions to private fund-raising causes or charities are an employee's personal decision, and NAFIs are prohibited by DODD 1015.1 from contributing or disbursing their assets for such purposes.

*l. Requirement to disestablish and dissolve.* NAFIs are established and continued for the sole purpose of assisting in the funding of MWR programs. If the program need or the requirement for funds no longer exists, the NAFI will be promptly disestablished in accordance with paragraph 1–7.

*m. Transfer of installation jurisdiction or control.* When control of an installation is transferred to a military department other than DA, or to another U.S. Government department or agency, the disposition of civilian NAFI assets or liabilities will be determined through negotiation. These negotiations will ensure a fair and equitable distribution of assets in consideration of Federal employee civilian MWR requirements of the affected installations, and will be approved by the BDACWF. Negotiations will be based on the following:

(1) If DOD civilian employee MWR programs are to be continued at the same level, NAFI assets may be transferred to the gaining department or agency.

(2) If the civilian MWR programs are to be reduced, the BDACWF may authorize some proportionate share to remain at the DOD installation.

(3) If civilian MWR programs are to be discontinued, or if transfer is to be outside the DOD, residual NAFI assets will be transferred as directed by the Central Successor NAFI, the ACWF.

(4) Advance approval of the BDACWF is required in any of the following situations—

(a) Asset transfer is to other than a PRF or CWF NAFI.

(b) Transfer is contemplated at only nominal or no financial consideration.

(c) Transaction totals \$5,000 or more in cash and investments and/or \$50,000 or more in fair market valuation of all serviceable NAFI property involved.

*n. Inter-Service support.* Civilian MWR activities will be made available to all eligible personnel in accordance with the patronage criteria in paragraphs 4–9 and 5–6. Personnel of tenant organizations will be accorded the same priority as those of host organizations. Commanders will ensure that NAF resources are applied to common installation programs, rather than separate host/tenant activities.

*o. Check cashing services.*

(1) Patrons of civilian NAFIs are expected to use commercial banking facilities for check cashing. NAFIs are not normally staffed for such services, and excessive amounts of cash on hand increase the possibility of cash-handling errors.

(2) If check cashing privileges are extended, a service charge in line with those of other NAFIs is authorized. A program to prevent abuses will be fully implemented. Returned unpaid checks will be processed in accordance with the departmental procedures outlined in AR 210–60.

*p. Prompt payment of accounts.* The provisions of the Prompt Payment regulations at Code of Federal Regulations, title 5, section 1315 (5 CFR 1315) are applicable to all agencies of the Federal Government, including civilian NAFIs. The law and the circular require Federal agencies to pay interest penalties when certain payments are made late, and pay similar penalties when prompt payment discounts are taken after the offered discount period has lapsed.

(1) Civilian NAFI custodians, or the CAO will make payments to contractors pursuant to the Prompt Payment Act guidance in DOD 7000.14R, volume 13. Payment will be based on receipt of the proper invoice and satisfactory performance of contract terms.

(2) Discounts will not be taken unless payment is made within the discount period. However, advantage will be taken of discounts whenever financially feasible.

(3) Interest penalties owed contractors will be paid without the need for creditor requests.

**1–13. Civilian morale, welfare, and recreation program priority guidance**

Components and agencies must conduct a survey of patron interests and an inventory of MWR activities at least triennially. These may be conducted in conjunction with the installation's survey and inventory of all other MWR activities. If none has been conducted, such survey/inventory of civilian MWR programs and/or interests will be completed within 1 year of the publication date of this regulation and at least once every 3 years thereafter. Both on-base and off-base facilities will be evaluated in such terms as eligibility to patronize, financial and economic considerations, accessibility, and the work site environment. The following guidance applies to Category II and IV civilian MWR activities and the NAFIs that support them:



*a. Indispensable morale, welfare, and recreation activities.* The OSD has limited these to MWR activities established and continued for military personnel in close relationship to the military mission. No civilian MWR activities are included.

*b. Essential morale, welfare, and recreation activities.*

(1) These are the minimum installation programs normally provided as a fundamental core of necessary civilian employee services. Such services make a major contribution to the physical, mental, and social wellbeing of the civilian work force.

(2) The following are considered essential due largely to mission or location:

*(a)* The food service portion of Category II dining/vending activities. Excluded are the resale of products not essential to mealtime or workshift food services such as snacks, confections, refreshment beverages, and like items. The essentiality of civilian food services is not to be considered the *essential feeding* support of military personnel, as authorized in AR 215-1.

*(b)* Category II resale and Category IV CWF programs at locations where a large concentration of Federal employees living on the installation necessitates meeting their personal and community needs on-base.

*(c)* Category IV CWF programs at locations where a large concentration of Federal civilian employees live in civilian communities within 10 miles or 30 commuting minutes of the installation. Locational proximity may cause a major impact on the civilian community MWR facilities, thus resulting in the essentiality of an installation civilian MWR program.

*(d)* Category IV CWF programs at locations where a small military population may necessitate closing military MWR activities and dissolving the military NAFI. Under these circumstances, DODD 1015.2 authorizes Category IV civilian MWR activities to provide MWR activities for military personnel in conjunction with CWF programs.

*c. Desirable morale, welfare, and recreation activities.* These include all remaining Category II and IV MWR activities not classified as essential, and whose base of support, appeal, or participation is less critical to morale. The availability, convenience, and adequacy of private and public MWR-type resources in the local communities where Federal civilian employees live are key factors. Such off-base communities usually fall within the definition of *urbanized areas(s)*. Category IV MWR activities on installations having few if any Federal employees living on-base will normally be classified as *desirable*, even though the food service mission may result in the PR priority classification of *essential*. Exceptions must be approved by the BDACWF.

## **Section V Emergency Preparedness**

### **1-14. Overall planning**

In planning for mobilization and deployment, disaster, or other major emergencies, CPOs at all levels will consider the continuance of established civilian NAFIs and MWR programs. These programs may be altered or interrupted, depending on the nature of the emergency or mobilization. However, the provision of safe and healthful food services for civilian employees during these emergency conditions is vital. Category II PRF functions will continue as long as the responsible commander considers it feasible. Category IV MWR activities can be reoriented from social and recreational to welfare, relief, and other emergency support needed within available resources.

### **1-15. Preparedness planning within Army**

AR 500-5 provides for implementation of the Army Mobilization and Operations Planning System (AMOPS), and is applicable to all elements of the Army. AMOPS sets forth the responsibilities to establish, publish, and maintain mobilization planning documents at all organizational levels. In addition, AR 690-11 provides special guidance in the mobilization planning and management of civilian personnel. Civilian Personnel Directors/Officers will ensure consideration of civilian MWR/NAFI programs in these plans, as applicable.

### **1-16. Role of the Board of Directors, Army Civilian Welfare Fund**

*a.* Responsibility for the ACWF during emergencies in which the BDACWF cannot act jointly as a governing body will be fixed with the board chairperson. The Executive Secretary and the board office will provide any required assistance. The chairperson is authorized to make unilateral administrative and financial decisions, as required, to protect and preserve the assets of the ACWF. These include acting on any requests for assistance from MACOMs and/or installation civilian NAFIs.

*b.* Reconstitution of the BDACWF, reactivation of the civilian NAFI system, and issuance of amendatory guidance within the system will occur at the earliest practical date following the emergency. This will depend on the specific conditions and status of the emergency and post-emergency period.

## **Chapter 2 Nonappropriated Fund Instrumentality Administrative Procedures**

### **Section I General Administration**

#### **2-1. Administration and supervision**

This chapter outlines procedures for the administration and supervision of all civilian NAFIs authorized in this regulation. Civilian NAFIs use the standard Federal fiscal year of 1 October through 30 September. The fiscal year is divided into four fiscal quarter accounting periods ending 31 December, 31 March, 30 June, and 30 September.

#### **2-2. Correspondence and records**

*a.* All correspondence requiring the attention of the BDACWF will be forwarded through the MACOM headquarters for appropriate comment and recommendation. However, if the subject matter is within the MACOM's authority to act on, return reply may be made to the initiating organization.

*b.* Correspondence for the board will be mailed to Army Civilian Welfare Fund, Board of Directors, Army Civilian Welfare Fund, 21 Army Pentagon, Washington, DC 20310-0021.

*c.* Any board correspondence containing negotiable instruments must be received by the board in a locked post office box and will therefore be mailed to the following address: Board of Directors, Army Civilian Welfare Fund, P.O. Box 46579, Washington, DC 20050-6579.

*d.* Records will be administered, retained, or disposed of in accordance with AR 25-400-2.

#### **2-3. Advertising policy**

The policies below govern advertising by all civilian MWR activities. AR 215-1 also contains policies generally applicable to advertising by MWR activities or funded by NAFIs.

*a.* Prudent advertising in selected media will be restricted, insofar as possible, to authorized patrons. It must not reflect unfavorably on the Federal Government, its activities, or instrumentalities.

*b.* Advertising may be purchased in civilian or military media that are produced primarily for distribution on the military installation or to authorized patrons of MWR activities.

*c.* MWR activities may also prepare their own advertising media for local dissemination to authorized patrons. These media include flyers, activity calendars, posters, and other promotional devices.

*d.* Installation newspapers may be used to publicize recreational events and other activities and programs of general interest to authorized patrons.

#### **2-4. Inspections**

*a.* Civilian NAFIs may be inspected as provided for in AR 215-1 and cited inspection regulations.

*b.* The installation commander may direct interim evaluations of the civilian NAFIs located on the installation. Qualified personnel not a part of NAFI management, such as installation inspection or internal review personnel, will evaluate the NAFIs.

*c.* The inspector general of the Army may inspect the ACWF. Unless otherwise requested by the board, the inspector general will determine whether an inspection will be made. The inspecting officer will submit inspection reports through the BDACWF to the inspector general.

### **Section II Financial Management**

#### **2-5. Safeguarding funds through internal controls**

*a.* Nonappropriated funds are created through cash transactions. Upon receipt, this cash must be safeguarded, accounted for, banked, invested and ultimately expended. NAF cash handling and internal control systems are therefore more comparable with the private sector than with most other Government funds. Readily useable cash assets and inventories demand that the internal controls referenced herein be supported by commands and complied with by all administrators of civilian NAFIs. NAFI custodians and administrative personnel occupy official positions of trust to ensure that NAF transactions benefit MWR programs and participating employees. Opportunities for fraud, waste, and abuse must be minimized, if not eliminated.

*b.* The component parts to an effective system of internal controls are found in this regulation as well as AR 215-1 and DOD 7000.14-R, volume 13. Civilian NAFIs governed by Army regulations will utilize the internal control review provisions in the cited regulations, as well as any referenced NAF audit regulations. The guidance that refers to *fund and operating managers* relates to civilian NAFI custodians and such MWR activity managers as PR officers or managers.

c. Petty cash and change funds may be established in amounts approved by the civilian NAFI governing council. Control procedures are prescribed in DOD 7000.14-R, volume 13.

d. Custodians and other applicable civilian NAFI employees will obtain fidelity coverage (employee dishonesty protection) at fund expense. AR 215-1 will be followed in obtaining the required protective coverage.

## **2-6. Budgeting**

Because of the minimal APF support authorized or available, civilian MWR activities are largely dependent on NAFI dollars. Planning for future cash flow is an important part of NAFI management. Future financial situations can be reasonably forecast through budgeting. To some extent, impact on a fund can be controlled by corrective or impact-lessening actions. For example, high and low income periods generally tend to be cyclical or seasonal. Inflationary pushes and pulls on expenses, such as changed labor costs, can be estimated or forecast from wage surveys. The budgeting process requires that management address potential funding problem areas in advance of future fiscal cycles.

a. Since quality budgeting is the financial foundation on which civilian MWR programs are built, the commander, or a direct designee, must play a vital role in the supporting NAFI's budget review and coordination. Because of the dependency of the Category IV CWF NAFI on the Category II PR NAFI for financial support, there must be assurance that the CWF budget is realistic and within the capability of the PR to achieve. In turn, the PR's budget must reflect dependable support for the CWF and the required distribution to the central successor NAFI, the ACWF. The PR NAFI must also fund for most of its own operation and provide for the repair, replacement, and/or improvement of its fixed assets, (See para 2-10.) joint meetings or negotiations between both the civilian NAFIs are essential to achieving realistic budgets. Chapters 4 and 5 contain additional guidance on financial planning, objectives, and methods for each of the civilian NAFI categories.

b. The BDACWF will publish an annual budget letter of instruction applicable to civilian NAFIs. Guidance will include planning factors, financial goals, forms adaptation, and other pertinent matters.

c. Civilian NAFI custodians are responsible for initial preparation of all required budgets, including coordinated planning of dividend requirements by the CWF and capabilities of the PRF.

(1) The council will then review and make any necessary changes to the custodian's budget submittal.

(2) Budgets will next be forwarded to the installation commander for resolution of any differences between the NAFIs or for final approval action.

(3) All budgets approved by the commander will be returned to the custodian, who will advise the council of changes made subsequent to their last action.

(4) Custodians will also ensure that budgets or budget extracts are furnished to responsible MWR activity managers within the NAFI.

(5) A copy of each approved civilian NAFI annual operating budget and capital expenditure budget will be assembled into a single package and forwarded direct to the MACOM and to the BDACWF so as to arrive not later than 1 September each year.

(6) Budget adjustments during the fiscal year will follow the same documentation, approval, and distribution channels as each initially approved budget.

(7) NAFs will not be expended until budgets are approved by the ACWF.

d. Types of budgets for which NAFI custodians are responsible include the following:

(1) Annual Operating Budget or Income and Expense Budget. This is a master financial plan for the next fiscal year's operation. The format will be similar to the Income (Income and Expense) Statement, as described in AR 215-1 and DOD 7000.14-R. However, the listing of major accounts will show columns for each month, with quarterly and annual totals. In reality, AOBs are constructed from monthly operating budgets and are combined by quarters. Because of the monthly dividend distribution system, operating and cash budgets are particularly important to both Category II and Category IV NAFIs (see paras 4-11 and 4-14).

(2) Capital Expenditure Budget.

(a) Although immediate capital requirements can more easily be foreseen for the year ahead, 3- to 5-year financial planning is also essential. Custodians and councils must forecast at an early date the capital funding needs, by recognizing the improvements necessary and the funding method contemplated. This is particularly important for directly operated PRs and larger-scale CWFs. Although the initiating NAFI provides all or a major portion of the funds for a project, an ACWF loan may also be considered in early planning. The CEB format will be divided by fiscal year, and reflect a priority listing of projects. Each project listing will include a title and a brief description; a summary of the justification; the estimated cost; and the source of funding, including anticipated APF support. CEB funding plans and the effect on cash, investments, and sinking funds also impact on AOBs and Balance Sheet projections. Initially, each civilian NAFI will prepare a 3-year CEB for the upcoming plus the ensuing 2 fiscal years, after which 3-year budgets will be updated annually. Optionally, 5-year CEBs may be prepared in lieu of 3-year budgets. Negative reports will be submitted annually when an individual NAFI does not require a CEB.

(b) In conjunction with the CEB review, the MACOM will establish priorities for those anticipating ACWF financial assistance during the 3-year budget cycle. A command-wide funding assistance recommended priority list of projects will then be forwarded to the BDACWF so as to arrive no later than 15 September each year. Comments and

recommendations should be made, although this listing is intended primarily as an advance informational review of planned CEB project submittals. The review and any tentative priorities will not constitute loan or funding approval by the BDACWF. See paragraph 2–26 for the various approvals required for budgeted facilities projects.

(3) Cash budget. Cash budgets help ensure proper timing of cash needs and cash availability. Budget formats will be adapted from DOD 7000.14–R. Cash budgets will include the beginning cash balance; increases to cash through projections of sales and other income; other cash receipts and/or conversions; decreases in cash through contemplated expenditures and other uses; and an ending cash projection for the month. No civilian NAFI is to budget for negative cash flow.

e. Maintenance, repair, and replacement of fixed assets are reflected in either the CEB or the AOB. If the contemplated cost is to be treated as an expense, include it in the AOB.

## 2–7. Accounting, reporting, and analysis

a. *Financial status.* Accounting for and reporting of the financial status of all NAFIs are indispensable in executing the management and control responsibilities required at all echelons by the OSD and DA.

(1) At both the operating and command and staff levels financial statements are the principal method of ascertaining the overall status and condition of each NAFI, as well as the entire NAFI system. These statements form the basis for the reports, analyses, and studies from which policy and other broad NAF management decisions are formulated.

(2) Although individual fund integrity is still an essential characteristic of civilian NAFIs, these NAFIs must fit within all other DOD NAFI accounting and reporting systems. This commonality is achieved by adopting the overall guidance issued by DOD through standard account numbers and statement formats, prescribed submission frequencies, and required routings, reviews, and consolidations.

b. *Centralized accounting.* Centralized NAF accounting and reporting services will be the responsibility of the Army's CAO. All civilian NAFIs will utilize the Army's CAO, NAF Financial Services. DOD 7000.14–R is the applicable regulation. In addition to the general provisions of this regulation that are common to all NAFIs, specific portions apply exclusively to civilian NAFIs.

(1) Civilian NAFI custodians will furnish the required financial information, data, and documents to the central accounting service office in an accurate and timely manner.

(2) The role of the individual NAFI is indispensable to the accounting/reporting system in that it must furnish CAO with basic feeder information. Examples of feeder records are—

- (a) Financial transaction documents.
- (b) Inventory statements.
- (c) Time and attendance reports.
- (d) Council minutes.
- (e) Daily activity reports.
- (f) Purchase orders.
- (g) Invoices and receiving reports.

c. *Financial statement analyses.* Statistical information must be analyzed by management for the causes of variance from budget. NAFI councils are intended to play an important analytical role. Their regular review and analysis should reveal the reasons behind the financial results portrayed on the financial statements. A NAFI custodian highlights and summarizes for the council irregular account balances, extreme variations in costs of goods sold (COGS) or other accounts, and comparisons with statements of prior accounting periods, that is, monthly, quarterly, and annual. The identification of problems must be followed by the necessary corrections that are within the control of management. Analyses and corrections are of importance in direct proportion to the size and complexity of the NAFI, since they relate directly to the current and projected state of the NAFI's financial health. In addition to the analysis information that follows, DOD 7000.14–R may be consulted.

d. *Balance sheet analysis.* The balance sheet represents a financial picture of the NAFI at a point in time (the *as of* date). It is an accumulation of the NAFI's financial history that has resulted in its asset, liability, and equity/net worth positions on the *as of* date. Numerous analyses can be done from balance sheet data, depending on the purpose to be served. However, three key ratios or amounts can be quickly determined for the broader management purposes of supervisory and staff personnel as follows:

(1) The current ratio. Divide current assets by current liabilities in order to measure ability to pay current obligations. Generally, a ratio of 2:1 or higher is an indication of a sound short-term financial position. However, if the trend is downward from recent ratios, corrective actions by management must take place.

(a) A high current ratio may indicate that conversion of some current assets to fixed assets through the next capital expenditure budget is timely.

(b) The dollar amount by which current assets exceed current liabilities is referred to as *net working capital*.

(c) Both ratio and dollar references are meaningful to management.

(2) Acid test ratio. This measure of liquidity may be expressed in the dollar amount by which current assets, minus inventories and prepaid expenses, exceed current liabilities.

(a) As a numerical relationship it is termed the acid test or *quick* ratio, and a ratio of 1:1 or better is considered satisfactory. It is a reflection of the NAFI's true liquidity and ability to pay creditors quickly. As a general rule, this ratio should be no less than 1:1.

(b) NAFI custodians and councils must closely monitor operations of a lesser asset-side ratio.

(c) The acid test ratio is applied in determining whether a PR dividend will be paid for a loss month. (See para 4-14.)

(3) Fund equity or net worth. The net amount resulting from subtracting the NAFI's total liabilities from its total assets represents its financial worth. The ratio of fund equity to total assets is another measurement. A growth in equity is necessary to the stability of the instrumentality and is another indication of its financial health.

(a) Initial equity may have been established by an activation grant or loan. It is sustained by excesses of income over expense (that is, net income as reflected on the income statement). Net balances are transferred to the fund equity account on the balance sheet.

(b) Custodians must be alert to a trend of fund equity decreases. For example, a more rapid growth rate of liabilities over assets will decrease fund equity. Timely management corrections must be made to reverse such unfavorable trends.

