



DEPARTMENT OF DEFENSE

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**DOD CIVILIAN EMPLOYEE  
MORALE, WELFARE, AND  
RECREATION (MWR) ACTIVITIES  
AND SUPPORTING  
NONAPPROPRIATED FUND  
INSTRUMENTALITIES (NAFIs)  
REGULATION**

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NOVEMBER 1985

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE  
(FORCE MANAGEMENT AND PERSONNEL)

DoD 1015.8-R



FORCE MANAGEMENT  
AND PERSONNEL

THE OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301-4000

FOREWORD

This Regulation is issued under the authority of DoD Directive 1015.8, "DoD Civilian Employee Morale, Welfare, and Recreation (MWR) Activities and Supporting Nonappropriated Fund Instrumentalities (NAFIs)," October 22, 1985. It provides operational guidance and controls relating to the administration and operation of MWR activities and NAFIs dedicated to support civilian employees of the Department of Defense.

This Regulation applies to the Office of the Secretary of Defense, Military Departments, hereafter referred to collectively as "DoD Components," and the Defense Agencies.

This regulation is effective immediately and is mandatory for use by all DoD civilian NAFIs. Supplementary instructions of the Military Departments, not in conflict with this Regulation, may remain in effect. A copy of each such instruction shall be forwarded to the Deputy Assistant Secretary of Defense (Civilian Personnel Policy and Requirements).

Send recommended changes to this Regulation through applicable DoD Component channels to:

Deputy Assistant Secretary of Defense (Civilian Personnel Policy and Requirements)  
Office of the Assistant Secretary of Defense (Force Management and Personnel)  
Room 3D265, Pentagon  
Washington, D.C. 20301-4000

DoD Components and Defense Agencies may obtain copies of this Regulation through their own publication channels. Other Federal agencies and the public may obtain copies from the U.S. Department of Commerce, National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161.

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## REFERENCES

- (a) [DoD Directive 1015.1](#), "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities," August 19, 1981
- (b) DoD Instruction 1015.2, "Operational Policies for Morale, Welfare, and Recreation Activities," May 17, 1985
- (c) [DoD Directive 1015.8](#), "DoD Civilian Employee Morale, Welfare, and Recreation (MWR) Activities and Supporting Nonappropriated Fund Instrumentalities (NAFI)," October 22, 1985
- (d) [DoD Directive 1015.6](#), "Funding of Morale, Welfare, and Recreation Programs," August 3, 1984
- (e) DoD Instruction 1330.18, "Resale Activities Conducted With the Use of Nonappropriated Funds, Other Than by Military Exchanges," August 28, 1974
- (f) [DoD Directive 1125.3](#), "Vending Facility Program for the Blind on Federal Property," April 7, 1978
- (g) DoD Instruction 1015.4, "Assignment of Appropriated-Funded Personnel to Morale, Welfare, and Recreation Activities," April 26, 1983
- (h) [DoD Instruction 1330.20](#), "Reporting of Morale, Welfare, and Recreational (MWR) Activities Personnel Information," September 4, 1980
- (i) [DoD Instruction 7000.12](#), "Financial Management of Morale, Welfare, and Recreational Activities," September 4, 1980
- (j) [DoD Instruction 1000.15](#), "Private Organizations on DoD Installations," September 22, 1978
- (k) [DoD Directive 1330.9](#), "Armed Services Exchange Regulations," May 12, 1982
- (l) [DoD Instruction 7600.6](#), "Audit of Nonappropriated Funds and Related Activities," January 4, 1974
- (m) Public Law 97-177, "Prompt Payment Act of 1982," May 21, 1982
- (n) [DoD 1401.1-M](#), "Personnel Policy Manual for Nonappropriated Fund Instrumentalities," January 1981
- (o) [DoD Directive 5500.7](#), "Standards of Conduct," January 15, 1977
- (p) [DoD Instruction 4105.67](#), "Nonappropriated Fund Procurement Policy," October 2, 1981
- (q) DoD 4160-21-M, "Defense Utilization and Disposal Manual," September 1982
- (r) DoD 4270.1-M, "Construction Criteria," December 1983

## DL1. DEFINITIONS

DL1.1.1. Central Successor Civilian NAFI. In accordance with DoD Directive 1015.1 (reference (a)), 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.

DL1.1.2. Civilian Employee Morale, Welfare, and Recreation (MWR) Activity. As authorized and defined in reference (a), an MWR activity established for the comfort, pleasure, contentment, and mental and physical improvement of DoD civilian employees and other authorized patrons. These activities consist of recreational and free-time, self-development, food services and other resale, and general welfare.

