



Fiscal Oversight Training

Robin Gaines
CNIC
N94G
robin.gaines@navy.mil

Definition of Non-Appropriated Funds (NAF)

NAFs are government monies and assets from sources other than monies appropriated by Congress of the United States. NAFs are separate and apart from funds recorded in the books of the Treasurer of the United States. NAFs shall be administered only through the auspices of a NAF. NAFs are designated for the collective benefit of authorized patrons and the purpose of the NAFI. Individuals, units, organizations, installations, or commands shall have no proprietary in the NAF or other NAFI assets. *DODI 1015.15*

Things to Remember about “NAF”

- NAFI Resources shall be administered in a economical, efficient and business like manner *DODI 1015.15*
- NAF funds do not expire on 30 September
- According to Section 2783 of title 10, United States Code, NAF personnel who violate NAF regulations are subject to the same penalties under Federal laws that govern the misuse of appropriations by APF personnel. Violation by military personnel are punishable under the Uniform Code of Military Justice. *DODI 1015.15*

What areas have “NAF”

- MWR
- TRANSIENT LODGING (NGIS)
- CIVILIAN MWR'S
- PRIVATE ORGANIZATIONS/CLUBS
- RELIGIOUS FUNDS
- NAVY EXCHANGES

MWR FUNDING STRUCTURE

Category A: Mission Sustaining Activities up to 100% APF

Category A Activities have virtually no capacity for generating NAF revenues and are supported almost entirely with Appropriated Funds (APFs). The use of NAFs is limited to specific instances where APF support is prohibited by law or when NAF support is essential for the operation. *DODI 1015.15*

- Armed Forces Professional Entertainment Programs Overseas
- Gymnasium/Physical Fitness/Aquatic Training
- Libraries – General
- Park and Picnic Areas
- Recreation Centers/Rooms
- Shipboard/Shore Videotape Movies/Isolated & OCONUS
- Free Admission 35MM Film Theaters
- Sports/Athletics (Self-Directed, Unit Level, Intramural)
- Single Sailor Programs
- Single Sailor Recreation Centers
- Skate Parks/BMX Courses (includes skateboard, inline Skate, Xtreme skate and BMX courses)
- Unit Level Programs and Activities
- Common Support Services (MWR G&A expenses)
- Vehicle Storage for Forward Deployed Personnel

MWR FUNDING STRUCTURE

Category B: Basic Community Support Activities **up to 65% APF funded**

Category B activities are financed with a combination of NAF & APF resources. Because their NAF Revenue-generating capability is limited, these activities shall be substantially supported with APF's. *DODI 1015.15*

- Child Development Program
- Youth Program
- Cable and/or Community Television
- Recreation Information Tickets & Tours
- Recreational Swimming
- Directed Outdoor Recreation
- Outdoor Recreation Equipment Check-out
- Boating w/out Resale or Private Berthing
- Camping (Primitive and/or Tents)
- Riding Stables (Government owned or leased)
- Amateur Radio (Military Affiliate Radio System (MARS))
- Performing Arts (Music, Drama & Theater)
- Arts & Skill Development
- Automotive Crafts Skill Development
- Bowling (12 Lanes or less)
- Sports Programs (Above Intramural)
- "Stars & Stripes" Common Support

MWR FUNDING STRUCTURE

Category C: Revenue Generating Activities - 0 APF unless designated isolated/remote

Category C Activities have the highest capability to generate NAF Revenues and generally receive only in direct APF support. Military MWR and Armed Services Exchange Category C activities at designated remote and isolated locations are authorized funding under Category B rules in accordance with enclosure (4) of DODI 1015.15