*e. Income statement analysis.* The income statement provides a picture of cumulative results of the NAFI's financial operation over a specified accounting period, for example, a month, a quarter, or a fiscal year. It shows the dollar amount of income from all sources for the period, the costs and expenses involved in generating the income, and the resultant amount as either net income or net loss.

(1) Normal or average costs and expenses as percentages of sales will not be cited herein because of the many local factors that cause differences among NAFIs. These include location, customer preferences, seasonal and economic influences, work force composition, and quality of management.

(2) Performance standards must be established by each NAFI in order to monitor such variables as—

(a) Total income or total sales.

(b) Cost of goods sold for resale activities.

(c) Personnel expenses as a percentage of income.

(d) Other key expenses related to income or sales.

(e) Net income or loss.

(3) Relationships between key variables also include the following:

(a) Wages to operating costs.

(b) Dividend distributions to net earnings or to total income.

(c) Gross sales to all other income.

(d) APF to NAF expenses.

*f. Reporting.*

(1) The Category II PR NAFI balance sheet and income statement are prepared monthly in accordance with the sample formats and due dates specified in DOD 7000.14-R. Copies will be forwarded not later than the 20th of the month following the reporting period in order to arrive at the MACOM and the BDACWF by the 25th of the month. Earlier dates prescribed by the department must be met.

(2) Category IV CWF NAFI balance sheets and income statements are prepared quarterly in accordance with the sample formats and dates specified in DOD 7000.14-R. Copies are forwarded directly to BDACWF and the MACOM. However, CWF reports may be prepared and distributed monthly in conjunction with an automated NAFI accounting system, as authorized in *g* below.

(3) The general ledger account that reflects total concessionaire contract commission income or fees received by a civilian Category II NAFI (or Category IV NAFI when applicable) will be footnoted on the income statement as to the concessionaire's gross sales amount against which the concession percentage fee was computed.

*g. Format.* When acceptable to the BDACWF, civilian NAFI financial statements may be prepared in an automated format similar to the sample formats contained in DOD 7000.14-R.

## **2-8. DOD required reporting (RCS DD-FM&P(A) 1344, 1554, and 1555)**

*a.* Periodic reports required by DODI 7000.12 and DODI 1330.20, and further described herein, enable the military departments and OSD to monitor consolidated and summarized information and financial data from all NAFIs. Data from individual NAFI monthly and quarterly financial statements, as well as other MWR program information, are the bases for validation and consolidation by NAFI category at MACOM and departmental levels. The quality of the DOD-wide reports is thus directly dependent on the basic documentation, records, and financial statement consolidations of individual NAFIs.

(1) In addition to consolidated balance sheets and income statements, DODI 7000.12 also requires a Narrative Statement, an APF/NAF Expense Summary, and a Funds Invested/Validated Commitment Report. These have been assigned requirement control symbol (RCS) DD-FM&P(A) 1344.

(2) DODI 1330.20 requires a NAFI Employees Compensation and Benefits Program Report (RCS DD-FM&P(A) 1554) and an MWR Personnel Strength Report (RCS DD-FM&P(A) 1555).

(3) Reporting schedules, instructions, and sample formats for these DOD required reports are contained in AR 215-1 and DOD 7000.14-R, as applicable.

*b.* Civilian NAFI custodians will ensure preparation, review, and validation of all the above reports for their fund, even though prepared by other servicing offices. Locally prepared narrative statements continue as a requirement to accompany annual submissions of financial statements to MACOMs and ACWF.

(1) By preparing or reviewing the narrative statement, the custodian makes certain that only financial and operational highlights for the fiscal year are included and that extraneous or routine details are excluded. Examples of narrative highlights are—

*(a)* Reasons for surpassing or not achieving budgeted financial objectives.

*(b)* Corrective actions taken or contemplated.

*(c)* Major fund commitments against validated projects.

*(d)* Progress payments to sinking funds by large NAFIs.

(2) Although significant comments on each report are not possible for each NAFI, collective reports covering large numbers of Category II or IV civilian NAFIs should contain some highlights that warrant summarization to major command and department level.

*c.* MACOM staff personnel responsible for civilian MWR/NAFI management will review all required reports. They will prepare, or assist in the preparation of, the MACOM highlighted narrative summaries and consolidated reports. All civilian MWR/NAFI reports are then forwarded direct to the BDACWF for final review, validation and consolidation. Subsequently, HQDA acts as the executive agency in transmitting these reports to OSD.

## **2-9. Banking and investments**

*a.* Army NAFI banking and investment programs are conducted on a consolidated and centralized basis. Civilian NAFIs will participate in these programs and follow the operating procedures contained in AR 215-1, as applicable. Cash receipts will be deposited unless cited regulations provide otherwise.

*b.* Security and liquidity are paramount in NAFI investments. Reasonable earnings are also important to good cash management. Civilian NAFI custodians will be guided by these objectives in developing their cash budgets and cash requirements.

## **2-10. Reserves and sinking funds**

*a.* Reserve accounts. Only the reserve accounts authorized by AR 215-1 and DOD 7000.14-R, as applicable, may be maintained. Adequate investments must be established to fund replacement of tangible fixed assets, facility improvements, and other essential needs.

(1) Such identified investment assets, or reserved portions of NAFI equity accounts, will be reflected per *b* below on the appropriate financial statements.

(2) Because of differing sizes, needs, and financial capabilities of civilian NAFIs, standard amounts or percentages of asset or equity commitments against depreciation accounts are not prescribed herein. Nevertheless, future asset requirements should be recognized, goals established, and capital expenditure budgets established and maintained.

*b.* A sinking fund for capitalized furniture, fixtures, and equipment (FFE) NAFI property and building improvements will be established at the earliest practicable date. Accounting and reporting procedures will be in accordance with DOD 7000.14-R, including the line item identification of the Fixed Asset Sinking Fund in the Balance Sheet and Funds Invested/Validated Commitment Report formats.

## **2-11. Audits**

*a. Audit cycles for the Army civilian welfare fund.* The BDACWF has determined that the ACWF, as the central successor civilian NAFI, should be audited every other fiscal year. This audit will be requested of and scheduled by the Army audit agency.

*b. Installation nonappropriated fund instrumentality audits.*

(1) DODI 7600.6 requires that annual audits be made of all DOD NAFIs, including civilian NAFIs, whose annual revenues (income) or expenses exceed \$5 million.

(2) Adequate audit coverage is to be provided all other NAFIs.

(3) More specific audit procedures, such as type, frequency, and applicability, will be published by the BDACWF, based on DA audit guidance.

## **2-12. Transfer of nonappropriated fund instrumentality assets**

*a. Transfers between custodians.* A change of custodians necessitates a transfer of NAF assets. Total responsibility for the custody of the NAFI and the accountability of its assets results from such transfers. A change of custodianship should occur at the end of an accounting period to ease the administrative workload.

(1) Financial statements will be prepared by the CAO. The outgoing custodian will certify the financial statements

as to accuracy and completeness. When satisfied with the statements, the incoming custodian will attest to acceptance and receipt of the NAF, its assets and liabilities.

(2) For civilian NAFIs, a bank statement of account and a reconciliation (with the balance indicating unrecorded deposits and outstanding checks) will also be furnished by the outgoing custodian. The incoming custodian will verify and then accept the reconciliation as of the transfer date. Investments will also be verified.

(3) Records pertaining to completed physical inventories will be maintained in accordance with DOD 7000.14-R. Inventory variances will also be documented, and a certificate of inventory transfer executed between the outgoing and incoming custodian. Items to be inventoried include saleable merchandise, supplies, and such fixed assets as FFE.

(4) If an extensive audit is required, transfer and acceptance may be conditional on audit verification.

*b. Transfers between NAFIs or to another organization.* Civilian NAFI assets will not be transferred to any individual, other NAFI, organization, or agency except as authorized by this regulation or as specifically approved by the BDACWF. (See para 2-25.) Asset transfer on change of an installation's jurisdiction from the DA will be in accordance with paragraph 1-12*m*.

## **2-13. Loss of cash and other assets**

*a.* The prevention of losses of NAFI assets and the initiation of action in the event of a loss are responsibilities of the custodian.

(1) The guidance in AR 215-1 will be followed in processing losses of NAFI cash or other assets. These regulations also provide instructions on any potential investigation, depending on the amount and type of the loss.

(2) AR 15-6 provides procedures to be followed if an investigation is to be conducted.

(3) AR 27-20, chapter 12 governs the administrative settlement and payment of those claims cognizable as a NAFI responsibility to pay.

(4) Custodians and governing councils will also seek the guidance of installation legal and servicing NAF accounting offices. Appropriate procedures are dependent on the individual circumstances surrounding the loss.

*b.* Accountability variances that may result from an inventory will be handled in accordance with DOD 7000.14-R.

(1) Actions to be taken by the NAFI custodian and council, when inventories reveal asset item shortages, depend upon several factors. Examples are as follows:

(*a*) The extent and amount of individual item or cumulative shortages.

(*b*) Whether assets are fixed, consumable or expendable, or resale inventory.

(2) If review by NAFI management reveals significant variances, recommendations will be made to the commander as to corrective action to be taken. This may be through an accounting record adjustment, investigation, insurance claim, or other appropriate disposition.

*c.* Claims for reimbursement for loss of cash and other assets covered by NAFI property insurance programs will follow the claims procedure prescribed in AR 215-1.

*d.* Valuation of losses of noncash assets will be in accordance with AR 215-1.

*e.* In addition to the loss procedures outlined above, it may also be necessary to report a loss under special DA incident reporting procedures.

(1) Civilian NAFIs governed by Army regulations will comply with AR 190-40 on serious incident reports (SIRs).

(2) All custodians will provide an information copy of serious incident reports directly to the BDACWF.

## **2-14. Insurance**

*a.* Civilian NAFIs will obtain the insurance coverage prescribed in AR 215-1 and AR 215-3.

(1) NAF property insurance coverage (other than real property) offered by HQDA in cited regulations is, as a matter of BDACWF policy, mandatory for the following civilian NAFI property:

(*a*) FFE recorded on property control records.

(*b*) Merchandise inventory.

(*c*) Vehicles.

(*d*) Money and securities.

(*e*) Fidelity or employee dishonesty.

(2) Custodians will ensure that all insurable property is properly valued and reported and that premiums are paid.

(3) The exclusions, deductibles, limits of liability, and other provisions of cited DA insurance programs apply to the civilian NAFI insurance coverage.

(4) Building structures on Army installations built or improved by a loan from the ACWF will be insured during the life of the loan for the total loan amount as a minimum. Building insurance (not contents) for more than the original loan amount or where there is no outstanding ACWF loan is otherwise optional with the civilian NAFI.

*b.* Insurance claims procedures as well as the procedures to follow in the event of the loss of cash and other assets are prescribed in the regulations cited in *a* above. Tort and contract claims are settled in accordance with paragraph 2-29.

## **2-15. Installment purchase contracts**

Installation civilian NAFIs will not enter into installment purchase contracts requiring payment in excess of 60 days without prior written approval of the BDACWF. All contracts will be in writing and are the obligation of the contracting NAFI.

### **Section III**

#### **Loans and Grants**

## **2-16. Policies**

*a.* External financial assistance to civilian NAFIs is available through loans and/or grants from NAFI sources, including the ACWF. Private source contributions and donations may be accepted, but only as provided for in AR 215-1.

*b.* Commercial loans from private or commercial sources are prohibited, except for installment purchase contracts approved in accordance with paragraph 2-15. Prohibited loan sources include banks, credit unions, and similar private financial institutions.

*c.* Loans between civilian NAFIs are not prohibited but require approval of the BDACWF.

*d.* Loans to Federal civilian employees for emergency purposes are provided for in paragraph 2-18.

*e.* Except as provided for in paragraph 2-17, grants by installation civilian NAFIs are prohibited.

*f.* Revenue sharing through dividend distributions from a Category II PR NAFI to a Category IV installation CWF NAFI or to the ACWF is not a grant and will be administered in accordance with paragraph 4-14. Similarly, income sharing with State blind agencies per paragraph 2-31 is not a grant.

## **2-17. Army civilian welfare fund loans and grants**

*a. Principles governing Army civilian welfare fund loans and grants.* The following considerations are used in making ACWF loans and grants:

(1) Validity of the local requirements for the service, facility, activity, asset or another reason for the request, substantiated by the triennial (or an interim) survey.

(2) Relative priority of the MWR program requirement for the Federal work force. (See para 1-13 for program priorities.) This includes recognition of the requirement and of its priority through the budget process, including MACOM recommended priority.

(3) Maximization of the benefit to be derived for the dollars expended. Although a direct relationship does not always exist, MWR needs are generally greater where the concentration of civilian employees is larger.

(4) Demonstration of sound management and effective supervision of MWR and NAFI operations. Assets of the ACWF are not approved for underwriting local deficiencies where inadequate control and supervision are apparent.

(5) Extent of local assistance efforts. Since the assets of the ACWF are limited in relation to the per capita civilian strength of the Army, the considerations below pertain.

*(a)* Installation commanders are expected to use authorized APF support for civilian employee MWR programs before considering NAF financial assistance. AR 215-1 delineates authorizations for limited APF support to Category II and IV MWR activities.

*(b)* Requests should be for loans rather than grants, to the extent repayment is feasible through income-generating activities.

(6) The projection of loan repayment through a realistic schedule. Loan repayment terms are established in consideration of both the actual and potential assets of the requesting NAFI.

*b. Purposes for which loans and grants may be requested.* Except for conditions outlined in *c* below, requests are appropriate for the following:

(1) Establishment and activation of authorized and approved facilities and services.

(2) Purchases of FFE and other assets required in the operation of an approved MWR program.

(3) Necessary renovation or improvements in fixed assets and other NAFI-owned property.

(4) Relocation of existing facilities or services.

*c. Purposes for which grants or loans are not made.* The board normally does not favorably consider requests for the following:

(1) Activities expected to be operated on a self-assistance basis or whose benefits are transitory or limited in scope. Included activities are those listed in paragraph 5-5*b* that pertain to length of service awards, condolences, installation special events or celebrations, social and special interest activities, and bingo.

(2) Recurring deficiencies in operating-type expenses that reveal improper management or inadequate planning and budgeting.

(3) Maintenance or improvement expenditures on buildings properly chargeable to APFs and where APF availability appears favorable.

*d. Request procedures.* Requests for loan, grant, or combination thereof, will be submitted through the MACOM to



the BDACWF in accordance with the format shown at figure 2-1. The following instructions are keyed to the paragraphing in figure 2-1:

(1) Paragraph 1. Examples of general purpose statements are renovate kitchen (including replacement of major equipment items), additional furniture and fixtures for expanded cafeteria dining, activation of new civilian NAFI.

(2) Paragraph 2. Information in this paragraph is to be furnished for all requests and may require enclosures with detailed information.

(a) Self-explanatory.

(b) Detailed financial and loan data will be furnished as an enclosure. Examples: a schedule of estimated cash requirements, including loan withdrawal increments; a schedule of monthly repayments to ACWF; operating budgets that reflect repayment capability.

(c) Enclose a list of FFE items to be furnished from NAFs and the estimated cost per item; include names of alternate acquisition sources from which items and prices were obtained.

(d) Source of local NAFs to be used may include sinking fund, current cash assets, investments, local NAFI loan. Support financial viability of request by revised AOB projections for ensuing two FYs, assuming approval of request.

(e) APF support may include supplies and equipment, maintenance and repair or construction from operation and maintenance (O&M), and architectural and engineering (A&E) services.

(f) Civilian employee strength data are always applicable. Military strengths and programmed impacts on strength may or may not be applicable.

(g) Attach a copy of the NAFI CEB or budget adjustment that accommodates this request.

(h) Construction documentation includes the DD Form 1391 (Military Construction Project Data), single line drawings, the site plan, and a detailed cost estimate. Such data not only confirms the technical acceptability and validity of the project but also results in a more expeditious and efficient use of very limited NAF resources.

(i) If an outstanding loan balance to the ACWF exists, its disposition must be provided for.

(3) Paragraph 3. This is an alternative paragraph pertaining only to Category II PR NAFI requests.

(a) Self-explanatory.

(b) Self-explanatory.

(c) If contractor operations are involved a copy of the current contract will be furnished, along with a statement of action contemplated upon contract expiration.

(d) Self-explanatory.

(e) Some factors for analysis include relative location of other food/resale services, civilian employee eligibility to use, and changes contemplated by other installation NAFIs.

(4) Alternate paragraph 3. This alternate paragraph pertains only to Category IV CWF NAFI requests.

(a) Self-explanatory.

(b) Self-explanatory.

(c) Include any restrictions, current or contemplated, that affect civilian employee use of military MWR activities.

(5) Paragraph 4. Photographs are useful in graphically portraying a need for financial assistance, particularly facility improvement projects.

*e. Procedures on approved loans.*

(1) Terms of the loan will be subject to agreement between the BDACWF and the requesting NAFI. The BDACWF will assign a loan account number to approved loans. The loan agreement, together with certification of local funds availability, will be furnished by the borrowing NAFI custodian to the NAFI contracting officer. This NAFI commitment is evidence of sufficient NAFs for scheduled contract payments.

(2) The borrowing NAFI will withdraw funds incrementally and only as needed for contract obligations or outstanding invoices that are directly related to the purpose of the loan. Funds projections may be for not more than 30 days beyond date of request for withdrawal. The ACWF loan account number will be used when referring to loan actions.

(3) The first loan repayment installment will normally fall on the 10th calendar day of the third month following the month in which the final funds withdrawal increment was made by the borrower for use on the project for which the loan was approved. Alternative repayment schedules may be requested in the loan application.

(4) Loan repayment schedules will normally provide for equal monthly installments. However, advance payments may be made when the borrowing NAFI finds it financially feasible. This enables the revolving loan account of the ACWF to become available for other valid loan requests.

## **2-18. Emergency loans to Federal civilian employees**

*a.* Noninterest bearing loans may be made from an installation CWF to APF and NAFI employees of the Federal Government working on or serviced by the installation.

(1) Such loans are an optional program to be made only under certain limited circumstances and in modest amounts for short periods.

(2) The loan is intended—

(a) As a supplement to other financial resources available to the employee.

- (b) To assist in immediate and unforeseen financial emergencies and in compelling personal problems.
- (c) To provide assistance with problems caused by a catastrophic happening (such as a natural disaster).
- (3) NAFI CWF personal loans are not intended to replace the numerous commercial loan sources both on and off the installation, such as banks, credit unions, and small loan companies.
- (4) The CWF emergency loan is not to be used as a solution for recurring employee financial problems that should be solved through proper personal budgeting, planning, and private source financing.
  - b. The loan program is most effective when it provides not only emergency financial assistance, but also an occasion for personal counseling if necessary. Accordingly, applicants may be routed through the installation office responsible for employee financial counseling. This practice also protects confidentiality in transactions and may assist in resolving problems related to the emergency.
  - c. When a loan program has been adopted, the CWF council will establish local loan policies and procedures subject to paragraph 5-4 and the approval of the installation commander, and covering the following:
    - (1) Types of emergencies for which loans may be made, and authorization procedures.
    - (2) Maximum total working capital that may be used for loans. This may be expressed in percentage of net working capital or in an actual dollar amount. The total reserved for loans may not be exceeded until the council has approved budget changes.
    - (3) The maximum amount that may be loaned to any one employee at any one time.
    - (4) The maximum length of time that may be allowed for repayment. This may not exceed 1 year.
    - (5) Limitations on the number of loans that may be made to any one employee during any given period.
    - (6) Whether an employee may be granted a supplemental loan before completing payment of an outstanding loan.
    - (7) Necessary controls to ensure repayment of loans on schedule.
  - d. Loan application and contract forms are DA Form 4139-R (Application for Loan (Civilian Welfare Fund)) and DA Form 4140-R (Loan Contract (Civilian Welfare Fund)), respectively. Counseling prior to signature on the loan forms will include advising the employee that the loan and its terms are indebtedness to the lending NAFI, which is an instrumentality of the United States.
    - (1) Terms will be of relatively short duration—1 year or less.
    - (2) Regularly scheduled repayments on the loan will be made either by direct payment or voluntary payroll deduction. Minimum payments will be not less than 10 percent of the face amount of the loan. Payroll deductions and early repayment are encouraged.
    - (3) If employment terminates before repayment in full, any final payment of wages and/or lump sum leave balance should be used to liquidate the indebtedness.
    - (4) Collection actions on delinquent loans to employees will follow guidance on indebtedness to a NAFI as contained in AR 215-1, and DOD 7000.14-R.
  - e. Subject to approval by the installation commander, the CWF council is authorized to write off a loan due from an individual as uncollectible. This will normally occur only if employment is terminated and efforts to subsequently collect from the former employee have been exhausted.
  - f. The CWF's policies and procedures for loan transactions will be in writing and maintained by the custodian. A copy will be furnished the person or persons in the office responsible for the financial counseling of employees applying for loans.