DL1.1.3. Civilian Employee Nonappropriated Fund Instrumentality (NAFI). As authorized and defined in reference (a), an integral DoD organization that performs an essential Government function. A civilian NAFI acts in its own name in providing funding support to Category II and IV MWR activities for civilian employees and other authorized patrons. It is established and maintained unilaterally or jointly by a Military Department. As a fiscal entity, each NAFI maintains custody of and control over its nonappropriated funds. 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.

DL1.1.4. Custodian. An individual appointed by written authority to a post of responsibility and trust to exercise administrative and executive control of a Civilian NAFI and charged with the accountability for the nonappropriated fund resources.

DL1.1.5. DoD Installation. For the purposes of this Directive, real property controlled by the Department of Defense or occupied by DoD personnel, such as a base, site, building, or other location.

DL1.1.6. Military Departments. The Departments of the Army, the Navy, and the Air Force.

DL1.1.7. Nonappropriated Funds (NAFs). Cash and other assets received by a NAFI from sources other than monies 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.

DL1.1.8. On-Premises Consumption. Use or consumption within the confines of the DoD installation. Refers to sales restrictions 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.

DL1.1.9. Secretary. The Secretary, the Under Secretary, or any Assistant Secretary of any Military Department.

C1. CHAPTER 1  
GENERAL PROVISIONS

C1.1. PURPOSE

This Regulation delineates specified policies and procedures relating to the establishment, operation, and control of those MWR activities and NAFIs on DoD installations dedicated to the support of DoD civilian employees and others as authorized in DoD Directive 1015.1 (reference (a)), DoD Instruction 1015.2 (reference (b)), DoD Directive 1015.8 (reference (c)), and section C2.5., Chapter 2 of this Regulation. The need for establishing and funding such programs may be recognized at any time but shall be formally considered at least triennially during the patron interest survey of civilian employees, as required by reference (b). Because of varying civilian employee populations at DoD installations and a dependence on an adequate flow of NAF income, civilian MWR activities and NAFIs shall be operated on a selective, rather than a universal, basis. The voluntary characteristics of establishing and continuing these programs, however, is not meant to detract from their important role nor the necessity for a reasonable degree of uniformity and standardization in their administration. The regulatory references cited herein apply to MWR and NAFI operations throughout the Department of Defense. This Regulation applies these references, expands on the basic information contained therein, and presents additional guidance unique to civilian MWR activities and their supporting NAFIs.

C1.2. ESTABLISHMENT AND DISESTABLISHMENT

C1.2.1. Establishment

C1.2.1.1. A civilian NAFI shall be established only upon the written authority of the Assistant Secretary of Defense (Force Management and Personnel) (ASD(FM&P)), the Secretary of a Military Department, or a designee at the Military Department level. The criteria for establishing a DoD NAFI, as contained in reference (a), shall be applied. Likewise, identification through the authorized Category II or IV NAFI/MWR classification system shall be used. The financial integrity of each category shall be maintained and the functions of each separate category shall not be combined nor consolidated into a single NAFI.

C1.2.1.2. As a minimum, a request to establish a civilian NAFI shall include:

C1.2.1.2.1. Purpose of and requirement for the NAFI to service DoD civilian employees based on availability of existing military MWR programs and adequacy of off-base recreation programs.

C1.2.1.2.2. Types of MWR activities to be conducted (see section C2.3., Chapter 2).

C1.2.1.2.3. Number of Federal employees to be served.

C1.2.1.2.4. Appropriated fund (APF) resources to be made available within the authorizations of DoD Directive 1015.6 (reference (d)) and Chapter 3 of this Regulation.

C1.2.1.2.5. First and second year budgets for the NAFI that reflect a self-supporting capability and financial viability.

C1.2.1.2.6. Designation of the Successor NAFI in accordance with DoD Instruction 1015.1 (reference (a)).

C1.2.2. Disestablishment. Civilian NAFIs shall be disestablished in writing by the authority cited in subsection C1.2.1., above. Reasons may include the following: criteria for a DoD NAFI can no longer be met; financial viability can no longer be sustained; and by direction of the appropriate authority. Residual assets from disestablishment shall be transferred or otherwise disposed of within the departmental civilian NAFI system in accordance with instructions issued by the Central Successor Civilian NAFI.