- Military Open Mess (Clubs)
- Restaurants, Snack Bars, and other Food Outlets
- Temporary Lodging Facility (Official PCS travel operated as MWR CAT C)
- Recreational Lodging (Cabins, Cottages, trailer and/or RV parks with hook-up)
- Joint Service Facilities and/or Armed Forces Recreation Center
- Flying Program
- Parachute & Skydiving Program
- Rod & Gun Program
- Scuba & Diving Program
- Horseback Riding
- Video Program
- Resale (MWR operated audio, photo, recycling, car wash, etc.)
- Amusement & Recreation Machines and/or Gaming
- Bowling (over 12 lanes)
- Golf
- Boating (with resale or Private Boat Berthing)
- Equipment Rental (other than Outdoor Recreation Equipment Checkout)
- Unofficial Commercial Travel services
- Other
- Armed Services Exchanges Common Support

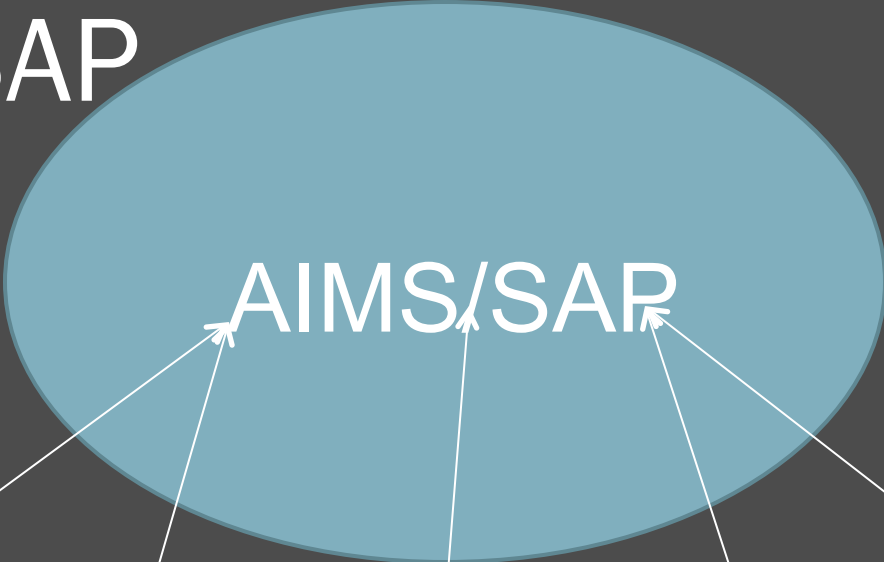
Internal Controls

Procedure or system designed to promote efficiency or assure the implementation of a policy or safeguard assets or avoid fraud and error.

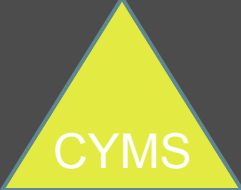
Inventory Control - supervision of the supply and storage and accessibility of items in order to insure an adequate supply without excessive oversupply
control - the activity of managing or exerting control over something
management control - an internal control performed by one or more managers
quality control - maintenance of standards of quality of manufactured goods
accounting - a system that provides quantitative information about finances

- Letters of Designation/Authorization
- Standard Operating Procedures
- Surprise Cash Counts
- Inventories (FF&E, Consumable, Minor Property, Resale, Tickets)
- AIMS (Automated Information Management System) SAP (Systems, Applications Programming)
- Contracts

AIMS/SAP



AIMS/SAP



NAF CREDIT CARD – JP MORGAN CHASE

Purpose – “To provide Nonappropriated Fund (NAF) personnel a convenient and commercially available method to efficiently make purchases.

Overview – The purchase card allows designated Card Holder’s (CH) a method of purchasing goods, and services based on individual CH limit established by the Agency Program Coordinator (APC)

Authority – Navy NAF Purchase Card Program SOP dtd 03 June 2010

Fiscal Oversight Reviews have revealed that:

- Cards are being used for personal use
- Prohibited items are being purchased
- Prior approval (for purchase) is not being obtained.
- Receipts do not have “receiver’s” signature on it
- Training is not being completed annually
- Ethics training is not being completed annually
- Authorizing Officials (AO’s) are not thoroughly reviewing monthly purchases

NAF Purchasing

BUPERSINST 7043.1B

- CONTRACTING: includes purchasing, renting, leasing or otherwise obtaining supplies, services or construction. It also includes all functions that pertain to the obtaining of supplies, services or construction, including description (but not determination) of requirements, selection and solicitation of sources, preparation and award of contract, and all phases of contract administration.
- CONTRACTING OFFICER : Warranted person with authority to execute or administer a contract on behalf of the NAF activity or the successor or successors.
- MEMORANDUMS OF AGREEMENT/UNDERSTANDING (MOA/U): Agreements between two government entities.