## **Section IV**

### **Personnel Administration**

#### **2-19. NAFI employee administration**

- a. *Scope.* AR 215-3 implements DOD Manual 1401.1-M and DODD 1400.25, the Civilian Personnel Manual and provides for the administration of civilian NAFI employees. It also sets forth the responsibilities of the CPACs and the CPAC/NAF-Civilian Personnel Unit Staff in servicing the NAFI work force. Where NAFs provide supplemental financial assistance for administering the NAFI personnel system on an installation, civilian NAFI custodians will pay a proportionate share of the NAF costs. Such costs are dependent on the workload measurements used. See paragraph 2-8 for NAFI employee reporting requirements.
- b. *Responsibilities.* Civilian NAFI custodians have certain supporting responsibilities. These include the following:
  - (1) Funding the costs.
  - (2) Requesting timely personnel actions.
  - (3) Furnishing necessary documentation for time and attendance, leave.
  - (4) Other administrative functions.
- c. *NAFI pay.* All rates of pay for NAFI employees in DOD are a responsibility of the OSD. Implementation is by DOD policy and the pay schedules of the DOD Civilian Personnel Management Service Wage Setting Division. Further implementing instructions are in AR 215-3. These regulations also delineate the command and staff responsibilities associated with administering the DOD NAF salary and wage system, including the responsibilities of civilian

NAFI management. NAFIs are prohibited from compensating employees for work performed through any method other than as prescribed in cited regulations. The NAF pay system implements a combination of the authorizations referred to above. These authorizations comprise the only NAFI pay system that is to be used.

*d. Standards of conduct.* The standards of conduct, prescribed in DOD 5500.7-R apply to all NAFI employees, as well as APF employees and military personnel with NAFI responsibilities.

(1) NAFI custodians will ensure that all new NAFI employees read and understand the applicable departmental regulations. This may be either as a part of the NAF CPO processing or job indoctrination. As part of in processing, new employees must have one hour of ethics training. (See 5 CFR 2638.703.)

(2) Of particular importance to all personnel are those parts of DOD 5500.7-R that relate to conflict of interest, gratuities, Government property, outside employment, and indebtedness.

(3) Installation commanders will ensure that Office of Government Ethics (OGE) Form 450 (Executive Branch Confidential Financial Disclosure Report) is filed by those NAFI employees to whom applicable.

*e. Employee awards.* Category II and IV civilian NAFIs participate in the NAFI employee incentive/recognition awards system of the installation on which located. AR 215-3 establishes departmental NAFI awards programs, including the type, award amounts or items appropriate, procedures, and limitations. Recommendations for any group incentive award for civilian NAFI employees will be coordinated in advance with BDACWF. The costs associated with the NAFI employee incentive/recognition award program will be paid by the employing NAFI. Civilian NAFIs will not expend NAFs for awards to APF employees for performance of their official duties or for their suggestions. This does not prohibit expenditure of NAFs for APF and NAFI employee mementos at retirement as authorized in paragraph 5-5

## **2-20. Employee insurance benefit programs**

Civilian NAFI employees participate mandatorily or voluntarily in several insurance benefit programs. With the approval of DA, the BDACWF has determined that civilian NAFIs will participate in the following programs:

*a. Workers' Compensation.* All NAFI civilian employees (military off-duty NAFI employees are excluded) in the 50 States, the District of Columbia, Puerto Rico, and the Territories of the United States, are provided workers' compensation benefits. Benefits are prescribed by the Longshore and Harbor Workers' Compensation Act (33 USC 901, et seq) as extended by the Nonappropriated Fund Instrumentalities Act (5 USC 8171-8173). Workers' compensation benefits are payable for disability or death that results from NAFI job-related injuries or illnesses. Further details on this program and its claims procedures are in AR 215-1.

*b. Federal unemployment compensation.* The Unemployment Compensation Program was extended to Federal employees by title XV of the Social Security Act. (See 5 USC chapter 85.) Employees of a NAFI, including off-duty military personnel, are considered as having rendered *Federal* service within the meaning of the Act. However, unemployment compensation benefits are funded from NAFs. The procedures for administering the program are in AR 215-3 and will be followed by civilian NAFIs.

*c. Retirement.* DA has established methodologies for providing retirement benefits to NAFI employees, including employees of civilian NAFIs. DA plans meet the minimum acceptable program levels established by DOD 1401.1-M. DA plans include specific benefit provisions together with those provided by Social Security within Federal Old Age and Disability Insurance (42 USC 401, et seq). AR 215-3 is the appropriate DA reference.

*d. Group medical and life insurance.* This benefit includes comprehensive medical benefits, life insurance, and accidental death and dismemberment insurance for eligible employees. Specific benefits prescribed by each group plan contract are outlined in an employee information booklet provided by the insurance carrier. Eligibility criteria and other detailed instructions for installation level administration are in AR 215-3.

## **2-21. Training**

Training for which civilian NAFI custodians, MWR program managers (such as PRF managers), and employees may be eligible normally occurs at installation and major command organizational levels. Training courses may cover exclusively NAFI matters; subjects of general management interest; and food service subjects, such as preparation, service, and menu pricing. See AR 215-3 for additional training information.

*a. Installation level training.*

(1) As employees of a Federal instrumentality, and in recognition of the close working relationship with other Federal employees, NAFI employees are eligible for most installation training courses without charge to the NAFI. However, subject to availability of NAFs and if essential to the NAFI job, NAFIs are authorized to pay for direct training costs, such as enrollment fees and course materials.

(2) Civilian NAFI and MWR personnel may be eligible for courses conducted at other locations by DA and other DOD components, or Federal agencies when directly related to their job. Such courses may be of a professional and career development nature for Federal employees, including NAFI employees.

*b. Major command-level training.* MACOMs with large civilian food service NAFI operations are encouraged to conduct training courses or workshops for restaurant managers at least annually. Category II PRF NAFIs of the command are authorized to jointly fund the NAF training costs and to individually fund the travel and per diem costs of managers. The training emphasis should be on such topics as techniques of food preparation and serving, equipment

developments, updating on NAFI policies and administration, the financial management of the civilian NAFI, improved supervisory methods, and automation. Larger commands should invite the attendance and participation of smaller commands in the interest of economy and efficiency. Services of the BDACWF to participate or assist in workshop coordination may be requested.

*c. Individual training.* Individual training is continuous and inherent to successful food service management and supervision. The repetitive nature of food service tasks also lends itself to informal training at the work place or workstation. Therefore, *hands-on* training by skilled personnel can be a very effective training technique, particularly when new equipment or new menu items are introduced.

(1) The training of specialists is normally oriented toward manual skills.

(2) The training program should emphasize the practical aspects of an actual job. Trainees should enter training with the view that it is primarily to improve their work performance.

(3) Once the training phase is completed, the new job skills must be closely observed and early corrections made. A comparison of post-training and pre-training job performance is the best measurement as to whether the training has been worthwhile and what changes should be made for future trainees.

## **2-22. Membership in professional associations**

*a.* In accordance with board policy, only one professional or trade association membership fee may be paid by a civilian NAFI, subject to the following criteria:

(1) The governing council and the installation commander or designee must approve the membership annually.

(2) The membership must be in the name of the NAFI or alternatively, a position, such as restaurant manager, and not in the name of any individual.

(3) The membership fee must be paid by the subscribing NAFI. The cost will be recorded as *Official Hosting and Representation* per DOD 7000.14-R.

(4) Authorization is limited to associations with which Army or the Defense Agency has a liaison interest.

*b.* Membership will in no case be treated as an automatic accrual to a job assignment. Rather, justification must be based on the professional need and competence to remain current with the *state of the art*. An upgrading of service to NAFI patrons and customers should result. Personal memberships paid by the employees are also encouraged.

## **Section V**

### **Logistical Support**

## **2-23. Use of surplus Government-owned (appropriated fund) property**

*a.* AR 215-1 authorizes Government-owned (APF) surplus or excess equipment, not in use or immediately required to meet operational needs, to be loaned to civilian MWR activities. Surplus or excess Government property is controlled by the Defense Reutilization and Marketing Service (DRMS). When loaned to a civilian MWR activity, it must be returned to the installation DRMS on request or when no longer needed.

*b.* Records and other documentation for loaned APF property are not to be combined with NAFI property accountability records systems. NAFI-owned property will be marked differently than APF property. AR 710-2 and AR 725-50 are references for the accountability and disposition of APF supplies and equipment on Army or Defense Agency installations when used by a civilian MWR activity.

*c.* The cost of maintenance and repair of APF property on loan to a civilian MWR activity is properly chargeable to the supporting civilian NAFI as a NAF cost in accordance with AR 215-1.

## **2-24. Nonappropriated fund instrumentality property administration**

*a.* As the accountable property officer, the custodian is in charge of all NAFI fixed asset and other stock record property. The assistance of a servicing accounting office or the NAFI council, or the assumption of property responsibility by another individual does not alter the custodian's accountability. Accounting procedures for NAFI property are prescribed in applicable portions of DOD 7000.14-R. These procedures include capitalization, depreciation, property control and inventory records, and transfers. Additional procedures and controls applicable to all NAFI property are contained in AR 215-1 and this section. Losses of NAFI property assets will be reported promptly to the custodian, following the instruction in paragraph 2-13 and the references therein.

*b.* When physically feasible, each item accounted for on NAFI property records will be clearly marked. Included will be the name of the NAFI and an identification (ID) number. The ID number will be used as a cross-reference in the NAFI's property records.

(1) ID numbers will be affixed as durably and permanently as possible.

(2) When small size, fragileness, or other characteristics of the item do not make complete marking possible, some mark should be made for inventory and control purposes.

*c.* Serviceable property will be disposed of in accordance with paragraph 2-25. Property declared unserviceable will be disposed of to the best advantage by sale or salvage per paragraph 2-25.

*d.* NAFI property may be authorized to be shipped using Government bills of lading (GB/L) as described further in paragraph 2–25.

*e.* Civilian NAFI FFE will not be loaned to any other MWR activity or NAFI on other than a short-term, temporary basis. Specifically prohibited is the long-term or indefinite loan of civilian NAFI assets to other NAFIs. Surplus property assets will be redistributed or otherwise disposed of in accordance with paragraph 2–25.

*f.* Civilian NAFI property assets may be rented to other NAFIs on a short-term basis under the following conditions:

(1) User NAFI is to return property in same condition, other than fair wear and tear, or equitable compensation must be paid.

(2) Rental charges will be based on—

(a) Fully depreciated assets, the rate at which depreciated, plus a 20 percent administrative fee.

(b) Assets not fully depreciated, the rate at which being depreciated, plus a 20 percent administrative fee.

*g.* All food service equipment will be operated and maintained in compliance with the sanitation standards prescribed in AR 40–5, as applicable.

## **2–25. Redistribution of nonappropriated fund instrumentality property**

*a.* Civilian NAFI property may become excess, unusable, or economically unserviceable for many reasons. Unserviceable NAFI property will be processed in accordance with DRMS procedures. Serviceable NAFI property will be disposed of as outlined in *b* below based on the following policies—

(1) The priority objective will be the continued use by another civilian NAFI based on need.

(2) Where feasible, the accrual of income and continued use by other NAFIs are secondary objectives.

(3) If not needed within the DA or Defense agency NAFI system, NAFI assets may next be offered for sale to installation personnel or to the public at a fair price to the NAFI.

(4) Transfer of either serviceable or unserviceable NAFI property to the DRMS may occur.

*b.* The redistribution/disposition sequence of priorities shown below will be followed for disestablishment/dissolution. These priorities are also applicable in all other cases when the depreciated book value of a NAFI item is more than \$50 or the total book value of all NAFI items in a single transaction is more than \$500. However, if installation jurisdiction is being transferred, paragraph 1–12*m* will be consulted for applicability.

(1) Sequence for local redistribution or disposition. Property in this category may be—

(a) Sold at fair market value to the other local civilian NAFI (may be less than book value), or

(b) Sold to a local military NAFI at book value, or fair market value of a fully-depreciated asset, subject to BDACWF approval.

(2) Sequence for disposition within major Army command. Items not disposed of in accordance with (1) above will be reported to the MACOM and the ACWF for sale to another civilian NAFI within the command.

(a) Property may be sold at book value plus cost of packing and shipping.

(b) If assets were purchased by a NAFI loan and the outstanding balance on the loan is greater than the book value of the assets, the sale price will be the greater amount, plus cost of packing and shipping. The purpose is to permit the loan balance to be paid in full.

(3) Sequence of BDACWF redistribution/disposition. Items not disposed of within the MACOM will be reported to the BDACWF for one of the following:

(a) Sale within the parent department priced according to (2) above.

(b) Transfer at no cost, other than packing and shipping, to another civilian NAFI of the parent department, if the assets have been fully depreciated.

(c) Sale at fair market value to a civilian NAFI or another NAFI of the other department, plus cost of packing and shipping.

(4) Sequence of non-NAFI disposition. Items not disposed of by the sequence of steps (1) through (3) above may be authorized by the BDACWF for local sale in the following order:

(a) Sale by announced auction or sealed bid to civilian employees or military personnel of the installation.

(b) Sale by announced auction or sealed bid to the private sector.

(c) Transfer to the installation DRMS for possible sale, depending on the degree of serviceability of the property. DRMS property procedures within DA are regulated by AR 725–50. Documentation for the DRMS will identify the owning NAFI by name and contain a statement that the property listed was procured with NAFIs. NAFI property is allotted separately from APF property by DRMS. Eighty percent of the proceeds received from the sale of NAFI property will be remitted to the NAFI reporting the property for disposition. The NAFI will not be reimbursed for scrap and salvage disposed of through the DRMS.

*c.* Transfer or disposal procedures where transaction amounts are less than *b* above, other than upon dissolution, will be guided by but need not strictly adhere to the priorities cited in *b* above. Where economically feasible, the broad objectives of continued use by civilian or other NAFIs will be followed. Installation commanders or designees will approve all such minor transfer and disposal actions.

*d.* The proceeds from the sale of civilian NAFI property will be credited to the owning NAFI.

e. As the governing body of the Successor Fund to all civilian NAFIs, the board may direct redistribution or disposal of civilian NAFI property, other than as outlined in *b* and *c* above.

f. AR 215–1 and DOD 7000.14–R authorize transportation of NAFI property between installations at APF expense under the conditions below. Otherwise, NAFs will be used to pay for the transportation of NAFI property between installations.

- (1) As excess equipment.
- (2) Upon a base closure.
- (3) During emergency conditions.

## **2–26. Real estate, facilities, and construction**

Close coordination and cooperation with installation facilities/civil engineering offices are needed in MWR facilities projects. This is to ensure that new facilities are properly designed for economical use and maintenance, as well as meeting fire codes and integration into existing emergency alarm systems. As program administrators, the chief role of Category II and IV activity managers is to determine the need and justify facilities requirements, including APF support where authorized. The role of the NAFI custodian is to assist in the plans and the budget, and provide the NAFs in the proper amount at the proper time for the payment of approved NAF project costs. Facilities project processing instructions contained in Army regulations will be followed, except that civilian NAFI funding approval procedures will be in accordance with *d* below.

a. *Real estate.* Nonappropriated funds, including those of civilian NAFIs, will not be used to purchase real estate, either in the NAFI's name or in the name of DA. Use of NAFs for any real estate lease requires the funding approval of the BDACWF.

### *b. Facilities use.*

(1) The installation commander is authorized to provide civilian MWR activities the use of Government facilities. Use may be by direct or contract operations, with facilities expenses charged per AR 215–1.

(2) AR 215–1 also governs APF/NAF support for the maintenance and repair of buildings; the use, maintenance, and repair of Government-owned installed and portable equipment; and the furnishing of utilities. In addition to the approvals required by DA real property regulations, NAF lease agreements for facilities also require the funding approval of the BDACWF.

(3) In all cases where utilities are furnished on a reimbursable basis, charges will be made in accordance with AR 420–41. Utility charges to concessionaires will be in accordance with paragraph 4–11.

### *c. Facilities construction.*

(1) Construction of civilian MWR facilities is subject to the same definition of terms, criteria controls, project documentation, technical approvals, and reporting as other categories of MWR activities. AR 215–1 may be used as an informational guide. However, budgeting, funding approval, and project processing procedures for civilian MWR projects will follow the guidance contained or referenced herein. Applicable to the engineering and other technical aspects of these projects are the AR 415 series on construction and the AR 420 series on facilities engineering. The applicability includes those civilian NAF construction projects that may be required to be reported periodically to the Congress.

(2) Category II PRF facilities are authorized within the space criteria for MWR activities contained in DOD 4270.1–M. These construction projects will be approved and processed in accordance with this and the above cited engineering regulations, including exceptions and waivers to existing construction criteria.

(3) Category IV MWR facilities are not covered by DOD 4270.1–M. Therefore a construction project requires special approval as an exception to criteria, in addition to the funding approval prescribed in *d* below.

(4) Civilian MWR facility projects requiring approval of waivers or exceptions to construction criteria are processed through engineering technical channels. Information copies of MACOM actions on such projects will be forwarded to BDACWF.

### *d. Facilities funding approval.*

(1) APF funding approval procedures follow the applicable regulations cited above, as well as other departmental APF construction guidance.

(2) NAF funding approval procedures include the policy decision by the appropriate NAFI governing body or official that authorizes the use of NAFs for a budgeted facilities project. NAF funding approval is a separate matter of decision and action from the technical and other administrative actions that culminate in final project approval. Source, availability, and sufficiency of NAFs are paramount funding considerations. NAF funding approval must be obtained prior to or in conjunction with overall project approval as follows:

(a) The BDACWF must approve all budgeted NAF-funded projects in which an ACWF loan or grant request is contemplated per paragraph 2–17.

(b) The BDACWF must approve any budgeted construction project estimated to cost over \$150,000 in locally available NAFs.

(c) When local NAFs are to be used for budgeted construction projects estimated to cost \$150,000 or less, the MACOM must approve the action. Funding approval may be delegated to the installation civilian NAFI governing

body for budgeted projects estimated to cost less than \$10,000. A copy of each such action or individual delegation of authority will be furnished the BDACWF.

(d) In order that realistic funding decisions may be made, all requests for funding approval must include at least the following: DD Form 1391 (Military Construction Project Data); single line drawings; the site plan; and the detailed cost estimate.

(3) NAF funding approval will be withheld from any project not included in an approved NAFI budget (para 2–6). Alternatively, adjustments to approved NAFI budgets to accommodate funding an unbudgeted facility project must be acted on prior to further project approval actions.

## **2–27. Acquisition (purchasing and contracting)**

a. *Acquisition policies.* All NAFIs within DOD are subject to the NAF acquisition policies and guidance contained in DODI 4105.67. These policies and the implementing procedures have been published by the Army in AR 215–1 and AR 215–4. These acquisition regulations apply to civilian NAFIs.

b. *Acquisition guidelines.*

(1) NAFI contracting will be accomplished by trained, professional personnel. Custodians may approve and/or purchase only within the authorizations established by AR 215–4, unless otherwise stated herein. Beyond these limited authorizations, the servicing DA or Defense agency contracting offices will be used. These offices may be centralized NAF contracting offices at installation or departmental level or installation APF contracting offices.

(2) Goods and services may be purchased by civilian NAFIs through use of current NAFI and APF contracts, depending on the contract terms. An informal investigation of prices or the examination of the market must also indicate that the existing contract provides the most advantageous offer available. Examples of contract sources are General Services Administration (GSA), DLA, commissary, and central NAF contracting offices. Examples of contract services are office machine maintenance, hood and duct cleaning, and laundry and dry cleaning. Civilian NAFIs will use the International Merchants Purchase Authorization Card for NAFI purchases, as authorized by AR 215–4.

(3) Unless required by the Army procurement regulations cited herein, the provisions of the Federal Acquisition Regulation (FAR) will not apply to NAF purchases. However, when any APFs are being expended in a purchasing action that supports a civilian MWR activity, the provisions of the FAR must be applied.