C1.2.3. Relationship to Other DoD MWR Categories. Although civilian employees may be authorized by some regulations to participate in selected military activities, usually on a space-available basis, only the MWR/NAFI programs governed by this Regulation are dedicated to the support of DoD civilian employees. Establishing Categories II and IV civilian employee programs therefore can be achieved more readily at those installations, or in areas, buildings, or other DoD locations, where there are a large number or a predominant percentage of DoD civilian employees in the total population. The ratio between civilian employee and military populations at or within DoD locations also affects the capability of other existing activities to accommodate civilian work force patronage at that location. The authorization for APF support to the various categories of MWR activities differs by military and civilian patronage. These considerations and other program planning factors cited in reference (b) and DoD Directive 1015.6 (reference (d)) shall be the



basis for evaluating the patron services provided by other on-base activities in terms of the justification and need for separate civilian employee programs and resources.

C1.2.4. Civilian MWR/NAFIs in Defense Agencies. DoD Directive 1015.1 (reference (a)) provides that Defense Agencies shall establish, manage, and control all MWR/NAFIs in accordance with the regulations of a Military Department. It also requires that requests to establish new or continue existing NAFIs shall be submitted per subsection C1.2.1., above, to the Secretary of the Military Department, or departmental-designee, as an approving authority. Established civilian NAFIs shall be administered and controlled in accordance with the regulations of the approving Military Department. Alternatively, if a joint departmental-level civilian employee NAFI has been approved by the Secretaries to act for their respective Military Departments, the above authority shall be exercised for each Department by the joint NAFI's Board of Directors.

### C1.3. OPERATING PRINCIPLES

C1.3.1. Employees to Benefit. DoD Instruction 1330.18 (reference (e)) exempts from its provisions the sale of prepared food and beverages by Category II civilian employee food services. DoD Directive 1015.1 (reference (a)) authorizes Category II NAFIs to provide goods and services through resale activities to authorized patrons and to share revenue with designated morale programs. Since the primary resale patrons are civilian employees, the primary beneficiaries of Category IV MWR programs are civilian employees. As authorized in Chapter 2, section C2.5., other incidental beneficiaries of civilian employee programs may be military personnel, installation visitors, invited guests, DoD civilian and/or military dependents, certain former spouses, and retired DoD employees.

C1.3.2. No Proprietary Interests. Individuals, organizations, installations, and commands have no proprietary interest in Category II and IV NAFI assets. Benefits are to be derived through the employee's participation in these programs.

C1.3.3. Redistribution of Assets. The assets of each civilian NAFI are under its administrative custody and control. Heads of DoD Components, or designees for civilian employee MWR programs, may redistribute assets between civilian NAFIs based on relative funding priorities and needs. Redistribution of these assets upon transfer of an installation's jurisdiction shall be in accordance with Chapter 3, subsection C3.4.5. Joint funding of programs or construction projects shared on a cost

and use basis with other NAFIs is not a redistribution of assets and may be authorized by DoD Components.

C1.3.4. Interservice Support. Civilian employee MWR activities and NAFI support shall be made available to all Federal employees working on or logistically supported by the host DoD installation.

#### C1.4. METHODS OF OPERATION

Authorized resale operations, particularly Category II food, nonalcoholic beverage, and packaged snack services, may be conducted on a direct "in-house" basis, on an indirect or contract basis, or a combination of the two. All resale operations are subject to the applicable provisions of the blind vending program per DoD Directive 1125.3 (reference (f)). Any authorized resale of alcoholic (including malt) beverages may be by the direct operation method only.

C1.4.1. Direct Operations. The civilian NAFI is the basic management and operating entity, as well as the financial vehicle through which all operations are conducted. Other than authorized APF support, the NAFI provides all other resources, employs the necessary personnel, and engages in financial transactions in its own name as an instrumentality of the United States. Direct operations enjoy the immunities and privileges of Federal instrumentality status.

C1.4.2. Indirect Operations. Civilian NAFI contractual agreements may authorize an individual or company, usually termed the concessionaire, to engage in a specified MWR activity for a profit that is shared with the NAFI; e.g., cafeteria or vending machine services. The terms of the contract determine how the internal operations of the activity shall be conducted, the roles and responsibilities of both parties, resources to be furnished by each, the standards of contract performance to be met, as well as many other optional and required terms. Indirect operations conducted by contract do not entitle the contractor to the immunities and privileges of a Federal instrumentality.