Contracting – Construction

(rules and definition of)

- It is the DON policy that all NAF procurements shall be accomplished in accordance with DoD instructions 4105.67 and 4105.71.
- Contracting for NAF-funded construction projects shall be accomplished by any Department of Defense (DoD) or federal government component having construction authority. This authority shall be exercised in accordance with existing policies, executive orders and laws whose directives are directly applicable to NAF procurements as specified in DoD 4105.71.
- NAF-funded construction projects are subject to the requirements of the Davis-Bacon Act.
- Construction includes: **construction, installation, or assembly of a new facility; the addition, alteration, expansion, or extension of an existing facility; the relocation of facilities and equipment; the adjustment of interior arrangements or other physical characteristics of a facility; the installation of utilities and equipment made a part of a facility, and related site preparation, excavation, filling and landscaping or other improvements. It includes pouring, dredging, excavating, and painting.**

Federal Acquisition Regulation (FAR)

DOD 4105.67 exempts NAF contracting from the provisions of the FAR and its DOD FAR Supplement (DFAR), except when compliance is specifically required by a DOD component directive. Compliance with the FAR is required in the following instances:

(1) When a contract involves any degree of APF.

(2) When, unless otherwise specified, a contract involves construction or architect-engineering services over \$2,000. *BUPERSINST 1710.11, BUPERSINST 7043.1B, and MWRDIVINST 7043.2 of 23 Oct 03.*

Separation of Functions

To maintain the integrity of the contracting system, the following functions shall be performed by independent offices (i.e., accounting, contracting, receiving, etc.) or by different individuals:

- Issuance of the purchase request and certification of funds availability.
- Negotiating, executing, and signing of purchase order, delivery orders, BPA, or contract.
- Receipt of goods and services.
- Processing bills or invoices for payment.
- Signing of checks

Ratification – NAF Contracts

- Ratification. The act of approving a voidable contract by an official who has the authority to do so, for the purpose of paying for supplies or services provided to NAFIs as a result of an unauthorized commitment made by an individual who lacked the authority to make the contractual commitment.

Ratification procedures will be followed if purchases are made by other than those individuals authorized to do so; a contracting officer exceeds their authority; a contractor is told to begin work before a purchase order/contract has been issued; or items are received or invoiced before a purchase order/contract has been issued.

- Requirements. An unauthorized purchase may be made valid by use of the ratification process only if all of the following requirements are met:
 - (a) The unauthorized purchase was in the best interest of the NAFI.
 - (b) The resulting contract would otherwise have been proper, if it had been made by an authorized person.
 - (c) The contracting officer determines that the price is reasonable.
 - (d) Funds to make payment are available.

Other Types of NAF Contracts

- Blanket Purchase Agreements (BPA's)
- Purchase Orders (PO)
- Entertainment Contracts
- Concessionaire Contracts
- Delivery Orders (DO)
- Un-priced Purchase Orders
- Service Contracts

Account Reconciliation

- Accounts have the proper Balance?
- Accounts have been reconciled with other sources as needed? (ADP, Subsidiaries, BPA's, etc.)
- Accounts Receivable – Are accounts over 120 days old? Has a collections process been enacted?
- Unearned Income – Subsidiaries balance? Can the funds be tracked? (Names and not numbers)
- Cost of Goods Sold (COGS) in line with the recommended percentage?
- Employee Meals – Review local SOP, are they following the SOP? If there is not SOP, they can't have an employee meal program.
- Has the Business Manager signed off that the accounts for the month have been reconciled?