(4) Sound cash management principles will be considered in formulating civilian NAFI acquisition decisions. Terms of payment will be prescribed clearly. Provisions of Public Law No. 97–177, the Prompt Payment Act, and 5 CFR 1315 are applicable. (See para 1–12p.) Payment due dates may be expressed in number of days after receipt of the contractor's invoice or after receipt and acceptance of the goods or services (also see para 4–8), whichever is later. The contract will designate the servicing accounting office to which the invoice will be sent. Discounts will be taken within the terms of the contract, whenever the cash position or liquidity of investments make this feasible.

(5) The term *construction* includes major and minor construction, alteration, and repair. When approved locally, the civilian NAFI custodian may contract for construction not in excess of \$5,000. Above \$5,000, construction will be contracted by the servicing contracting office in accordance with AR 215–4.

(6) Civilian NAFI custodians will be included in meetings and training sessions that concern NAF acquisition policies or procedures.

(7) Suspended or debarred firms will not be considered as acquisition sources. Civilian NAFIs will comply with DA instructions that relate to suspension or debarment. A *List of Parties Excluded from Federal Procurement and Nonprocurement Programs* is published monthly by the General Services Administration, Office of Acquisition Policy. Information is available electronically at <http://www.arnet.gov/epl>.

(8) Civilian NAFI purchasing and contracting will normally be done on a competitive basis. However, nonresale item purchases of \$5,000 or less may be without competition per AR 215–4. For other single or sole source open market acquisitions of nonresale items, the contracting officer may require legal review and, if over \$10,000, the advance approval of the BDACWF is required.

(9) All contracts and orders will be in writing. Legal reviews required by departmental directives will be complied with.

(10) All civilian NAFI employees involved in the NAF acquisition process will comply with the standards of conduct prescribed in paragraph 2–19.

(11) Each civilian NAFI contract will identify the NAFI by name as an instrumentality of the United States. The contract will indicate that no APFs will become due or be paid a contractor by reason of the NAFI contract. All standard clauses required by AR 215–4 will also be included. Examples of clauses are Definition, Nonappropriated Fund Instrumentality, Service Contract Act (SCA) labor provisions, Examination of Records, and Termination for Default.

(12) Contract documentation files will be established and will contain the material required by cited departmental NAFI acquisition regulations.

## **Section VI Tax and Legal**

### **2-28. Taxes**

*a.* As instrumentalities of the United States, civilian NAFIs are entitled to the same immunity from the taxes of the States, the District of Columbia, the territories of the United States, the Commonwealth of Puerto Rico, and political subdivisions thereof, as is the United States. Collecting, reporting, and paying taxes by civilian NAFIs will be governed by AR 215-1 and as prescribed below.

*b.* DODD 1015.2 governs the authorized patronage of all DOD MWR activities. It also authorizes the sale of State tax-free tobacco products and both soft and malt beverages by civilian NAFIs in restricted amounts (items, packs, bottles, and cans) that can be consumed only on the premises of the installation. Bulk sales of beverages and sales of tobacco products by the carton or box by civilian NAFIs are therefore prohibited. The sale of State tax-free tobacco products through vending machines, operated either directly or indirectly or by contract, is also prohibited.

*c.* Concessionaires of civilian NAFIs are not instrumentalities of the United States, and will collect, report, and pay Federal, State, and local taxes, as applicable.

*d.* Except as consistent with *a* through *c* above, all matters involving the attempt to impose taxes upon, or require collection by, a civilian NAFI of the Federal Government, a State, the District of Columbia, a territory or possession of the United States, the Commonwealth of Puerto Rico, a foreign nation, or any political subdivision thereof, will be reported in detail prior to payment or collection to the appropriate staff judge advocate through command channels and through the BDACWF. Negotiations with taxing authorities will not be conducted by a civilian NAFI without express authorization of The Judge Advocate General, Department of Army.

### **2-29. Tort and contract claims**

*a.* The ACWF participates fully in the Army tort program on Army and Defense Agency installations. Claims against civilian NAFIs at these locations will be processed and paid in accordance with AR 215-1.

*b.* In accordance with AR 215-1 or AR 27-20, as applicable, adjudicated contract claims arising out of the operations of civilian NAFIs will be paid by the NAFI concerned. The ACWF will not assume responsibility for payment of contract claims, except those acquired as the successor-in-interest to residual assets and liabilities of dissolved civilian NAFIs, or in the event of a current financial inability of an existing NAFI to pay such claims.

*c.* The BDACWF is authorized to make assessments against or loans to civilian NAFIs, as necessary, for payment of claims or repayment of financial assistance extended.

*d.* Claims by NAFI employees for loss, damage, or destruction of personal property incident to their employment will be processed in accordance with AR 215-1 and paid by the employing NAFI without subsequent reimbursement.

*e.* The above provisions do not apply when PRFs operate under concession contract. In those cases, the concessionaire will provide adequate public liability and products liability insurance as prescribed in paragraph 4-12.

### **2-30. Applicability of Federal laws to nonappropriated fund instrumentalities**

*a.* AR 215-1 contains references to Federal laws that are applicable to all NAFIs. AR 215-3 further delineates those personal policies and procedures based on Federal laws and DOD directives and instructions that are applicable to NAFI employees. Custodians and restaurant officers/managers of civilian NAFIs will ensure compliance with all applicable requirements of these regulations, including all required clauses in civilian NAFI contracts.

*b.* The Service Contract Act (SCA) of 1965, Part 4, title 29, Code of Federal Regulations (29 CFR pt 4), as amended, is of particular importance to civilian NAFIs. The SCA applies to all labor-intensive contracts that provide services to these NAFIs. Cafeterias, restaurants, food services, and vending services are examples of civilian NAFI contracts to which the SCA applies. The SCA is further described in AR 215-4. The act requires payment of minimum monetary wages and fringe benefits by the contractor as determined by the Department of Labor. CWF custodians and PRF officers/managers will contact installation purchasing and contracting officers for wage determination procedures or other guidance and assistance when a civilian NAFI contract is contemplated.

### **2-31. Randolph-Sheppard Vending Act (Public Law 93-516)**

*a.* The Randolph-Sheppard Vending Act, section 107, title 20, United States Code (20 USC 107), as amended, accords specified priorities, through State licensing agencies, to blind persons in operating vending facilities. It provides for the sharing of certain income from NAFI vending machine sales under specified conditions. It also contains provisions for a suitable site for a sale outlet to be operated by blind persons when a building is constructed, leased, or renovated. These requirements under the law are prescribed in more detail in AR 210-25 and will be followed by all civilian NAFI custodians. Any preliminary actions at the installation level involving this Act and which are contemplated to have a major impact on civilian NAFIs will be communicated directly by phone to the BDACWF. The responsible Army official cited in AR 210-25 will also be contacted. Additionally, an information copy of DA and Defense agency reports relating to civilian NAFIs under the law will be provided the BDACWF.

*b.* To comply with the revenue-sharing requirements of the Randolph-Sheppard Act, civilian NAFI custodians will



maintain the information below on a current and accurate basis. Custodians will verify any information furnished by the servicing accounting office.

(1) For both direct and contractor-operated vending machines.

(a) Current inventory of all vending machines by building designation (name or number) and where sited within or outside the building (for example, entrance, loading dock, or third floor rear).

(b) Products vended and resale price of each product.

(c) Monthly sales by machine and total sales per building.

(d) Total income subject to sharing with the State licensing agency, by month per building.

(e) Amount due the State licensing agency, by month.

(2) For direct vending machine operations.

(a) Monthly net income, by machine and total per building.

(b) Monthly pro-rated expenses, by machine and total per building.

(3) For contractor-operated vending machines.

(a) Monthly net commission income paid by the contractor, by machine and total per building.

(b) Any monthly pro-rated NAFI expenses associated with contract management, such as utilities, accounting, and procurement.

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**OFFICE SYMBOL (MARKS NUMBER)**

**MEMORANDUM THRU: (MACOM or Defense Agency)**

**FOR: CHAIRPERSON, BOARD OF DIRECTORS, ARMY CIVILIAN WELFARE FUND,  
21 ARMY PENTAGON, WASHINGTON DC 20310-00021**

**SUBJECT: Request for ACWF Financial Assistance**

**1. Under the provisions of AR 215-7, paragraph 2-17, request is hereby made to the Board of Directors, Army Civilian Welfare Fund for a (loan, grant, or combination loan and grant). This financial assistance is for the purpose of (brief statement of general purpose). A summary of the most recent employee interest survey in support of this MWR activity substantiates this request and is enclosed. (Encl )**

**2. The following general information is submitted in further justification of this request:**

**a. Name and official address of requesting NAFI:**

**b. Amount of financial assistance: (amount) If loan, duration will be for \_\_\_ months, with maturity date of (date).**

**c. A detailed listing of NAF-funded FFE items is enclosed. (Encl )**

**d. Source and amount of local NAFs to be used are:**

**e. Amount and types of appropriated fund support to be furnished in conjunction with this project are:**

**f. Installation personnel strength as of (date):**

**(1) APF civilian employees: (number).**

**(2) NAF civilian employees: (number).**

**(3) Other civilians working on the installation or serviced by this MWR activity: (number).**

**(4) (f there is no military APF feeding facility.) The installation military strength is: (number).**

**(5) Significant changes in the above population figures (are) (are not) programmed and include the following by fiscal quarters and numbers:**

**g. This request is an approved item in the NAFI's CEB. (Encl )**

**h. Construction documentation is enclosed. (Encl )**

**i. There (is) (is not) currently an outstanding loan balance to the ACWF.**

**Figure 2-1. Request for ACWF financial assistance format**

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3. Additional information for Category II PR NAFI request: (Alternative paragraph).
- a. Activities operated are:
  - b. New activities to be operated if this request is approved are:
  - c. Current contract operation(s) are: (Encl )
  - d. For non-vending operations, furnish high, low, and average customer load per week for the past year and any changes in numbers contemplated if the request is approved.
  - e. Other installation NAFI food or other resale services available to civilian employees and brief analysis of their patronage effect on the PR NAFI:
3. Additional information for Category IV CWF NAFI request: (Alternative paragraph).
- a. Activities operated and average monthly participation by activity for the past year:
  - b. New activities to be operated if this joint request is approved, and contemplated average monthly participation:
  - c. Military MWR activities available for use by civilian employees are:
  - d. Civilian employee MWR activities utilized by military personnel are:
4. Additional information furnished in justification of this request:

**SIGNATURE BLOCK**  
Custodian of requesting NAFI

Approved:

Chairperson of requesting NAFI

Commander or Designee

Enclosures:

1. Summary of triennial or interim survey
2. Loan repayment schedule
3. Itemization of NAFI-funded FFE
4. CEB and 2-year AOBs that reflect this request, if applicable
5. Construction engineering documentation
6. Copy of concessionaire contract
7. Additional information (such as photographs), as required

Figure 2-1. Request for ACWF financial assistance format—Continued

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## Chapter 3 The Army Civilian Welfare Fund

### Section I Organization

#### 3-1. Purpose of the Army civilian welfare fund nonappropriated fund instrumentality

As cited in paragraph 1-4, the ACWF has been established at the DA level. It serves as the central successor fund and depository for civilian NAF moneys normally derived from the operation of installation level civilian NAFIs. The ACWF's resources are expended for purposes authorized by this regulation. These purposes center on assisting major and installation commanders in establishing, operating, and maintaining adequate MWR programs, services, and facilities for the Federal civilian work force in the 50 United States and other geographical areas in which ACWFs are approved to operate.

#### 3-2. Concept of fund operations

*a.* Within the ACWF, Army and Defense Agencies civilian NAFI accounting transactions will be combined in a single Army account.

*b.* If the ACWF is disestablished and dissolved, the residual assets will be distributed to an Army Central Civilian Category IV NAFI. The designation of the successor civilian NAFI is in accordance with authorizations contained in DOD Directives 1015.1 and 1015.8. The activation of the central successor civilian NAFI will be contingent upon and simultaneous with the dissolution and disestablishment of the ACWF NAFI.

#### 3-3. Board of Directors, Army Civilian Welfare Fund

*a.* The board executes its responsibilities through these functions:

(1) Ensure that civilian NAFIs are established, administered, and disestablished in accordance with this regulation and the regulations referenced in appendix A.

(2) Establish policies and procedures within the guidance and direction of OSD issuances, by specifying—

*(a)* The types of authorized civilian MWR activities, including restrictions on items that may be sold.

*(b)* The number and type of civilian NAFIs authorized and the propriety of their receipts and expenditures.

*(c)* Amounts of net working capital that may be accumulated and retained by civilian NAFIs.

*(d)* Other applicable procedures to be followed in the administration of civilian NAFIs.

(3) Require reports as necessary, or as otherwise directed by OSD, for adequate control and supervision.

(4) Publish an annual budget letter of instruction and conducts management review of budgets prepared by all civilian NAFIs. From budget submittals, develop tentative funding priorities for possible ACWF loan or grant support.

(5) Continuously review the program of installation Federal civilian employee MWR activities and the financial status of civilian NAFIs. Within this review, ensures that all required payments to the ACWF are being made.

(6) Coordinate and recommend to DA matters concerning accounting procedures and systems for civilian NAFIs. Responsible departmental accounting offices are the Office of the Assistant Secretary of the Army for Financial Management and the Office of the Director, DFAS.

(7) Control the use, distribution, and disposition of civilian NAFI assets to ensure equitability of benefits based on demonstrated civilian MWR program needs. Exercise control over use of civilian NAFs through funding approval of jointly funded and capital expenditure projects, as further delineated in paragraphs 1-12*j* and 2-26, respectively.

(8) Assist PRF and CWF NAFIs through loans and grants within the financial capabilities of the ACWF and considering the priority need of the request.

(9) Recommend approval or disapproval to the SA of the acceptance by a civilian NAFI of contributions or donations from sources outside the military departments valued in excess of \$50,000 for the Army.

(10) Interpret this regulation and authorizes exceptions only when justified and not otherwise prohibited by controlling directives.

*b.* As the governing body for the ACWF NAFI, the board has the following functions:

(1) Supervise the administration of the Category IV ACWF NAFI.

(2) Approve internal administrative procedures and controls proposed by the executive secretary.

(3) In accordance with paragraph 2-11, schedule an audit of the ACWF.

(4) Review analyses of financial statements and reports of audit and inspection of the ACWF and ensures necessary corrective action, as appropriate.

(5) Within the guidance prescribed by AR 215-1, ensure timely investment of available ACWF cash assets.

### **3-4. Board office administration**

*a.* The BDACWF may appoint an executive secretary to serve as recorder-custodian and otherwise manage the fund. The executive secretary will also act as the civilian MWR program manager. As custodian of the ACWF, the executive secretary will be responsible for secretariat duties, coordination and staffing of actions, and policy development, implementation, and interpretation, as directed by the board and all applicable regulations.

*b.* In maintaining a secretariat office for conducting board functions, the executive secretary will supervise a staff of NAFI employees compensated from the ACWF. At the request of the Board, and with the concurrence of the DASA (CPP), NAFI employees of the board are administered in accordance with AR 215-3.

*c.* The chairperson will generally oversee the administration of the board's staff office. Office space, supplies, equipment, and furniture will be provided by Resource Services Washington (RSW).

## **Section II Financial Operations**

### **3-5. Authorized receipts**

Authorized receipts of the ACWF will include the following:

- a.* All residual assets, including securities and proceeds from the sale of fixed assets, of dissolved civilian NAFIs.
- b.* Dividend distributions from PR NAFIs or other NAFIs, as appropriate.
- c.* Cash, securities, or other assets of individual civilian NAFIs deemed excess.
- d.* Contributions or donations for the welfare of civilian employees of the Army or Defense agencies.
- e.* Interest on investments and bank accounts of the ACWF.
- f.* Repayments on loans from the ACWF.
- g.* Moneys or other assets to be held in trust for civilian NAFIs.
- h.* Such other moneys that the BDACWF may determine appropriate to further the purpose of the civilian NAF system not otherwise prohibited by DOD NAFI policy.

### **3-6. Authorized disbursements**

Disbursements may be made from the ACWF for the following:

- a.* Expenses incurred in the operation of the ACWF as a NAFI, including support of the board staff office.
- b.* Loans or grants to civilian NAFIs, as prescribed in chapter 2, section III.
- c.* Payment of approved tort or other claims not otherwise payable from centralized or other DA insurance programs.
- d.* As the successor fund, liquidation of any outstanding claims of creditors of civilian NAFIs, in the event of dissolution or disestablishment.
- e.* Such other expenditures as may be determined necessary by the board. These must assist in civilian employee MWR programs and the operation of the civilian NAFI system not otherwise prohibited by DOD NAFI policy.

## **Chapter 4 Category II Restaurant Nonappropriated Fund Instrumentalities**

### **Section I Organization**

#### **4-1. Concept of operations**

*a.* This chapter sets forth policies and broad guidance for operation of Category II PRFs. PRF services are primarily for, but not limited to, the Federal employees on the installation. Paragraph 4-9 implements DOD policies concerning the authorized patronage of the PRF. Paragraph 1-13 implements program priority guidance contained in DODD 1015.2 and DODD 1015.8 on the establishment and continuance of civilian MWR programs.

*b.* DODI 1330.18 authorizes more than one NAFI food service and resale outlet to operate on a DOD installation. These outlets may meet food service and some limited resale needs of the DOD personnel stationed or working on the installation or in the immediate area.

(1) NAFI food service operations are designed to meet differing patron needs and preferences, as well as the requirements of other MWR programs for financial support.

(2) Geographical dispersion and siting of the various food service facilities on the installation are also major considerations.

*c.* Post restaurants have the primary responsibility for meeting the food, beverage, and other resale needs of the installation's Federal civilian employee work force. Category IV CWF programs for the work force can be financially viable only through Category II PRF net income. The PRF is authorized by DOD resale policy to operate on

installations, in buildings, or in areas where the work force is predominantly civilian. The triennial surveys required by paragraph 1–13 should substantiate these employee resale requirements. Requests for activation loans or grants will be submitted to the BDACWF through command channels in accordance with paragraph 2–17.

#### **4–2. Identification of a restaurant**

a. In authorizing Category II NAFIs, DODD 1015.2 provides for *Civilian Dining/Vending and other Resale Activities and Services* as one of the NAFI types that is explained as follows: “Includes the functions of providing other than through exchanges, reimbursable goods and services to authorized patrons, and funds to support other designated morale programs.”

(1) Category II NAFIs (PRFs) are authorized to provide the resale services listed in paragraph 4–6.

(2) Category II NAFIs also have the mission of *support to other designated morale programs*, that is, those MWR programs supported by the Category IV NAFI.

b. Facilities and services operated under concessionaire contracts will not be identified with the name of the contracting PRF NAFI. All business of the concessionaire will be transacted in the name of the private individual or business entity according to the contract. The status of *Federal instrumentality* may not be used by PRF NAFI contractors.

#### **4–3. Criteria for a restaurant**

Since the resale activities of all Category II NAFIs must be largely self-sustaining, they are dependent on the income flowing from the market demand for their goods and services. They receive only limited APF support and no NAF subsidies. Initial establishment, continuance, and resale outlet locations must therefore be judged in terms of fulfilling the criteria outlined in paragraph 1–7, with particular emphasis on the following:

- a. Predominance of the civilian work force at the installation or in the location or area to be served by the outlet.
- b. Current availability and convenience of other resale activities, and the patronage eligibility of the civilian work force.
- c. Product line sales projections and actual sales by item adequate to support a reliable net income capability for continued operations, capital requirements, and dividend declarations.
- d. Facility availability.
- e. Budgets to support the above, such as AOB, CEB, and cash. (See para 2–6.)

#### **4–4. Restaurant council responsibilities**

In addition to the civilian NAFI council guidance provided in paragraph 1–9, the guidance below also applies:

a. A chairperson and a recorder will be elected by the council. The restaurant officer will serve as a nonvoting member; the custodian may serve as recorder. Because of potential or perceived conflicts of interest, council members must not be employed by or be in supervisory positions with other NAFI food service activities, such as a military club or open mess.

b. In its governing role, the specific duties of the council are administering the NAFI, monitoring the performance of the restaurant officer, and managing the restaurant operation through the following specific functions:

(1) Responsibility for financial planning and management, including pricing of resale items. Reviews budgets and recommends approval or other action to the commander. This includes assuring that income is received only from authorized sources and that expenditures are within the purpose for which the NAFI was established. Council approval of individual expenditures is not necessary; however, dollar thresholds of approval may be established for compliance by the custodian. Budget action includes NAF personnel position control.