C1.4.3. Combination Operations. A NAFI may operate one or more activities on a direct basis and contract out others, thus combining the two methods. Such matters as legal status, taxes, Government-furnished resources, and others must therefore be determined by the method of operating an individual MWR activity or resale outlet, rather than the status of the overall supporting NAFI.

## C1.5. LEGAL STATUS

C1.5.1. Category II and IV MWR activities and their supporting NAFIs are integral parts of their establishing Military Departments and the NAFIs are instrumentalities of the United States. As such, they are entitled to the immunities and privileges enjoyed by the Federal Government under the Constitution, Federal statutes, established principles of law, and international treaties and agreements.

C1.5.2. Although nonappropriated funds are not created through the Appropriation Acts of the Congress, certain Federal laws specifically include NAFIs within their provisions. The DoD issuances referenced herein cite these laws, when applicable, and shall be consulted as to pertinent subject matter.

C1.5.3. DoD issuances and DoD Component regulations have the force and effect of law. Policies and procedures contained therein shall be uniformly applied and strictly interpreted in order to ensure a reasonable degree of standardization throughout the DoD civilian employee NAFI system.

## C1.6. TAXES

C1.6.1. Civilian NAFIs shall collect and pay all applicable Federal taxes. As instrumentalities of the United States, civilian NAFIs are entitled to the same immunity from the taxes of the States, the District of Columbia, and political subdivisions thereof, as is the United States.

C1.6.2. In accordance with DoD Instruction 1015.2 (reference (b)), the sale of State tax-free tobacco products and soft and malt beverages by civilian NAFIs is restricted to amounts (items, packs, bottles, and cans) to be consumed on the premises of the installation (also see definitions), except that all tobacco products sold through vending machines shall be fully tax-paid, including State and local taxes. Although individual item sales are authorized herein for on premise consumption, bulk sales of beverages and sales of tobacco products by the carton or box by civilian NAFIs (including concessionaire operations) are prohibited.

C1.6.3. NAFI concessionaire contractors are not instrumentalities of the United States and therefore shall collect, report, and pay all applicable Federal, State, and local taxes.

## C1.7. MANAGEMENT SUPPORT

### C1.7.1. Command Support

C1.7.1.1. Command recognition of work force morale needs is essential to accomplishing its mission. The establishment and continuance of civilian employee MWR activities can be a positive force in morale, work productivity, and command effectiveness.

C1.7.1.2. DoD Directive 1015.6 (reference (d)) and DoD Instruction 1015.4 (reference (g)) define and authorize Executive Control and Essential Command Supervision (ECECS) for both Categories II and IV MWR activities. Although commanders cannot assign manpower positions on manning documents, they may assist these MWR activities by authorizing employee performance on an incidental or collateral duty basis of overall managerial functions and the monitoring of operations through management indicators, such as those listed in section C1.8., below. MWR ECECS and volunteer support to activity operations may be recognized officially in employee performance ratings. The direct operation of individual MWR programs and activities may be done only by NAFI employees hired for such purposes, volunteers from the Federal employee work force during nonduty hours, or volunteer family members of employees.

C1.7.1.3. Examples of authorized command support are as follows:

C1.7.1.3.1. Conducting a survey at least triennially of civilian employee services, MWR needs, and MWR interests in accordance with DoD Instruction 1015.2 (reference (b)).

C1.7.1.3.2. Initiating a request to establish civilian employee services and MWR activities with a supporting NAFI(s).

C1.7.1.3.3. Supervising and/or assigning overall supervisory responsibility for civilian MWR activities to an appropriate office.

C1.7.1.3.4. Providing facilities, other logistical, and staff support to the extent authorized by DoD Instruction 1330.18 (reference (e)) and available within resources.

C1.7.1.3.5. Ensuring sound financial operation of civilian NAFIs.

C1.7.2. Staff Support. ECECS support referenced in paragraph C1.7.1.2., above,

includes the functional areas of staff elements in support of the command mission. Such staff functions are performed for civilian MWR activities as official DoD entities. Further guidance on the use of official time is in subsection C1.7.6., below.

### C1.7.3. Representational Bodies

C1.7.3.1. Civilian employees, elected or appointed to a representational body or council, shall provide overall direction or broad recommendations in the management of the civilian MWR program, its activities, and its supporting NAFI. Governing bodies or councils direct and exercise general supervision on behalf of the MWR program beneficiaries or patrons. Nongoverning bodies or councils also represent the patrons by reviewing, recommending, and advising. Actions of these bodies are subject to the final decision of the responsible commander or DoD official.