Cash Counts

What to do:

- Compare the amount authorized on the Letter of Designation with the total to include Text (name of cashier should be in the text) from SAP (108 & 109)
- Cash Counts should be a “surprise” and completed each quarter
- Game Machine Harvesting is generally performed the same day each week. A “surprise” cash count of the Gaming devices must be performed. The gaming devices have various checks and balances built into the machines, in which all devices are to be checked and validated against the Daily Activity Report (DAR) that was submitted with the Deposit. There is to be a “2 person” check and balance for Harvesting all gaming machines, 1 person should not hold all keys.

Gaming Devices

BUPERSINST 1710.11C Chapter 25

- Gaming device keys will be configured so as to require two separate sets of keys to gain access to the machine. There will be two sets of keys that will each contain only half the keys required for entry to the machine.
- There will be a third set of keys that will contain all the keys to allow access to the machine. This third set of keys is to be kept in a highly secured location and access to this set of keys will require a significant degree of restricted access.
- Primary use of this third set of keys is to allow for immediate access to the machine for surprise auditing procedures as prescribed by the local audit board and to allow for back up keys as may be required by malfunctions.
- Orders for replacement keys require CNIC N92 approval.
- Commanding officer will designate in writing the MWR manager overseeing the gaming device operation to hold, secure and be accountable for the MWR activity's set of gaming device keys.
- The commanding officer will also designate in writing command duty officers or other designated officers to secure, transfer and be accountable for the command's set of gaming device keys. The term "officer" (command observer) as used here includes enlisted personnel, E7 and above, and civilian personnel, GS-7 and above, or equivalent. Civilian command observers may not serve more than 1 year.

Promotions

- MWR departments are authorized to distribute promotional coupons for free or reduced price use of activities and equipment, events, and free or reduced price food or merchandise (alcoholic beverages excluded).
- Promotions conducted by MWR activities to generate patron response and sales are permissible and encouraged, provided all patrons of the MWR program are eligible and invited to participate.
- Expenses generated in the promotions are proper charges to advertising and promotions. Inventory and other documentation must be maintained to adequately account for all expenditures. Inside promotions may include, but are not limited to the following:

- (1) Hors d'oeuvres, canapés or snacks at happy hour or similar functions.
- (2) Reduced food/beverage prices at happy hour
- (3) Free coffee and tea breaks.
- (4) Free rental of recreation equipment, round of golf, line of bowling, dinners at the "club" or other consumable presented to authorized patrons on birthdays or special occasions.
- (5) Souvenirs or mementos given on special occasions such as Independence Day, Navy Day, etc.
- (6) Tournaments or contests with prizes to winners.
- (7) Coupon distribution for promotional events, golf, bowling, food or merchandise, free or at a reduced price.
- (8) Free soft drinks and reduced meal coupons as part of the "Designated Driver Program."
- (9) Door prizes at special events.
- (10) Distilled spirits products will not be provided as prizes, gifts, etc., or with free dinners.

Cash Awards

Awards of cash, savings bonds, and certificates redeemable in cash or property for achievement or proficiency in appropriate MWR events sponsored by the MWR program are authorized subject to the following provisions:

- (1) NAFs will not be used to subsidize the cost of cash prizes (i.e., cash prizes will be funded only from entry fees or corporate sponsorship of the event).
- (2) For some events, cash awards may jeopardize the amateur sports standing of participants. When cash awards are given in conjunction with a sporting event, the participants should be informed that acceptance of a cash award may jeopardize their amateur sports standing.
- (3) Team awards are not authorized, except in bowling and golf where team awards are customary.

Gift certificates redeemable for merchandise in local MWR pro shops are encouraged.