(2) Reviews financial statements, reports of audit and inspections, inventories, and results of other restaurant activities. Takes or directs necessary action, as appropriate, especially when the PRF's financial condition is not within acceptable standards as determined by the ACWF.

(3) Within guidance of applicable NAFI regulations, presents recommended changes in policy, organization, and operation of restaurant activities to the installation commander for approval.

(4) Determines the adequacy of the restaurant services offered to the employees of the installation with the assistance of the installation CPO.

(5) Periodically reviews the operation of restaurants to determine conformance with all regulations and directives. Takes action to correct any irregularities.

(6) Ensures provision of adequate insurance, including fidelity bonding or employee dishonesty, to be carried by the restaurant NAFI, as required by AR 215–1 and paragraph 2–14 of this regulation.

(7) Plans for replacement of fund property and the financing of future requirements through the CEB, including minor and major capital expenditures.

(8) Approves dividend distribution plans.

(9) Monitors and compares financial results with the approved budget to ensure achievement of the net income objective. Distributes dividends to the Category IV CWF and the BDACWF.

(10) Ensures necessary action on sanitation, security, fire protection, and maintenance of restaurant buildings and facilities in coordination with appropriate officials.

(11) Ensures proper redistribution/disposal of NAFI property in accordance with paragraph 2–25.

c. The record of the council proceedings will consist of—

(1) Minutes of each meeting signed by the recorder, countersigned by the chairperson, and reviewed by the council members at the next meeting.

(2) The installation commander's written approval or disapproval of council actions and recommendations.

d. A copy of the approved minutes will be forwarded to the MACOM and a copy to the BDACWF within 30 days of the date of the meeting.

#### **4–5. The restaurant officer and custodian**

a. The installation commander will select and appoint a qualified Federal employee of the installation or a commissioned or warrant officer to be *restaurant officer*. Under the general guidance of the PRF council, the restaurant officer will be in executive control of all Category II PRF activities. Duties as PR NAFI custodian may be included or be separately assigned to another person per paragraph 1–10. If a NAFI employee serves as the professional restaurant manager of a direct operation and is otherwise qualified, he or she may also be appointed to serve as both the restaurant officer and custodian. The work performance of such a NAFI employee will be evaluated and rated by the appropriate supervisor as provided for in AR 215–3. At locations where the restaurant is operated by contract, the restaurant officer/manager duties will normally entail only part-time, additional duties associated with ECECS. In accordance with DODD 1015.4, APF personnel, military or civilian, may not be assigned full-time duties as restaurant officer.

b. The restaurant officer/custodian will—

(1) Serve as custodian of the Category II PR NAFI in accordance with paragraph 1–10 and other applicable regulations pertaining to custodian duties.

(2) Directly supervise and coordinate all activities of the restaurant, ensuring its proper management to include—

(a) Maintaining current knowledge of the food service industry, including trends and future developments that may be useful to PR operations.

(b) Complying with food management guidance in paragraph 4–8.

(3) Serve as a nonvoting member of the restaurant's governing council to include—

(a) Recommending changes in policy, organization, and operation of the PRF to ensure its short and long term profitability.

(b) Briefing the council on the financial status, operating efficiency, and variance from budget and previous periods in operating results.

(c) Assisting the council in pricing resale items.

(4) Continuously evaluate the adequacy of restaurant and/or other authorized customer services provided by the PRF. The restaurant officer will enforce patronage eligibility requirements delineated in paragraph 4–9.

(5) Plan for the financing of future requirements, including modernization and replacement of assets, as well as—

(a) Preparing or assisting in the preparation of all Category II PR NAFI budgets.

(b) Cooperating and coordinating with the CWF NAFI custodian during budget development to ensure understanding of PR dividend capabilities and CWF requirements.

(6) Comply with departmental regulations in matters of sanitation, security, fire protection, and facility maintenance in coordination with the proper officials.

(7) Administer the property assets of the NAFI in accordance with this regulation, AR 215–1, DOD 7000.14–R and other guidance.

(8) Establish and enforce an adequate system of internal control. He or she will require strict adherence to the policies and procedures contained in this and other regulations that govern Category II PR NAFIs.

(9) Review and ensure timely submission of monthly financial reports to the BDACWF, as well as special reports as required.

(10) Recommend or take corrective action, as appropriate, following the review of financial statements and other control reports.

(11) Ensure accurate and timely computation and distribution of dividends to the Category IV CWF NAFI in accordance with paragraph 4–14.

(12) Review PR NAFI reports of audit, inspector general reports, and board of officer reports, as applicable. He or she will ensure that irregularities are corrected and findings and recommendations are responded to.

(13) Implement policies and administer procedures of the DOD NAFI personnel system, for example, ensure that vacancies are filled promptly, and position guides are current. (See AR 215–3.) Also included are—

(a) Justifying all Category II PR NAFI personnel positions to the council.

(b) Developing and conducting employee training programs in accordance with paragraph 2–21.

(14) Enforce terms of concessionaire contracts or management agreements. Alternatively, the restaurant officer will assist the proper official (contracting officer) in so doing.

(15) Maintain all administrative files and records as well as regulations, directives, manuals, trade publications, internal operating procedures, and other material pertinent to the NAFI and food services to include—

- (a) Advising the council of any deletions or additions to be recommended for change.
- (b) Implementing changes within the area of responsibility.

## **Section II**

### **Authorized Programs, Activities, and Patronage**

#### **4–6. Authorized resale activities**

*a.* Subject to the restrictions in *d* below, the pricing guidance in paragraph 4–13, and the approval of the MACOM, resale activities are authorized to be operated by an established Category II PR NAFI. Locations may be on the premises of a restaurant activity or in buildings and areas of predominant civilian employee population. Resale includes the following:

(1) Restaurants, cafeterias, snack bars, and mobile canteens for the sale of food, beverages, confections, and tobacco products.

(2) Product vending machines.

(3) Newsstand.

(4) Amusement machines. Gambling devices such as punch boards, jar bingo, slot machines, or similar devices are unauthorized.

(5) Recreational and athletic facilities, such as bowling alleys, when operated as income-producing activities on a continuing basis.

(6) Sale of safety clothing and equipment, plant protective clothing, and other similar industrial-type personal items required in employees' official duties.

*b.* Subject to *d* below and the prior approval of the board, a Category II PR NAFI may sell other items of personal use or make services available for the convenience of the federal employee work force during the workday. These will be of utility standard and will exclude items within specialty or luxury price categories. Examples of personal use and convenience services are—

(1) Sanitary goods and supplies.

(2) Simple drug remedies, including standard first-aid items.

(3) Apparel repair items and emergency replacements.

(4) Smoking accessories, toiletries, and cosmetics.

(5) Hair care facilities.

(6) Laundry and dry cleaners.

*c.* When limitations of *a* or *b* above cause undue hardship to civilian employees, and/or at isolated installations where the personnel strength is predominantly civilian employees, the PRF may operate additional resale activities, but only with the prior approval of the BDACWF. Requests for additional resale activities or items will be processed in accordance with the procedures and format of paragraph 1–7, as adapted to the individual request.

*d.* Subject to the above limitations, no items will be authorized or sold that are not included within the list of authorized items in DODD 1330.9, as implemented by AR 60–20.

#### **4–7. Methods of resale operation**

Authorized resale operations of a civilian NAFI may be conducted on a direct or *in-house* basis, on an indirect or contract basis, or by a combination of the two.

*a. Direct operations.* In the direct operation method, the Category II PR NAFI is the basic management entity and the financial vehicle through which all operations are conducted.

(1) The NAFI is the employer of all resale personnel, and provides the necessary resources, including cash assets, resale merchandise, furnishings, fixtures, and equipment (except any authorized use of surplus Government-owned equipment).

(2) All consumable and most expendable products or supplies are purchased by the NAFI, which also pays other operating expenses as required by AR 215–1.

(3) In direct operations, net earnings or losses accrue solely to the NAFI for subsequent use, absorption within the entity, or other disposition. Total responsibility is vested in those responsible for the management of the NAFI—the restaurant officer/custodian, manager, and council, subject to the approval of the commander.

(4) Direct resale operations by a NAFI are afforded the immunities and privileges of Federal instrumentality status.

(5) The PR NAFI is the employer and all employee costs are its responsibility. These costs include pay and benefit programs, as well as the incentive/recognition awards authorized in paragraph 2–19.

*b. Indirect operations.* Indirect resale operations are conducted through contractual arrangements or agreements



rather than directly by the Category II PR NAFI. Although the contract is between the PR NAFI and the contractor or between NAFIs, the role of the PR NAFI is broader, and principally one of defining terms and assuring compliance.

(1) Services to be provided are rendered by contractor personnel, and other resources necessary for fulfillment of the contract are determined by its terms. Terms, for example, include assets to be furnished and by whom, items or services to be sold, and prices, fees, and charges to be in effect.

(2) In contract operations, net earnings or losses accrue to the contractor, who pays a commission fee to the NAFI.

(3) NAF management has a less active role in the daily operations of resale activities. Relations with the contractor are carried out by the contracting officer and any duly appointed contracting officer's representative.

(4) A contractor, in conducting resale operations for a NAFI, is not entitled to the immunities or exemptions and privileges of a Federal instrumentality.

*c. Combination operations.* A PR NAFI may directly operate one or more resale activities (for example, food service), but contract out other activities (for example, amusement machines), thus combining direct and indirect operations in the NAFI. An individual activity's management, financial, and legal characteristics necessarily depend on whether its operation is direct or indirect.

*d. Reporting.* Gross sales from direct operations are reported on the required periodic financial statements. Gross sales of concessionaires will be reported by a footnote to the income statement, as prescribed in paragraph 2-7.

#### **4-8. Food management**

The efficiency and effectiveness of direct food service operations prior to food preparation and serving require that certain key steps receive the close and continual attention of management. The culmination of these interrelated functions can be reasonable prices, a minimum of wasted food dollars, and progress toward achieving budgeted financial goals. Indirect, contract operations may be guided by these considerations. Food management personnel are urged to supplement the basic information contained herein by referring to specialized DA NAFI food publications.

*a. Purchasing and ordering.* Food acquisitions are initiated by a purchase request, order, or contract. However, these formal documents must be preceded by the manager's determination of needs, specifications, and requirements. In turn, these are based on managerial experience, customer preference, sales data, menu projections, and other management indicators.

(1) Installation central purchasing offices, where available, can assist the restaurant officer in the purchasing/ordering workload. They also diminish the opportunities for irregularities in the buying process.

(2) In addition to commercial purveyors, commissaries are also an authorized source for civilian NAFI food purchases.

*b. Receiving.* Receiving is an important part of the food purchasing operation, since full value actually received can only be ensured by checking the shipping ticket and invoice with the initiating order or contract and its specifications. Steps in receiving include the following:

(1) The required veterinarian inspection will be made for food wholesomeness and proper handling. This is done upon receipt of a perishable shipment at a designated point on the installation.

(2) Next, quality, quantity, and weight will be checked, usually at the NAFI storage area, by observation, sample, count, or weight.

(a) Only qualified, authorized storeroom personnel should be involved, whether goods are received at a central location or directly at the using facility.

(b) Supervisors should make unannounced spot checks.

(3) Copies of the authenticated receiving report, signed or initialed and dated, will be promptly prepared and distributed, including copies to the servicing accounting and purchasing offices.

(4) Invoice adjustments or claims action will be taken against damaged, over or short, or concealed loss merchandise.

(5) Partial payments may be necessary in order not to lose discounts and in order to maintain good relations with suppliers. See paragraph 1-12*p* for applicability of the Prompt Payment Act (Public Law 97-177).

*c. Storing and issuing.* Essential to controlling food costs are locations that are physically secure and accessible only to authorized personnel. A physical environment appropriate to preserving a variety of food products must also exist.

(1) Pilferage and spoilage must be continuously guarded against.

(2) Daily inventories of sensitive or high-cost items and frequent inventories where problems exist or are suspected can be effective controls over storing and issuing.

(3) Issues from a storage facility will be promptly and accurately documented.

(4) To preclude deterioration, perishable items should be issued on a first in, first out basis.

*d. Inventories.* Receiving reports are the basis on which inventory accounts and records are initiated and maintained. Subsequent issuing reports reflect the flow to resale outlets. The resultant balances then become the recorded standard of measurement against which periodic inventory counts are taken and compared.

(1) Inventory adjustments are made to stock record cards or automated perpetual inventories, following verification of the physical inventory.

(2) Employees may conduct required monthly food inventories, however storeroom personnel should not serve as inventory recorders. Where independent inventory team members are required, commanders may appoint installation civilian employees. Those NAFI inventories required by departmental directives are considered an essential element of ECECS and may be performed on official duty time.

*e. Some gross income considerations.*

(1) Selling prices are a responsibility of the PR NAFI council in coordination with the restaurant officer and/or manager. Menu cost cards are a useful tool for determining appropriate food prices. The menu cost cards describe the menu item and individual ingredient costs for both current and projected FY quarters. These cards enable the computation and comparison of current and desired monetary costs and cost percentages with the current selling price to derive the menu selling price. Such menu item analyses can be used for monitoring current operations, making menu price changes, and constructing financial plans and budgets. Similar to other aspects of food management, attention to detail frequently is the difference between success or failure—profit or loss.

(2) Food *scatter sheets* measure the mix of individual item sales and are an accurate reflection of customer reaction to the daily menu. This enables menu adjustments that will more closely approximate customer preferences. Menu item sales data, coupled with menu item cost card data, can determine whether prices are adequate to achieve budgeted gross income goals.

(3) Low actual gross income, as compared with desired or budgeted gross income goals, can be attributed to causes other than lack of customers. Examples are as follows:

(a) Sales revenue may be lower than planned because of unrecorded or inaccurately recorded sales at the cash register.

(b) Food may be wasted in preparation or serving.

(c) Carelessness or lack of close supervision.

(4) Other factors also have an unfavorable influence on COGS.

(a) Ineffective portion control increases consumption or wastage and thus affects purchases, without an off-setting increase in sales revenue.

(b) Pilferage and theft lower the gross sales dollars.

(c) Inaccurate inventories may drive up COGS and thereby reduce gross income.

*f. Health and sanitation.*

(1) Nutrition programs will aim to encourage and assist all civilian employees to establish and maintain dietary habits contributing to good health, disease prevention, and weight control. Food calorie information should be readily available. Meals with reduced amounts of fat, salt, and calories should be offered. Snack bars and vending machines should also offer nutritious alternatives, such as fresh fruit, fruit juices, and whole grain products.

(2) Nonsmoking areas will be designated and posted in all eating facilities. Smoking areas will be permitted only if adequate space is available for nonsmoking patrons, and ventilation is adequate to provide them a healthy environment.

(3) The food service sanitation standards prescribed in AR 40–5 applies to PR operations in the receipt, storage, preparation, and serving of food products, particularly those that are perishable or of animal origin. These standards also apply to the facilities, equipment, and personnel utilized in fixed, mobile, or vending machine methods of operation. All NAFIs are subject to the veterinary services food inspections required by AR 40–657. These particular standards apply equally to direct and indirect PR operations.

(4) The policy and procedural guidance contained in AR 40–660 relating to the DOD hazardous food recall system applies to all PR NAFIs. Food will be recalled as individual inspection and recall are officially announced.

#### **4–9. Authorized patronage**

*a.* The patronage authorizations that follow are an implementation of DODD 1015.2 and DOD 1015.8–R for civilian NAFIs. Dependents are referred to as *family members* in DA regulations and are defined in the glossary.

*b.* Patronage of the Category II PR food, beverage, vending and amusement machine resale activities and facilities listed in paragraph 4–6a(1) through (4) is authorized for the following without identification:

(1) DOD and other civilian employees working on the installation and their dependents and guests.

(2) Uniformed personnel, active duty and retired with pay and their dependents and guests; members of Reserve components while on inactive duty for training.

(3) Unremarried former spouses and other dependents entitled to commissary, exchange, and theater privileges.

(4) Authorized visitors at the installation.

*c.* Authorized patronage of the non-food Category II PR *other resale activities* and facilities listed in paragraph 4–6a(5) and (6) and 4–6b is extended to the following upon presentation of official identification cards, badges, or documentation that offers proof of eligible status:

(1) DOD and other civilian employees working on the installation and their dependents. Accompanied guests of the foregoing may participate in recreational and athletic activities only but may not purchase merchandise, other than food, beverages, and vending machine items.

(2) Uniformed personnel, active duty and retired with pay, and their dependents. Guest restrictions cited in (1) above also apply.

(3) Unremarried former spouses and other dependents entitled to commissary, exchange and theater privileges.

d. Patronage of the special Category II PR NAFI *other resale services* and facilities referred to in paragraph 4–6c will be as authorized by the BDACWF at the time of approval of these additional resale activities. This authorization will normally be limited to those patrons listed in b (1), (2), and (3) above.

e. The PRF may also sell to other NAFIs of the installation upon presentation of an approved purchase order or other appropriate NAFI document.

#### **4–10. Alcoholic beverage control**

a. Alcoholic beverages include malt beverages, wine, and distilled spirits. AR 215–1 contains the DOD alcoholic beverage policies that apply to all NAFIs on Army installations. This regulation authorizes malt beverage resale by the drink, that is, not in bulk, by Category II civilian PRFs. All other alcoholic beverage purchase, resale, or dispensing by civilian NAFIs, and any future requests for malt beverage serving, require the approval of OSD. Such requests will be fully justified in writing on an additional location basis and forwarded through channels to the BDACWF for further action and recommendation to the OSD.

b. Policies established by installation commanders to discourage the abuse of alcoholic beverages apply equally to civilian NAFIs. These may include but are not limited to generalized controls over the dispensing and serving of alcoholic beverages and specific restrictions over reduced pricing, identification and age of patron, consumption controls, and taxation.

### **Section III**

#### **Restaurant Financial Management**

#### **4–11. Financial planning objectives**

a. Category II PR NAFI pricing policies for direct operations must be balanced to achieve several objectives, including the prescribed net income requirement for dividend distributions; the NAFI's operating and capital requirements; the need to serve quality products; and customer satisfaction. (See para 4–8.) These objectives are interdependent. They are not independent of one another. They are not listed in an order of priority. Quality food at reasonable prices attracts customers, whose patronage is necessary in achieving the budget objectives. The PR NAFI must not only sustain its own MWR activity but also much of the Category IV CWF program. Such diverse priority considerations demand realistic financial planning in both the short and long terms.

b. To ensure financial stability and to provide a regular dividend distribution base, directly operated PR NAFIs will plan for and budget for an annual net income before depreciation objective of at least 6 percent of gross sales to provide for the following:

- (1) Monthly and any special dividend distributions to the installation CWF.
- (2) A monthly dividend distribution to the ACWF.
- (3) NAFI loan payment, if applicable.
- (4) Funds necessary for capital expenditure budget projects approved for the current FY.
- (5) Current FY actions recognizing future capital expenditures, for example, sinking fund deposits and equity reserves. (See para 2–10.)

c. Monthly operating budgets are authorized to reflect less than the annual net income before depreciation budget plan. However, quarterly and annual financial plans must compensate in order to meet the annual approved budget (minimum 6 percent net income before depreciation) by the end of the FY.

d. Indirect or contract operations, as provided for in section IV, must also recognize the financial planning objectives of the Category II PR NAFI and the Category IV CWF NAFI. The contractor must earn a net income; dividends must be paid; assets must be replenished, replaced, or repaired; and contractor operating expenses and COGS variances must be closely followed. Paragraph 4–14 provides for a distribution from indirect operations to Category IV NAFIs.

#### **4–12. Post restaurant accounting, reporting, and analysis**

a. Accounting and reporting instructions for Category II PR NAFIs are in paragraph 2–7. These supplement the instructions in DOD 7000.14–R. Departmental reporting instructions may require earlier submittal as long as a copy of each monthly statement arrives at the BDACWF no later than the 30th day of the month following the reporting period. DODI 7000.12 prescribes that all MWR activities and their supporting NAFIs be administered through sound financial practices in an economical, efficient, and businesslike manner. It also requires that departmental NAFI accounting systems be standardized to the maximum extent practicable and be on an accrual basis. Tangible fixed assets are to be capitalized and depreciated. Effective internal control systems must be implemented. For reasons of economy and uniformity all civilian NAFIs will utilize DFAS NAF Financial Services for accounting and reporting services.

b. Category II PRF custodians will compute, or be furnished, financial analyses of key account variables and relationships for their NAFIs, as outlined in paragraph 2–7.

**4–13. Resale and pricing**

Overall resale policy for civilian NAFI direct and indirect operations is in paragraph 1–12. PRF selling prices for goods and services will be consistent with the income objectives of the NAFI and the guidance expressed herein.

a. NAFI resale prices will not be substantially less than comparable commercial establishments within the installation’s commuting area. Any resale of malt beverages authorized for mealtime consumption will be at prices not lower than those of other installation NAFIs.

b. Sales to authorized patrons (para 4–9) will be in cash. When approved by the PR NAFI council, credit sales to another installation NAFI or organization (such as a special event or party) may be made. Such accounts receivable will be collected in full no later than the end of the month in which the event occurred.

c. No patron will receive special prices or privileges for individual or group functions that are not available to other patrons. Such functions or events will be priced at no less than the minimum net return of 6 percent of gross sales.

d. The relationship of NAFI resale to the payment of taxes is discussed in paragraph 2–28.

e. Food pricing considerations are in paragraph 4–8.

**4–14. Distribution of dividends**

a. Dividends for distribution to Category IV CWF NAFIs are generated by Category II PR NAFIs, whether operated on a direct or contract basis. Therefore, Category II PR NAFIs must earn sufficient income to support approved installation Category IV MWR programs. The amount of dividends available for distribution normally will be based on and paid from the current month’s net income before depreciation. However, dividends may also be paid from net worth accumulations of prior fiscal periods, either as a declaration covering a net loss month or as a special dividend.

b. Prior to the 25th of each month, the custodian of the PR NAFI or CAO will—

(1) Compute the amount of dividends to be paid as a regular dividend based on the preceding month’s financial results. Table 4–1 is a sample computation.

(2) Pay to the installation CWF NAFI an amount equal to at least 20 percent of the net income before depreciation.

(3) Pay to the ACWF an amount equal to 5 percent of the net income before depreciation.

**Table 4–1  
Sample monthly dividend computations**

Net income before depreciation for month	\$2,958.14
Minimum distribution to installation CWF = 20% of \$2,958.14 (but may be up to 50% to CWF)	591.63
Distribution to the ACWF = 5% of \$2,958.14	147.91
Total amount of minimum dividend distribution	739.54

c. Twenty to 50 percent of the PR NAFI net income before depreciation will be distributed each month to the installation CWF. Between these limits and within approved budgets, the monthly percentage may vary in recognition of the varying financial capabilities and needs of both funds throughout the fiscal year. However, the objective is for budgeted and actual dividends to coincide over the course of a fiscal quarter.

d. If the PRF has net income before depreciation but the acid test ratio for the month is less than 1:1, no distribution will be made.

e. If a net loss before depreciation for the month occurs, the PR dividend will be computed and paid as follows.

(1) If the PR NAFI will have an acid test ratio for the loss month of 1:1 or greater after the dividend distribution, a distribution to the installation CWF and the ACWF will be made in an amount equal to one half the average monthly dividend distribution to each NAFI during the prior fiscal year. Refer to table 4–2 for sample computation.

**Table 4–2**  
**Sample dividend computation for loss month**

Net loss before depreciation for the month	(\$135.64)
Acid test ratio for the loss month	3.2:1
One half the average monthly dividend distribution to installation CWF prior fiscal year	\$568.58
Mandatory distribution to CWF for loss month	568.58
One half the average monthly dividend distribution to ACWF during prior fiscal year	75.81
Mandatory distribution to ACWF for loss month	75.81
Total mandatory dividend distribution for loss month as a deduction from fund equity	644.39

(2) If the PR NAFI will have an acid test ratio of less than 1:1 after the dividend distribution for the loss month, no distribution is required. It is expected that a loss month will be a temporary situation, since appropriate management action should enable the PR NAFI to return promptly to a net income posture.

*f.* Except as authorized in *g* below, the remittance due the ACWF will be electronically transferred to the ACWF on or before the 30th day of the month in which due. The use of electronic funds transfer is mandatory.

*g.* When the amount due the ACWF as of the end of any month is less than \$10, the PR NAFI custodian will set aside that amount as a *dividends account payable* due the ACWF. When the total amounts set aside equal or exceed \$10, payment will be made to the ACWF. These cumulative amounts will not be withheld longer than 6 months. When this procedure is followed, PR NAFIs will include in their monthly financial report a statement of the amount set aside for the current month and a statement of the total amount carried as a liability due the ACWF as of that date. This payment withholding procedure does not—

(1) Alter the requirement that financial reports of the PR NAFI be sent each month to the BDACWF.

(2) Authorize the PR NAFI custodian to withhold the payment of monthly dividends due the installation CWF.

(3) Apply when concessionaire commission fees are to be submitted in accordance with *h* below.

*h.* When the restaurant activity is solely concessionaire-operated, owns no fixed NAFI assets, and/or has no other income and no expenses, the following procedures apply:

(1) The concessionaire will issue a check made payable to the restaurant officer in the amount of the commission fees due.

(2) The restaurant officer will, on receipt, endorse the check for payment in full to the installation CWF NAFI custodian.

(3) The CWF NAFI custodian will, in turn, follow the instruction contained in paragraph 5–9 on subsequent disbursement to the ACWF.

(4) The concessionaire financial information delineated in DOD 7000.14–R will be forwarded to the BDACWF.

*i.* In addition to regular dividends, special dividends may be paid by the PRF to the installation CWF. Special dividends represent a one-time per FY transfer of cash to the CWF, when the financial condition of the PRF permits. Any special dividend exceeding \$10,000 requires advance approval of the BDACWF.

#### **4–15. Financial assistance**

Financial assistance to the PR NAFI will be in accordance with chapter 2, section III. See table 2–1 for the format for a loan or grant request to the ACWF.

### **Section IV**

#### **Contract Operations**

#### **4–16. Initiation of concession contracts**

*a.* To initiate a concession contract, the following general steps must be taken:

(1) Using paragraph 4–7 as a point of reference, the PR NAFI council and the installation commander first determine that a valid requirement for a concession contract exists.

(2) Within the guidance of paragraph 2–27 the contracting official then solicits quotations or proposals, preferably from at least three sources. Solicitations may be based on predetermined food or beverage product specifications or on more general information from which quotations may be submitted. However, beverage product brand distribution systems may necessarily be limited to a single source.

(3) Restaurant officers/custodians will work closely with their supporting contracting office in translating the food/beverage requirement to a formal document, such as a request for quotation (RFQ). Alternatively, a request for proposal (RFP) may be developed in which, for example, restaurant menu proposals are to be submitted based on either broad or specific product specifications, descriptive data, and pricing limitations.

(4) RFQs and RFPs may be sent to specific prospective offerors but may also be advertised. RFQ and RFP

instructions should be uniform for all addressees. Any subsequent amendments must receive the same distribution and publicity as initially disseminated.

(5) RFPs and RFQs will be developed in coordination with the servicing contracting office. Restaurant officers should ensure that the statement of work or scope of activity is reasonable and achievable. If followed, it should result in an equitable return to the contractor, as well as the NAFI.

*b.* The Randolph-Sheppard Vending Act, as implemented by AR 210–25, requires that the State licensing agency be solicited when a cafeteria is to be operated by contract. Award must be made to the State licensing agency if it submits a proposal which falls within the competitive range. This regulation contains an explanation of the term *cafeteria* and will be consulted as well as paragraph 2–31 for further details on this mandatory program.

*c.* The limitations on facilities and services, sales, and patronage that apply to direct operations will apply also to concession operations.

*d.* AR 215–1, DOD 7000.14–R, and AR 215–4, as applicable, prescribe the forms or formats and provide instructions for initiating requests to prospective contractors/concessionaires. AR 215–4 is the governing regulation for all contracting issues. Consult these directives for further procedural and documentation format information.

*e.* Variable factors may be used in negotiating concessionaire contracts or evaluating quotations. These will be specifically identified in solicitations. Evaluation factors may be part of the solicitation package; however, factors are withdrawn when the contract is awarded (percentages cannot be released at any time).

(1) As a minimum, a concessionaire will be required to pay to the PR NAFI as a commission fee an amount not less than 2 percent of gross sales (excluding Federal, State, or local taxes collected directly from the patron) per month when the concessionaire—

(a) Provides all equipment and maintains, repairs, and replaces such equipment.

(b) Pays all utilities used in connection with the contracted resale activity.

(2) As the variables identified in (a) through (g) below are selectively provided to the concessionaire within the terms of the contract, the percentage of commission fee to the NAFI should increase proportionately. For concessionaire operations in which all equipment used by a concessionaire is PR NAFI-owned, the minimum net income objective will be 6 percent of gross sales. Variable considerations include—

(a) Equipment provided by the NAFI, the concessionaire, or both.

(b) Utility payments by the NAFI or the concessionaire.

(c) Maintenance, repair, and/or replacement of equipment in use by either the PR NAFI or the concessionaire.

(d) Shared purchase of equipment with option on termination of the contract for either party to purchase the other party's share at book value and on the same percentage as at the time of purchase.

(e) Option on termination of the contract to purchase fully depreciated shared equipment at fair market value and on the same percentage of ownership as at the time of purchase.

(f) Option on termination of the contract for the PR NAFI to purchase concessionaire-owned FFE at either the lesser of the undepreciated value or the fair market value.

(g) Option for the PR NAFI concessionaire to provide maintenance on NAFI-owned FFE.

(3) During the negotiation process, attempts should be made to increase commission fees above the minimum specified above.

(4) A commission fee will not be considered or accounted for as a rental fee charged for use of FFE supplied or space assigned in the Government-owned building.

#### **4–17. Acceptance and award**

*a.* MACOM may require that civilian NAFI concession contracts be approved at their level, or only those above specified monetary thresholds. Alternatively, such contracts may receive final approval at installation level, in which case a copy will be furnished to the MACOM for informational and monitoring purposes.

*b.* The contracting officer will open the offers at the time designated in the solicitation and in the presence of the PRF custodian. Cafeteria contracts must be awarded to the State blind licensing agency if their bid is within the competitive range established by the contracting officer, unless an exception has been approved at DA level. (See AR 210–25.)

*c.* The awarding of the contract will be based on the offer most advantageous to the NAFI and the installation concerned. Approval will not be given unless the terms of the contract provide for the payment of at least 6 percent of gross sales of the concession operation to the restaurant as a commission fee (see para 4–16e). These criteria must be in the RFQs and RFPs issued by the contracting officer. Factors to consider in the award and prescribe in solicitations are as follows:

(1) Monetary return to the PR NAFI.

(2) Financial responsibility of the offeror.

(3) Business experience.

(4) Ability of offeror to meet terms of contract.

(5) Such other factors as will ensure adequate service.

*d.* The contracting officer will retain for 75 months original copies of all offers received. Duplicate copies received will be attached to the concession contract and sent to the installation commander for approval in writing.

*e.* Concession contracts will be written in the name of the PR NAFI and, as a matter of board policy, may be for a maximum of 5 years unless sooner terminated. By mutual written agreement of the parties, subject to approval by the installation commander, contracts may be renewed once to complete a 10-year cycle. Contract expiration dates will be monitored, both at installation and MACOM levels, to ensure timely renewal or other appropriate action.

*f.* Concessionaire contracts will be completed as prescribed in AR 215-4. Also applicable to these contracts is the special accounting and internal control guidance provided in AR 215-1 and DOD 7000.14-R for civilian NAFIs on Army and Defense Agency installations. Other contract provisions include the following:

(1) The mandatory clauses required by AR 215-4 and other applicable guidance cited in this paragraph will be included. In some instances, these clauses reflect the applicability of Federal laws to NAFI contracts, for example, the Service Contract Act of 1965, as amended, for contracts over \$2,500 when a service is involved.

(2) A concessionaire must carry his or her own public liability insurance, NAFI property coverage, and the other insurance required of concessionaires by AR 215-1. In operating food services, the concessionaire will carry adequate products liability insurance. Each insurance policy will name the NAFI and the United States of America as insured parties.

(3) The PR NAFI will not assume any indebtedness of a concessionaire. Requirements for concessionaires or construction contractors to post collateral or provide performance and payment bonds to protect the PR NAFI from loss in the event of contract termination for default are in AR 215-1.

(4) A concessionaire will pay for all utilities in connection with contractual operations, unless a provision of the contract has been otherwise negotiated in accordance with paragraph 4-16. When utilities are furnished by the Government on a reimbursable basis, charges will be made in accordance with AR 420-41.

(5) Maintenance and repair of APF or NAFI FFE, if caused by fair wear and tear, will be jointly funded by the contractor and the NAFI. The contractor will pay the first \$100 of maintenance or repair expense for each furnished item. The NAFI will pay the remainder of the expense that exceeds \$100. Repairs necessary as a result of contractor abuse or negligence will be paid for entirely by the contractor.

(6) A concessionaire will collect, report, and pay taxes applicable to concession operations. This includes the withholding of taxes from compensation paid to employees as required by Federal, State, and local laws.

*g.* Copies of the contract will be furnished all interested offices or parties such as accounting services, as well as the MACOM.

#### **4-18. Contract management**

*a.* During the course of a contract, the restaurant officer/custodian will, normally as the contracting officer's representative (COR), monitor the contractor's performance in order to determine that—

- (1) The terms of the contract are being effectively followed by the concessionaire.
- (2) Recommendations for improvements or corrective actions are being carried out.
- (3) Continuation of the indirect method of operation is in the best interest of the installation employee work force, both in terms of food service and monetary return to the PR NAFI.
- (4) Goods and services approved for sale are being reviewed and evaluated for quality, pricing, and continuance or change.

(5) Concessionaires are not representing themselves as agents of the PR NAFI and/or installation through the use of official identification or wording on letterheads, statements, checks, signs, or in any other manner.

*b.* Some specific activities of the contracting officer or COR are to—

(1) Initially conduct a joint inventory with the contractor to record the quantity and condition of all property being used in conjunction with the contract. The custodian will ensure that all unusable items are repaired, stored, or otherwise disposed of.

(2) Inspect, or cause to be inspected, the premises and operations of the concessionaire to ensure full compliance with the contract and with standards of service, sanitation, and safety.

(3) Audit or cause to be audited the accounts and methods of internal control established by the concessionaire. Perform other audits as necessary to determine whether the proper payments are being made by the contractor.

(4) Conduct a physical inventory of contractor-furnished vending machines for verification of location, confirmation of utilities furnished, and other contract purposes at least once a year.

*c.* The contractor must meet certain requirements and submit reports as described below. These will help the contracting officer and COR to ensure that the terms of a contract are being fulfilled.

(1) Maintain a posted price list of goods and services authorized for resale in accordance with the terms of the contract.

(2) Submit an income (profit and loss) statement of concession operations by the 20th of the month following the accounting period for which applicable. Commission fees will also be paid to the PR NAFI by the 20th of the month for the preceding operational month.

(3) Submit a report of sales and other vending machine data, as listed in paragraph 2–31. If requested by the contracting officer, a balance sheet and analysis of net worth may also be required from the concessionaire.

## **Chapter 5**

### **Category IV Civilian Welfare Nonappropriated Fund Instrumentalities**

#### **Section I**

#### **Organization**

##### **5–1. Concept of operations**

Civilian Welfare Funds have the dual mission of financially supporting and managing recreational and welfare activities for all federal civilian employees located on or logistically supported by an installation. Although the bulk of CWF financial support is from PR NAFI dividends, incidental income may be derived internally from limited resale activities and participation fees and charges. However, CWF activities are not to engage in resale activities of a major or continuous nature that could be considered competitive to the principal civilian NAFI resale, revenue-sharing entity—the Category II PR NAFI.

##### **5–2. Identification of a civilian welfare fund**

A Category IV CWF NAFI will be established in accordance with paragraph 1–7 and designated with the name of the installation it serves. Standard identification or the title of the Category IV CWF will be used at the earliest practicable date. Examples are as follows:

- a. Civilian Welfare Fund, Fort Belvoir.
- b. Civilian Welfare Fund, Defense Intelligence Agency.

##### **5–3. Criteria for a civilian welfare fund**

- a. Because of its dependency on the Category II PR NAFI for financial resources, a CWF will not be established or continued unless collocated with a PRF.
- b. Only one CWF will be established at an installation.
- c. The CWF NAFI will be comprised of the necessary number of individual installation activity accounts to fulfill its total program commitments to the entire Federal civilian work force of the installation. These program commitments center on the leisure-time activities further explained in this chapter.

##### **5–4. The civilian welfare fund council and the custodian**

a. *General.* The council and the custodian, in conformance with this and other applicable regulations and directives, will administer the CWF NAFI.

(1) The council, as governing body, will establish appropriate civilian MWR programs and internal operating procedures. Its financial management decisions, including fees and charges, are subject to approval by the installation commander or designee. These financial decisions are carried out by the custodian. Its MWR program decisions may be carried out by the custodian, the council and its committees, CWF NAFI employees, or a combination of these management resources.

(2) The custodian's principal duties listed in *c* below are those of a fiduciary holding and administering the assets of the NAFI in trust. The custodian may also be responsible for some or all of the MWR programs sponsored or conducted by the governing council. This will depend on the scope and financial complexity of the programs, the personnel and management resources available, and the capabilities of the individual custodian. Custodians who are NAFI employees will be evaluated and their work performance rated by supervisory personnel in accordance with AR 215–3.

(3) The financial resources available to the CWF thus dictate to a great extent its internal organization and administration. CWF NAFI employees and volunteers from the workforce assist the council and custodian in their program management responsibilities. (See para 2–19 for prohibitions and restrictions on Federal employees receiving pay from a NAFI.)

b. *The civilian welfare fund council.* The council has overall responsibility for the installation Category IV MWR program and the supporting NAFI. Specifically, the council will establish, plan, coordinate, supervise, and control the MWR activities and supporting NAFIs in the following manner:

(1) Plan and periodically appraise the program of activities. Ensure that civilian welfare and recreational needs are being met and that necessary adjustments in the program are made. (See paras 1–8, 1–13, and 5–5.)

(2) Appoint council committees as needed to organize and conduct the activities approved by the council. A committee should consist of at least one member of the council, who may act as chairperson of the committee. Other members will be chosen on a voluntary basis from the civilian employees at the installation.



- (3) Ensure that funds are properly administered and safeguarded in accordance with this regulation.
  - (4) Review all financial statements, reports of audits, boards, and investigations. Corrective action will be taken, as appropriate.
  - (5) Ensure that adequate insurance, including fidelity bonding, is carried by the NAFI as required by paragraph 2–14.
  - (6) Plan for the replacement of property, as necessary, and for the financing of future activities, facilities, and services.
  - (7) Assist the custodian in developing and approving budgets, authorizing classifications of expenditures, and validating all NAFI personnel positions.
  - (8) Establish policies and procedures governing the employee emergency loan program to include—
    - (a) Delegating authority to a loan committee, if necessary, to act for the council on loan requests; alternatively, delegation may be by joint action of the chairperson and custodian.
    - (b) Monitoring loan repayment schedules.
    - (c) Approving write-off and cancellation of a loan when all means for collection have been exhausted, including consideration of a NAFI claim against the employee.
  - (9) Enforce patronage eligibility requirements cited in paragraph 5–6.
  - (10) Record all council meeting proceedings in official minutes. Copies of approved minutes will be furnished to the MACOM and the BDACWF not later than 14 days after approval.
- c. The civilian welfare fund custodian.* In addition to the general responsibilities of civilian NAFI custodians listed in paragraph 1–10, the Category IV CWF NAFI custodian, as the principal NAF resource manager, will perform the following functions:
- (1) Account for all funds and property in the possession of the CWF, including APF property issued on a memorandum receipt.
  - (2) Serve as a nonvoting member of the governing CWF council, recommend changes in NAFI policy or internal operating procedures, and brief the council on the financial status of the CWF.
  - (3) Plan for funding future NAF requirements, including fixed assets; prepare all Category IV CWF NAFI budgets; and cooperate and coordinate with the PR NAFI custodian during budget development to ensure understanding of CWF requirements and PR dividend capabilities.
  - (4) Administer the NAFI personnel system within the CWF in the employment of NAF personnel; obtain contractual services for specialized or professional services, as required; enforce the prohibitions and restrictions on paying Federal employees from NAFs per paragraph 2–19.
  - (5) Administer the property assets of the NAFI in accordance with this regulation, AR 215–1, DOD 7000.14–R, and other departmental guidance, as applicable; ensure that all required inventories are accounted for; and obtain use of available surplus or excess APF equipment and other property assets.
  - (6) Establish and enforce an adequate system of NAFI internal controls; review reports of audit, inspector general reports, and board officer reports; ensure adequacy of actions to correct irregularities, or acceptable responses to findings and recommendations.
  - (7) Maintain all administrative files and records, as well as a basic file of regulations, directives, manuals, internal operating procedures, and other reference material pertinent to the CWF NAFI.
  - (8) Advise the council of regulatory changes or other matters affecting the CWF.