Gifts

Except as provided by references (d) and (j) concerning "tipped employees," no person will accept any entertainment, gifts, loans, or favors of any kind, no matter how innocently tendered or received, from any person or firm who seeks or enjoys dealing with an activity which may
BUPERSINST 1710.11C 25 Jul 01

- If any doubt exists regarding legality or propriety, your local base legal office and/or NAVPERSCOM (PERS-658L) should be consulted before, not after, the fact.
- Refusal of gifts and favors will be made in a courteous, but conclusive manner. The individual or organization making the offer will be informed of the policy regarding this practice and the standards of conduct imposed upon personnel of the Government doing business with outside interests. (Also see section 329 for the Navy's gift acceptance policy.)
- Attendance at Social Functions. It is not necessary nor desirable for personnel, in the normal conduct of their official duties, to lunch, dine, or party with individuals or representatives of firms or corporations doing or seeking to do business with a NAFI activity to discuss or transact official business matters. The foregoing provision does not preclude attendance at widely attended luncheons, dinners, and similar gatherings sponsored by industrial, technical and professional associations for the discussion of matters of mutual interest to the Government and industry as provided in reference (d).

Gifts, continued

- Prohibitions. Personnel assigned or employed by an activity and their family members are prohibited from:

- Selling articles in the activity for their own personal benefit,
- Making any personal profit as a result of the purchasing or sales functions of the activity,
- Taking advantage of any wastage, price reductions, or favors of any kind,
- Accepting any personalized gifts
- Accepting any contributions or donations from commercial organizations for themselves or their family members, for other employees, employee parties or other select groups, except as permitted by reference (d) of BUPERS 1710.

Gambling or Lottery like Tournaments

- Events or tournaments involving gambling or lotteries such as "Calcutta" tournaments are prohibited.
- Closest to the pin or hole-in-one competitions are authorized provided there is no additional charge or fee assessed to participate.

Mission Statement

- Promote esprit de corps and morale by meeting recreational, social and competitive needs of military patrons through the sport of golf.
- Balance customer-driven programs and the requirement to meet financial goals.
- Provide quality golf facilities and programs, managed by certified golf professionals with highly trained staffs, which satisfy the needs of all golfers regardless of skill level.
- Golf professionals may be compensated up to 90 percent of the lesson fee for golf lessons given during periods of time for which he or she is not receiving regular pay (e.g., a golf course manager may provide golf instruction during his/her off duty time and be compensated up to 90 percent of the lesson fees).
- A services contract must be on file and all revenue derived from lessons must be paid to the MWR fund. Instructors must document all lessons and submit a payment request and copies of lesson log for payment at the end of the month.

SUCCESSFUL GOLF PROGRAM CHECK LIST

Program Management

1. Does the golf course activity program achieve or exceed the average number of rounds played at courses in the region? Benchmarks can be found on the NAVPERSCOM web page at <http://www.mwr.navy.mil>.
2. Is the golf course offering prices and services that are competitive with the local market?
3. If excess capacity exists, has the facility manager researched the option of opening the course to the general public where appropriate? Waivers may be requested through NAVPERSCOM (PERS-658). See chapter 6 of this manual.
4. Does management monitor actual expenses to both the budget and prior year operating results and take action to address variances?

5. Does management monitor operational plans to ensure that recapitalization plans are maintained and followed?
6. Does the Commanding Officer ensure that the golf course operation satisfies patrons needs?
7. Does the Commanding Officer ensure that golf course operations comply with this instruction and other pertinent policies and instructions?
8. Does the MWR Director monitor and provide golf course program policy?
9. Does the MWR Director allocate resources?
10. Does the MWR Director ensure that the golf course manager receives training on operational, financial and technical procedures? BUPERSINST 1710.11C K-2 Appendix K to Enclosure (1)
11. Does the MWR Director ensure the development of long range plans for golf course operations?
12. Does the golf course manager properly direct the daily operation of all applicable golf course programs?

13. Are employees receiving training and career development?

14. Does the golf course manager prepare all financial, program, facility and equipment reports?

15. Is there a 5-year facility and equipment requirement and purchasing plan?

16. Does the golf course activity manager identify and recommend construction, modification and renovation for the facility?

Accountable

“Liable to account for one's actions”

Questions?