## **Section II**

### **Authorized Programs, Activities, and Patronage**

#### **5–5. Civilian welfare fund programs and limitations**

##### *a. Determination of requirements.*

- (1) Activities listed in *b* below, are conducted on a planned and budgeted basis and are designed to meet needs and interests of employees. Patron interest surveys are required at least every 3 years and are further described in (2) below. The program priority guidance in paragraph 1–13 will be followed. Civilian personnel directors/officers assist in relating these surveys and programs to the quality of worklife for employees as provided for in paragraph 1–8.
- (2) Since facility availability, employee interests, and financial capabilities differ among installations, no standard program is prescribed. However, local programs will be planned to permit a reasonable and equitable opportunity for all employees to participate. When physical fitness programs are offered, they should encourage and assist all civilian employees to establish and maintain the physical stamina and cardio-respiratory endurance necessary to better health. Civilian employee NAFs originate from a broad patronage base, and efforts will be made to establish CWF programs that will collectively benefit the employees from whom the funds were derived. In addition to interest surveys, a record of patron use of existing programs and activities will be compiled and maintained. CWF management will ensure that the required data are collected, analyzed, and reported, and that program adjustments are made where indicated.
- (3) Program plans and activity needs will be converted to NAFI budgets and adjusted to anticipated income and

availability of other resources. Approved budgets will be coordinated with the revenue-generating PR NAFI and further adjustments made, as required. Unresolved differences between the two civilian NAFIs will be acted upon by the installation commander or designee. Quarterly or more frequent budget adjustments may have to be made, as a result of real or anticipated changes in the financial status of either the Category II or IV civilian NAFI.

(4) Employees of a DOD tenant activity or agency are eligible to participate in the CWF program on the same basis as employees of the host installation. In accordance with paragraph 5–6, employees of non-DOD Federal agencies may also participate when space permits.

*b. Programs and activities.* Examples of approved programs and activities are as follows:

(1) Operation of recreation centers or employee lounges.

(2) Intramural athletics and sports; participation in industrial leagues of the civilian community.

(3) Group activities serving special recreational, social, hobby, or occupational interests of limited numbers of employees. Opportunity for participation must be extended to all interested employees.

(a) These special interest groups can be a feasible alternative to NAFI membership associations. Although fiscally integrated and reported as an activity of the Category IV NAFI, financial plans for the activity may be presented to the custodian for consideration within the total Category IV budget. Activity income normally should be generated through participation fees and charges and considered as an offset to the expense of programs. Golf courses, bowling alleys, rod and gun activities, and child care programs will be operationally self-sustaining.

(b) In addition to continuing groups, some groups may be organized on a one-time or temporary basis for a particular purpose, such as tours, game attendance, or entertainment events.

(4) Contests for awards and prizes in conjunction with programmed MWR activities, subject to the conditions in AR 215–1. Awards and prizes will not exceed a value of \$50 for individual awards and \$200 for team awards, except upon prior approval of the BDACWF. For work performance recognition see AR 215–3.

(5) Social activities, such as dances, parties, and picnics, except that no Category IV NAFs may be expended for the purchase and subsequent resale or giving of alcoholic beverages in conjunction with these activities. When a NAFI contemplates a contract involving an entertainment or amusement company, the guidance in AR 215–1 or AR 215–4 will be followed.

(6) Participation in installation-wide events. These may be patriotic, historical, cultural, or of similar themes.

(7) Circulation libraries. Books, magazines, and other reading material purchased by a CWF are the property of that fund.

(8) Retirement mementos, provided the cost of an individual memento does not exceed \$50 and APFs are not available for this purpose. Such mementos are not considered as falling within the prohibitions on personal gifts or benefits from NAFs, as explained herein.

(9) Preventive medicine programs. These must be essential and approved by local medical officers in accordance with policies established by The Surgeon General of the Army, but for which APFs are not authorized. However, civilian NAFs will neither be used to purchase tetanus serum nor otherwise provide a tetanus shot program for civilian employees. This policy is based on the potential liability problems that may arise, regardless of signed releases.

(10) Expressions of thoughtfulness, sympathy, or condolence to an employee or a member of his or her immediate family in the event of a serious illness or death. An expenditure for an individual occasion will not exceed \$50 or be in the form of cash. Such expressions—

(a) Are not considered as a prohibited personal gift.

(b) May include donations to religious, charitable, or similar organizations designated by the family.

(11) Emergency loans to installation Federal civilian employees, subject to paragraph 2–18.

(12) Other welfare and recreational services (for example, summer day camps, playgrounds, and youth activities) for Federal civilian employees and their dependents similar to those provided by county, city, or private agencies locally when—

(a) The location requires that employees live on or adjacent to the installation.

(b) Local community services and facilities do not meet the need.

(c) The employee cost/benefit ratio is favorable.

(13) Bingo, provided the following policies are rigidly observed:

(a) Bingo play will be limited solely to Army or DOD agency installations under exclusive U.S. jurisdiction. Also authorized are other Army or DOD Agency installations of concurrent jurisdiction where the playing of the game is permitted by the State in which located.

(b) Participation in bingo games sponsored by the CWF will be limited to patrons authorized in paragraph 5–6.

(c) Within DA and DOD agencies operating under Army regulations, CWF bingo prize limits will not exceed those authorized for Army military social recreation programs as established in AR 215–1.

(d) Prizes awarded and expenses incurred in bingo activities will be defrayed wholly from proceeds generated. Financing thereof will not be supplemented from other assets of the CWF NAFI.

(14) Official hosting and representation. (See para 1–12h.)

*c. Identification of a Category IV civilian MWR activity.* The Category IV CWF is the financial vehicle that supports

Category IV MWR activities. These activities, including the facilities used or the individual programs being conducted, may be generically identified as *civilian general welfare*, *civilian recreation*, or combinations thereof. The activity or program may be identified more specifically as *civilian bowling alley*, *civilian bingo*, and so forth. Use of the term *civilian* in identifying an MWR activity is for clarity in establishing sponsorship and responsibility and does not alter the broader patronage eligibility listed in paragraph 5–6.

*d. Limitations and prohibitions.*

(1) CWFs contemplating contracts with carnivals, amusement companies, or similar commercial entertainment enterprises will be guided by AR 215–1 and AR 215–4. Advice and counsel should be obtained from the staff legal office. Alternatively, such activities also may be conducted jointly with the Category II PRF or other installation NAFIs.

(2) Activities specifically prohibited are as follows:

(a) Funding support of private organizations on DA and Defense Agency installations. This prohibition will not affect the separate eligibility for civilian employee membership or participation in the activities of private organizations. These include federally sanctioned, affiliated, or local and independent private organizations. However, there is no relationship between official NAFIs and these unofficial private organizations.

(b) Continuing resale, revenue-generating activities more properly within the purview of Category II PR NAFIs. Other services include, but are not limited to, the resale of foodstuff items, or facilities considered competitive with the food services mission of the civilian restaurant, such as microwave ovens in employee lounges or rest areas. Resale guidance in paragraphs 1–12 and 4–16 is equally applicable to CWFs if resale activity is undertaken.

(c) Programs and activities, other than civilian MWR activities, authorized to be conducted or funded with APFs, such as installation beautification, maintenance of grounds, non-MWR awards.

(d) Gifts, gratuities, or special benefits to an individual or group, including greeting cards on special occasions, other than the activities authorized in *b* above. Mass *giveaways* to an employee or employees, such as gift items of merchandise, for private, personal use are prohibited. The awarding, giving or drawing for door prizes is prohibited.

(e) Participation in or support by the NAFI of charity drives and cooperative endeavors such as mutual aid, employee insurance, or death benefit associations, other than authorized DA NAFI employee benefit programs. Such monetary participation is considered to be a private, personal matter of individual decision. (See para 5–5*b*(10) for authorized condolence contributions.)

(f) Selling lottery cards, sometimes termed as *break-open bingo* or *jar bingo*. Such cards are prohibited for sale or any other use by a civilian NAFI, whether in conjunction with regular bingo games or at any other time or place. No game is played, hence prizes are determined by the mere chance of receiving a winning or nonwinning card. Neither this nor any other form of lottery or game of chance, to include raffles, is authorized, other than the regular game of bingo per *b* above.

(g) Certain preventive medicine programs, as prohibited in *b* above.

## **5–6. Authorized patronage**

*a.* DOD Instruction 1015.10 and DOD 1015.8–R standardize the following patronage authorizations applicable to participation in and use of Category IV MWR/CWF programs, activities, and facilities. By relative order of priority of usage, these authorizations include—

(1) DOD and other civilian employees working on or logistically supported by the installation, their dependents, and accompanying guests, as defined in the glossary. Equal priority will be accorded employees of both tenant and host units.

(2) Active duty uniformed personnel, their dependents and accompanying guests, and members of the Reserve components while on inactive duty for training (IADT). If the installation operates no Category III MWR program, these persons will have the same priority of use of Category IV MWR/CWF activities as those in (1) above.

(3) Uniformed military personnel retired with pay, their dependents and accompanying guests.

(4) Unremarried former spouses and other dependents entitled to commissary, exchange, and theater privileges.

(5) Retired DOD employees and their dependents.

*b.* Official identification cards, badges, or locally approved identification procedures will be used to verify eligibility and relative priority.

## **Section III**

### **Civilian Welfare Fund Financial Management**

#### **5–7. Methods of funding**

Although civilian MWR activities are funded with a combination of APFs and NAFs, costs of operating most elements of the installation CWF program must be borne by NAFs. The bulk of NAF support is provided by dividends from the Category II PR NAFI. However, income should also be derived that is incidental to participation in certain activities being offered to the authorized patrons delineated in paragraph 5–6 above. For example, employee-oriented programs such as intramural sports, group recreation, and social and entertainment activities should derive income from

participants in order to supplement dividend income, such as contest entry fees, participation charges, or contributory levies. No CWF should budget for negative cash flow.

*a. Non-income programs.* Some authorized programs have no inherent income capability, such as mementos, expressions of sympathy, and employee loans. They must therefore be subsidized from dividends or other authorized income.

*b. Dependent activities.* Those MWR programs provided primarily for dependents, as authorized in paragraph 5-5b(12) and defined in the glossary, will be operated on a self-sustaining basis with fees and charges sufficient to offset expenses incurred.

*c. Bingo.* In accordance with paragraph 5-5b(13) bingo will be operated as a financial self-sustaining activity.

*d. Income producing activities.* Golf courses, bowling alleys, rod and gun activities, and childcare facilities generate income. Limited APF support and resources of the Category IV NAFI assist in the initial support for establishment. However, NAFI income, that includes fees, charges, and approved resale directly related to the activity's purpose, will be sufficient to meet continuing operational expenses, capital requirements, and capital improvements.

*e. Decentralized activities.* In the interest of economy and efficiency, most participatory activities should be offered on a centralized basis. However, local conditions may necessitate certain activities being geographically or organizationally decentralized, such as outdoor recreation or athletic facilities, or employee lounges. Decentralized activities may be conducted, providing—

(1) Equitable opportunity is extended to all eligible employees on the installation.

(2) The same principles governing the operation and the methods of financing the activities as outlined above are observed.

(3) All transactions in connection with decentralized activities will be handled by the custodian and processed through the CWF NAFI accounts, as prescribed in DOD 7000.14-R.

## **5-8. Authorized income**

Income to the Category IV CWF NAFI is authorized to consist of the following:

- a.* Dividend payments from the Category II PR NAFI.
- b.* Incidental income from authorized activities conducted in accordance with paragraphs 1-12, 5-5, and 5-7.
- c.* Voluntary contributions and donations from individuals or organizations outside the military departments, subject to AR 215-1 on the acceptance of contributions and donations.
- d.* Interest on investments of the NAFI.
- e.* Activation grants from the ACWF.
- f.* Proceeds from sale of Category IV NAFI property or equipment.
- g.* Funds transferred from another CWF under paragraphs 1-12 or 2-12.

## **5-9. Authorized expenditures and disbursements**

Expenditures and disbursements from the Category IV CWF NAFI are authorized for the following purposes:

- a.* Payment of operating costs of the CWF; administering the NAFI fiscal entity, such as for personnel; and costs of equipment and other proper NAF-funded elements of support delineated in AR 215-1.
- b.* Expenditures for the operation of welfare and recreation programs and activities as authorized in paragraph 5-5 and approved by the responsible commander or designee. Most expenditures are to be sustained by regular dividends and locally generated income. However, these sources may be supplemented by special dividends, once per FY, that are intended to extend or improve basic programs, particularly those requiring capital expenditures.
- c.* Payment to the ACWF of 5 percent of concessionaire contract commission income or fees when such contracts have been approved by the BDACWF as an exception to normal operation by a Category II PR NAFI.
- d.* Payments of residual assets to the Central Successor Fund, the ACWF, or as otherwise directed by the BDACWF.
- e.* Emergency loans to Federal civilian employees, as provided for in paragraph 2-18 and authorized on an individually justified basis.
- f.* Official hosting and representation within the guidelines of paragraph 1-12.
- g.* Payment of 5 percent of the concessionaire commission to the ACWF when the restaurant officer indorses the check in the full amount of the commission received from the concessionaire to the custodian of the installation Civilian Welfare Fund. However, if all or part of concessionaire commissions become subject to the income-sharing provisions of the Randolph-Sheppard Vending Act, as contained in AR 210-25, the local CWF custodian will first deduct from the commission received the amount to be applied toward the next quarterly payment to the State blind licensing agency. From the commission balance remaining after the income-sharing deduction, 5 percent will then be paid to the ACWF and 95 percent retained by the local CWF. (See para 2-2c for post office box address in remitting to the ACWF.)

## **5-10. Limitations on income and expenditures**

- a.* Membership dues may not be assessed as a source of income for a Category IV CWF NAFI. However,

participation fees may be charged on a periodic basis to eligible users of a civilian MWR activity. Examples are monthly, seasonal, or annual greens fees collected in advance at a civilian employee golf course or user charges by a hobby or crafts group.

*b.* Moneys or other assets that do not pertain to the authorized Category IV MWR programs will not be commingled with the Category IV CWF NAFI. This means the fund, as a NAFI, cannot receive the moneys or assets of private organizations or individuals for safekeeping or temporary custody. All assets for which the NAFI is responsible must be under the control of or the sole property of the NAFI.

*c.* CWF NAFIs will incur no obligation that cannot be met from cash assets on hand or to be received by the end of the month to follow, except for the following:

(1) Installment purchase contracts approved in accordance with paragraphs 2–15.

(2) Contractual arrangements for approved capital expenditure items or construction projects approved by the proper authority in accordance with paragraph 2–26. Funding approval must be based on a loan, grant, or an approved projected income source to the NAFI.

*d.* Civilian welfare fund NAFIs are not authorized to fund programs or improvements in excess of income received from all available sources. All budgets must be adhered to.

### **5–11. Accounting and reporting**

*a.* As provided for in paragraph 2–7, centralized NAF accounting and reporting services include the Category IV CWF NAFI. These services are based on the NAFI financial management requirements prescribed in DOD 7000.14–R. The principal duties of the CWF custodian include providing appropriate financial documentation and information to the CAO in a timely manner. Custodians also review and analyze, or assist in the analysis of, the prepared financial statements. Standard charts of accounts, statement formats, submission instructions, and other guidance is provided in cited DA regulations.

*b.* In the event a Category IV NAFI contract with a concessionaire has been authorized by the BDACWF as an exception, such concessionaire gross sales will be reported as prescribed in paragraph 2–7.

*c.* Although departmental reporting instructions may require earlier submittals, copies of statements for the BDACWF will be forwarded so as to arrive no later than the 30th day of the month after the reporting period.

## **Appendix A References**

### **Section I Required Publications**

#### **AR 25-400-2**

The Modern Army Recordkeeping System (MARKS). (Cited in para 2-2*d*.)

#### **AR 60-20 (JAR)**

Army and Air Force Exchange Service Operating Policies. (Cited in para 4-6*d*.)

#### **AR 210-25**

Vending Facility Program for the Blind on Federal Property. (Cited in paras 2-31*a*, 4-16*b*, 4-17*b*, and 5-9*g*.)

#### **AR 210-60**

Personal Check Cashing Control and Abuse Prevention. (Cited in para 1-12*o*(2).)

#### **AR 215-1**

Morale, Welfare, and Recreation Activities and Nonappropriated Fund Instrumentalities. (Cited in paras 1-4*d*(4), *f*(3)(*d*); 1-7*f*(2); 1-10*i*; 1-12*c*, *f*(3); 2-3; 2-4*a*; 2-5*b*, *d*; 2-6*d*(1); 2-8*a*(3); 2-9*a*; 2-10*a*; 2-13*a*(1), *c*, *d*; 2-14*a*; 2-16*a*; 2-17*a*(5)(*a*); 2-18*d*(4); 2-20*a*; 2-23*a*, *c*; 2-24*a*; 2-25*f*; 2-26*b*(1), (2), *c*(1); 2-27*a*; 2-28*a*; 2-29*a*, *b*, *d*; 2-30*a*; 3-3*b*(5); 4-4*b*(6); 4-5*b*(7); 4-7*a*(2); 4-10*a*; 4-16*d*; 4-17*f*, 17*f*(2), and (3); 5-4*c*(5); 5-5*b*(4), (5), and (13)(*c*); 5-8*c*, and 5-9*a*.)

#### **AR 215-3**

Nonappropriated Funds and Related Activities Personnel Policies and Procedures. (Cited in paras 1-10*b*; 1-12*e*(2), *f*(3); 2-14*a*; 2-19*a*, *c*, and *e*; 2-20*b*, *c*, and *d*; 2-21; 2-30*a*; 3-4*b*; 4-5*a*, *b*(13); 5-4*a*(2); 5-5*b*(4).)

#### **AR 215-4**

Nonappropriated Fund Contracting. (Cited in paras 1-4*f* (3)(*d*); 2-27*a*; *b* (1), (2), (5), (8), and (11); 2-30*b*; 4-16*d*; 4-17*f*, 4-17*f*(1); 5-5*b*(5), *d*(1).)

#### **DA Pam 690-37**

Employee Services and Quality of Worklife—First Steps in the Quest for Excellence. (Cited in para 1-4*e*.)

### **Section II Related Publications**

A related publication is merely a source of additional information. The user does not have to read it to understand the regulation.

#### **AR 15-6**

Procedures for Investigating Officers and Boards of Officers

#### **AR 27-20**

Claims

#### **AR 40-5**

Preventive Medicine

#### **AR 40-70**

Department of Defense Veterinary/Medical Laboratory Food Safety and Quality Assurance Program

#### **AR 40-657 (JAR)**

Veterinary/Medical Food Inspection and Laboratory Service

#### **AR 40-660**

DOD Hazardous Food and Nonprescription Drug Recall System

#### **AR 190-40**

Serious Incident Report

**AR 415-series**

Construction

**AR 420-series**

Facilities Engineering

**AR 420-41**

Acquisition and Sales of Utilities Services

**AR 500-5**

Army Mobilization

**AR 690-11**

Mobilization Planning and Management

**AR 710-2**

Supply Policy Below the Wholesale Level

**AR 725-50**

Requisition, Receipt, and Issue System

**Code of Federal Regulations, title 5, section 1315**

Prompt Payment

**DOD 1015.2-series**

Morale, Welfare, and Recreation Program Overview

**DOD 1015.8-R**

DOD Civilian Morale, Welfare and Recreation (MWR) Activities and Supporting Nonappropriated Fund Instrumentalities (NAFIs) (DOD Regulations can be found at <http://web7.whs.osd.mil/corres.htm>)

**DOD 1401.1-M**

Personnel Policy Manual for Nonappropriated Fund Instrumentalities (DOD Manuals can be found at <http://web7.whs.osd.mil/corres.htm>)

**DOD 4270.1-M**

Policy Guidelines for Installation Planning Design, Construction and Upkeep

**DOD 5500.7-R**

Joint Ethics Regulation (JER)

**DOD 7000.14-R**

Department of Defense Financial Management Regulation

**DODD 1010.10**

Health Promotion (DOD Directives can be found at <http://web7.whs.osd.mil/corres.htm>)

**DODD 1015.1**

Establishment, Management, and Control of Nonappropriated Fund Instrumentalities

**DODD 1015.6**

Funding of Morale, Welfare, and Recreation Programs

**DODD 1015.8**

DOD Civilian Employee Morale, Welfare and Recreation (MWR) Activities and Supporting Nonappropriated Fund Instrumentalities (NAFIs)

**DODD 1330.9**

Armed Services Exchange Regulations

**DODD 1400.25**

Civilian Mobility Program

**DODI 1015.10**

Programs for Military Morale, Welfare, and Recreation (MWR) (DOD Instructions can be found at <http://web7.whs.osd.mil/corres.htm>)

**DODI 1330.20**

Reporting of Morale, Welfare, and Recreational (MWR) Activities Personnel Information

**DODI 4105.67**

Nonappropriated Fund Procurement Policy

**DODI 7000.12**

Financial Management of Morale, Welfare, and Recreational Activities

**DODI 7600.6**

Audit of Nonappropriated Fund Instrumentalities and Related Activities

**OMB Circular A-125**

Prompt Payment

**TB MED 530**

Food Service Sanitation (This publication can be found at <http://chppm-www.apgea.army.mil/imo/ddb/dmd/DMD/tbmed.htm>)

**United States Code, title 5, section 2105**

Employee

**United States Code, title 5, section 5533(a)**

Dual pay from more than one position; limitations; exceptions

**United States Code, title 5, sections 7101—7135**

Federal Service Labor-Management Relations Statute

**Section III**

**Prescribed Forms**

This section contains no entries.

**Section IV**

**Referenced Forms**

**DA Form 4139-R**

Application for Loan (Civilian Welfare Fund)

**DA Form 4140-R**

Loan Contract (Civilian Welfare Fund)

**DD Form 1391**

Military Construction Project Data

**OGE Form 450**

Executive Control Evaluation Checklist



## Appendix B Management Control Evaluation Checklist

### B-1. Function

The functions covered by this checklist include the administration, operation and management of Morale, Welfare, and Recreation (MWR) Activities and Nonappropriated Fund Instrumentalities (NAFIs).

### B-2. Purpose

The purpose of this checklist is to specify essential management controls to assist Post Restaurant Fund (PRF) and Civilian Welfare Fund (CWF) managers, custodians, NAFI governing councils, and other personnel engaged in managing and administering NAFI operations and activities. This checklist is not intended to cover all management controls.

### B-3. Instructions

Answers must be based on actual testing of key management controls, such as document analysis, direct observation, interviewing, sampling, and simulation. Answers that indicate deficiencies must be explained and corrective action should be provided in supporting documentation

#### *a. NAFI governing councils and operations.*

(1) Is the council properly recognized as a *governing council*; and is it composed of a cross-section of the workforce, including all sections and grades?

(2) Does the council review the operation of the NAFI on a triennial basis to ensure the purpose for its establishment and continuance remains valid?

(3) Does it conduct a triennial survey of the user population to ensure that it is meeting the needs and interests of the civilian employees?

(4) Does the NAFI use NAF Financial Services for accounting services as required in AR 215-7?

(5) Does the NAFI submit in a timely manner copies of all approved council minutes to the Board of Directors Army Civilian Welfare Fund (BDACWF)?

(6) Does the NAFI adhere to a maximum term of one year for the repayment of employee emergency loans?

#### *b. Financial management.*

(1) Does the PRF generate a positive Net Income Before Depreciation (NIBD) at the percentage specified for each fiscal year?

(2) Does the NAFI maintain a cash-to-debt ratio in accordance with the current fiscal year guidelines?

(3) Are items purchased on approved budgets?

(4) Are nonappropriated funds generated from individual NAFIs used only to support those programs that are managed within the individual NAFIs unless authorized by other policies?

(5) Are the program's financial goals and budget variance standards reflected in the activity manager's performance standards?

(6) Are NAFI accounts maintained in local banks reported to USACFSC at least twice a year?

#### *c. Budget.*

(1) Does the budget reflect the long-term goals of the program?

(2) Does the PRF budget for a minimum 6 percent NIBD for the fiscal year?

(3) Does the Civilian Welfare Fund budget for a positive cash flow?

(4) Were Annual Operating Budgets, Income and Expense Budgets and Capital Expenditure Budgets for the next fiscal year submitted to the BDACWF to arrive no later than 1 September of the current fiscal year?

(5) Were all anticipated ACWF financial assistance requests identified in the NAFI's 3-year budget cycle for review by the MACOM and submission to the BDACWF to arrive no later than 15 September each year?

#### *d. Vending machine operations.*

(1) Has written agreement been obtained from appropriate sources before offering services, food, drink or merchandise that might be in competition with established operations to include Blind vending operations covered under the Randolph-Sheppard Act?

(2) Are representatives trained in the procedures for cash collection and in the monitoring of personnel conducting machine maintenance and repairs?

(3) Is a current and accurate inventory kept of all vending machines?

(4) Are physical inventories of vending machines conducted annually?

(5) Are machines safeguarded to prevent unauthorized access?

(6) Is vending machine information collected on a scheduled basis and immediately provided to the CAO or appropriate accounting representative?

(7) Are significant variances between vending machine cash collected and expected receipts investigated, documented, and retained for audit trail?

*e. NAF property management.*

(1) Has a NAF property identification system been implemented?

(2) Is NAF property adequately insured against loss, damage, or destruction with USACFSC (CFSC-FM-I), per chapter 14 (para 14-5)?

(3) Are physical inventories of NAF property conducted per DOD 7000.14-R, volume 13, appendix A, table 4-2 (page A-35)?

*f. Management controls, audits, inspections and investigations.* Have annual audits (financial or compliance in nature) been conducted for all NAFIs with annual revenues or expenses exceeding \$5 million?

*g. NAF Risk Management Program.*

(1) Does the fund manager review and update the Review of Insured Exposures annually?

(2) Does the fund manager notify RIMP when the insurable value of contents changes more than 10 percent per location?

*h. Mobilization/contingency.* Does the installation have a plan to address potential restructuring of NAFI programs during contingency operations, to include establishment, modification, termination and/or reestablishment of services?

*i. Cash inventory and retail sales.*

(1) Cash register.

(a) When cash registers are not available, are sales receipts recorded using pre-numbered forms (Sales slip, DA form 1991, NAF Receipt Vouchers, or imprinted guest check)?

(b) Does management (or representative) make unannounced counts of petty cash and change funds at least quarterly?

(2) Safekeeping of cash and bank deposit procedures.

(a) Are daily cash receipts of \$500 or more deposited at the local bank after the close of the business day? If this is not possible, are the cash receipts held in a locked safe and deposited at the beginning of the next business day?

(b) Are cash receipts under \$500 deposited at the local bank within 7 days of the last deposit?

(c) Are security containers or safes for securing cash and other negotiable instruments equipped with a three-tumbler combination lock?

(3) Check cashing.

(a) Are written procedures in place for cashiers to follow when cashing checks and do they incorporate the internal controls identified in DOD 7000.14-R?

(b) Is a bad check list available for the cashier to consult and is it current?

(c) Do cashiers initial checks to indicate that proper procedures have been followed?

*j. Inventory/Warehouse controls.*

(1) Do inventory teams always include someone independent of the operation?

(2) Are daily inventories conducted for sensitive and high value items?

(3) Is access to NAF asset or property storage area restricted to authorized personnel?

*k. Retail sales accountability.* Are retail sales accountability tests, including a comparison of sales records to actual receipts and applying standard accounting tests based on inventory turnover, used to identify significant variances and responsibility for fraud and embezzlement?

## **Glossary**

### **Section I Abbreviations**

#### **ACWF**

Army Civilian Welfare Fund

#### **AAFES**

Army and Air Force Exchange Service

#### **A&E**

architectural and engineering

#### **AMOPS**

Army Mobilization and Operations Planning System

#### **AOB**

annual operating budget

#### **APF(s)**

appropriated fund(s)

#### **ASA(M&RA)**

Assistant Secretary of the Army (Manpower & Reserve Affairs)

#### **BDACWF**

Board of Directors, Army Civilian Welfare Fund

#### **BRAC**

base realignment and closure

#### **CA**

commercial activities

#### **CAO**

central accounting office

#### **CEB**

capital expenditure budget

#### **CFR**

Code of Federal Regulations

#### **COGS**

cost of goods sold

#### **COR**

contracting officer's representative

#### **CPAC**

Civilian Personnel Advisory Center

#### **CPO**

civilian personnel office(r)

#### **CWF**

civilian welfare fund

#### **DA**

Department of the Army

**DASA**

Deputy Assistant Secretary of the Army

**DFAS**

Defense Finance and Accounting Service

**DLA**

Defense Logistics Agency

**DOD**

Department of Defense

**DODD**

DOD Directive

**DODI**

DOD Instruction

**DRMS**

Defense Reutilization and Marketing Service

**ECECS**

executive control and essential command supervision

**FAR**

Federal Acquisition Regulation

**FFE**

furniture, fixtures, equipment (including vehicles)

**FY**

fiscal year

**GB/L**

Government bill of lading

**GSA**

General Services Administration

**IADT**

inactive duty for training

**MACOM**

major Army command

**MWR**

morale, welfare, and recreation

**MWRA**

morale, welfare, and recreation activity

**NAF**

nonappropriated funds

**NAFI**

nonappropriated fund instrumentality

**OGE**

Office of Government Ethics

**O&M**

operation and maintenance

**OMB**

Office of Management and Budget

**OPM**

Office of Personnel Management

**OSA**

Office of the Secretary of the Army

**OSD**

Office of the Secretary of Defense

**PR**

Post restaurant

**PRF**

post restaurant fund

**PO**

private organization

**RCS**

requirement control symbol

**RFP**

request for proposal

**RFQ**

request for quotation

**RSW**

Resource Services Washington

**SCA**

Service Contract Act

**SIR**

serious incident report

**USC**

United States Code

**Section II****Terms****acquisition**

Purchasing, renting, leasing, or otherwise obtaining supplies, services, or construction.

**APF employee**

A person paid from funds appropriated by the Congress of the United States.

**Army Civilian Welfare Fund**

The Army Category IV NAFI that serves as the central successor fund and depository for civilian NAF moneys initially derived from the operation of civilian NAFIs at installation level.

**Army NAFI**

A NAFI under the exclusive jurisdiction and control of the Secretary of the Army and normally located on Army property. Excluded are joint NAFIs, such as, the AAFES NAFI.

**category II NAFI**

A NAFI that provides approved reimbursable goods and services to authorized patrons through resale activities, and provides funds to support other designated MWR programs. The Post Restaurant (PR) NAFI is a type of Category II NAFI.

**category IV NAFI**

A NAFI that provides recreation and welfare programs to civilian employees and other authorized patrons, primarily of a nonresale nature. The Civilian Welfare Fund (CWF) is a Category IV NAFI.

**central successor civilian NAFI**

In accordance with DOD Directive 1015.1 and DOD 1015.8-R, the successor civilian NAFI at departmental level that has been designated to provide financial support and assistance to all civilian NAFIs within or assigned to the Department; to receive and retain or redistribute, as appropriate, excess or residual assets of civilian NAFIs; and to assume any residual liabilities of a dissolved civilian NAFI. For the purposes of this regulation the ACWF is the central successor civilian NAFI of the civilian NAFIs located on DOD installations under the jurisdiction of the Army or the Defense agencies.

**civilian employee**

A civilian person employed by DOD or another Federal agency located on or serviced by a DOD installation, and compensated from either APFs or NAFs. Specifically excluded are employees of DOD contractors.

**civilian NAFI**

A Category II Post Restaurant NAFI or a Category IV Civilian Welfare NAFI.

**concessionaire**

An entrepreneur placed under contract to an authorized NAFI for the purpose of providing goods or services or both.

**continental United States**

The 48 States and the District of Columbia.

**contribution**

A gift or donation of property, money, or services to a NAFI from the private sector voluntarily conveyed by the donor without conditions or a consideration.

**council**

A representative body of active Federal personnel appointed or elected to assist in the management of the NAFI and represent morale, welfare, and recreation activity (MWRA) patron interests.

**custodian (also termed *fund manager* in DA regulations)**

An individual appointed by written authority to a post of responsibility and trust to exercise administrative and executive control of a NAFI and charged with accountability for the NAF resources thereof.

**dependent (also termed *family member* in DA regulations)**

Any of the following:

- a. A lawful spouse.
- b. Children who are under 21 years of age and unmarried, including preadoptive children, adopted children, stepchildren, foster children, and wards who are dependent upon the sponsor for over half of their support.
- c. Children who are 21 years of age or over, unmarried, incapable of self-support because of mental or physical handicap, and who are dependent upon the sponsor for over half of their support, including adopted children, stepchildren, and wards.
- d. Unmarried children, including preadoptive children, adopted children, stepchildren, foster children, and wards who have not passed their 23rd birthday and are enrolled in a full-time course of study at an institute of higher learning and who are dependent upon the sponsor for over half of their support.
- e. Parents, including father, mother, father-in-law, mother-in-law, stepparent, and parent by adoption, who are in fact dependent upon the sponsor for over half of their support.

**distribution, NAF**

An inter-NAFI transfer; conveyance of a NAF asset between NAFIs with nominal or no cost consideration.

**DOD components**

The Office of the Secretary of Defense (OSD) and the Military Departments.

**DOD installation**

Real property controlled by DOD or occupied by DOD personnel, such as a base, site, building, or other location.

**DOD personnel**

DOD civilian employees paid from APFs and NAFs, military personnel, including retired members, and Reserve Component members on active or inactive duty for training.

**elements of expense**

Those specific types of resources listed in AR 215–1 and consumed in or applied to MWR activities in the execution of MWR programs funded from both APFs and NAFs.

**executive control and essential command supervision (ECECS)**

Those managerial functions of planning, organizing, directing, coordinating, and controlling the overall operations of MWR programs/activities and their supporting NAFIs; consists specifically of program, fiscal, logistical, and other management functions that are separate from the daily working level activities/tasks of MWR programs. Specifically excluded from this definition is the direct operation of individual MWR programs/activities.

**financial management**

That aspect of total management that provides direction, guidance, and control of financial operations for achieving program objectives through the application of planning, budgeting, accounting, reporting, management of resources, auditing, and analysis and evaluation.

**governing council**

The elected or appointed representative body that governs, directs, and controls the NAFI and its assets through the custodian. As a decision-making body it exercises general supervision for the commander over its authorized MWR program and assures the provision of supporting resources.

**Government property**

Property owned by and on the property records of the U.S. Government and acquired with APFs or as an authorized transfer of NAFI property to Government property records.

**guest**

A person whose relationship to an authorized MWR patron acting as host is actually one of being a house guest or whose presence is in response to a direct invitation from the host for a specific occasion. A guest physically accompanies the host to the occasion, during which the host willingly accepts responsibility, including payment for services and goods received, for the guest.

**inventory**

Goods or merchandise on hand for resale; individual items of property for which the NAFI is accountable; the sum total of all property owned or controlled by the NAFI. When used as a verb, refers to the periodic physical count and records reconciliation required in the control of NAFI property resources.

**joint NAFI**

A NAFI established by agreement between military department Secretaries for the purpose of sharing in the NAFI's financial support, management policies, and total operations. The AAFES NAFI is a joint NAFI established by agreement between the Secretaries of the Army and the Air Force.

**military departments**

The Department of the Army, the Department of the Navy, and the Department of the Air Force.

**military Services**

The United States Army, Navy, Air Force, Marine Corps, and Coast Guard.

**morale, welfare, and recreation activities**

Those activities, exclusive of private organizations as defined herein, located on a DOD installation or on property

controlled by lease or other means by the DOD, or furnished by a DOD contractor, that provide for the comfort, pleasure, contentment, and mental and physical improvement of authorized DOD patrons through recreational and free time programs, self-development programs, resale merchandise and services, or general welfare. Civilian MWR activities are funded primarily with NAFs but are authorized limited APF resource support.

**MWR activity or program manager**

A supervisory person responsible for an MWR activity or grouping of activities, to include planning, execution, review and analysis, and the integration and use of the APF and NAF resources made available therefor. Examples are regular full-time civilian NAFI employees serving as professionally qualified managers of Category II PR or major Category IV programs.

**NAFI employee**

A person employed by a NAFI and compensated from NAFs.

**NAFI property**

Tangible assets owned by and on the accountable property records of a NAFI. Excludes U.S. Government property.

**nonappropriated funds**

Cash and other assets received by NAFIs from sources other than moneys appropriated by the Congress of the United States. NAFs are Government funds and are used for the collective benefit of the DOD personnel who generated them. These funds are separate and apart from funds recorded in the books of the Treasurer of the United States.

**nonappropriated fund instrumentality**

An integral DOD organizational entity that performs an essential Government function. It acts in its own name to provide or assist other DOD organizations in providing MWR programs for authorized personnel. It is established and maintained individually or jointly by the Secretaries of the military departments. As a fiscal entity, it maintains custody of and control over its NAFs and contributes to the MWR programs of other authorized organizational entities. It is not incorporated under the laws of any State or the District of Columbia and it enjoys the legal status of an instrumentality of the United States.

**on-premises consumption**

Use or consumption within the confines of the DOD installation. Refers to restrictions placed on sale of food, beverages, tobacco, or other consumable, expendable products to quantities of less than a carton, box, or other multi-item container. Specifically excludes authorization for an item to be sold for off-premises consumption.

**other resale and revenue-sharing NAFI**

A NAFI dedicated to the NAF financial support of a Category II MWR activity. The NAFI administers the NAF resources necessary to the resale mission and funding support to other NAFI/MWR programs. The PR NAFI has been designated by OSD as a type of other resale and revenue-sharing NAFI.

**parent command or parent component**

Army major command to which the installation is assigned and, in turn, the DOD component (DA) of which the major command is an organizational entity. (For the purpose of this regulation the DOD Agencies cited in paragraph 1-6 are both the parent command and parent component for civilian NAFIs on their assigned installations, even though Army regulations are applicable to them.)

**private organization**

A generally self-sustaining non-Federal entity constituted or established and operated on a DOD installation by individuals acting outside any official capacity as officers, employees, or agents of the Federal Government or its instrumentalities. It may be incorporated or unincorporated and must have the written consent of the installation commander or higher authority to operate on a DOD installation.

**resale goods**

Tangible items acquired and held as physical property by a NAFI for the purpose of resale to authorized MWR patrons. Applies both to finished goods and those items or products requiring further production or processing.

**restaurant**

The Category II MWR activity and its supporting NAFI through which the installation provides to civilian employees and other authorized patrons food and other resale facilities and services.



**sale in bulk**

As applied to State tax-free beer, tobacco products, or soft drinks, means: any sale of beer or soft drinks by the case or prepackaged quantities of four or more bottles or cans; cigarettes by the carton; lesser quantities of such articles intended for consumption off the premises; any amount that cannot reasonably be consumed on the premises by the individual purchaser.

**soft drinks**

Any and all nonalcoholic beverages, carbonated or noncarbonated, including other preparations commonly referred to as soft drinks.

**standard NAFI number**

Alpha-numeric code number that uniquely and exclusively identifies a NAFI at an Army or DOD Agency location by its major command, installation, classification, and other coded information.

**transfer**

Change of ownership of a NAF asset through an inter-NAFI transaction, other than a sale. May be cash distribution or conveyance of a noncash asset from one NAFI to another for nominal or no cost consideration.

**type of NAFI**

A subdivision within a NAFI category having certain financial characteristics, a definitive purpose and patronage, or a particular MWR program to support; for example, a PR is a type of Category II other resale and revenue-sharing NAFI.

**Section III****Special Abbreviations and Terms**

This section contains no entries.

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