C1.7.3.2. Reference (b) authorizes civilian Category IV programs to meet MWR needs of military personnel when there are no installation Category III MWR programs available. At such locations, the extent of the program must necessarily be within the financial constraints and capabilities of the NAFI. Councils shall include military representation.

C1.7.3.3. The above administrative options available to DoD Components provide program flexibility, yet ensure that patron needs and interests are officially recognized and presented for management consideration. This system of checks and balances between patron and management considerations also adds integrity to the use and control of NAFI assets.

### C1.7.4. MWR Program Supervision Support

C1.7.4.1. DoD Instruction 1015.4 (reference (g)) prohibits use of APF positions on manning documents for civilian MWR supervision or for operational functions. This DoD policy does not preclude providing the ECECS support delineated herein. Full-time civilian MWR program supervision, where required, must be provided with NAF resources.

C1.7.4.2. MWR supervisor support through NAFI employees shall be dependent upon the scope and financial complexity of the MWR/NAFI program requirements. Supervision of direct food service operations or continuing Category IV recreational activities will normally require regular NAFI employees. Contracted food and vending services or small-scale recreation programs may or may not entail NAFI employees for support.

### C1.7.5. Employee Volunteer Support

C1.7.5.1. Essential to the conduct of many Category IV MWR programs is the management and operating support of employee and dependent volunteers. Most program costs must be borne by the Category IV NAFI, which in turn is largely dependent on Category II NAFI dividends.

C1.7.5.2. Support from volunteers is the principal alternative to spending NAF income for management and operational personnel. However, more effective use of volunteers may result from a Category IV professional program manager paid from NAF, when viable financially.

### C1.7.6. Use of Official Time by Civilian Employee

C1.7.6.1. The use of official duty time by civilian employees for management support to civilian MWR activities and NAFIs is authorized on a selective and occasional basis. Examples of duties are listed in paragraph C1.7.6.2., below, and fall within the definition of ECECS, when performed as incidental collateral duties. DoD Instruction 1330.20 (reference (h)) excludes from the annual MWR Personnel Strength Report any APF employee spending less than 25 percent of his/her total hours working on part-time or collateral duties with MWR activities and NAFIs.

C1.7.6.2. Examples of ECECS in civilian MM activities are as follows:

C1.7.6.2.1. Governing or nongoverning NAFI council membership.

C1.7.6.2.2. Custodian of a Category II or IV NAFI.

C1.7.6.2.3. Category II or IV overall program manager.

C1.7.6.2.4. Staff or technical support, including specialized advisory assistance of councils and monitoring of management indicators.

C1.7.6.3. Direct operation of individual MWR activities is not ECECS and may not be performed by appropriated funded employees during duty hours.

## C1.8. MANAGEMENT INDICATORS

C1.8.1. Purpose. Management indicators highlight selected information in order to assess the need for and performance of DoD Component civilian MWR activities

and NAFIs. Certain indicators relate to the employee triennial surveys required by DoD Instruction 1015.2 (reference (b)). Some indicators should be monitored as a function of ECECS more frequently than others. Most indicators are required by DoD Instruction 7000.12 (reference (i)) analyses and are more meaningful when compared with prior fiscal periods. Examples that follow are not all-inclusive. Others may be developed for local management purposes, since information needs differ by organizational level of responsibility.

#### C1.8.2. Category II Civilian MWR Indicators

C1.8.2.1. At the DoD Component or Joint Service level, the following indicators apply:

C1.8.2.1.1. Comparison in numbers and percentages of installations with Category II MWR/NAFI to total number of installations.

C1.8.2.1.2. Comparison in numbers between Federal employee population at installations served by a Category II NAFI to those installations not served by this category.

C1.8.2.1.3. Number of installations with no Category II civilian NAFI when the Federal employee population is 500 or more and is 25 percent or more of the total installation population.

C1.8.2.1.4. Percentages of APF and NAF expenditures to total annual expenditures.

C1.8.2.1.5. Overall Current Ratio and Acid Test Ratio.

C1.8.2.1.6. Inventory Turnover Rate.

C1.8.2.1.7. Percentage of Net Income to Gross Sales.

C1.8.2.1.8. Percentage of Operating Expenses to Net Operating Income.

C1.8.2.1.9. Percentage of Salary/Wage Expenses to Total Operating Costs and to Gross Sales.

C1.8.2.1.10. Percentage of total annual Capital Expenditures to Fixed Assets.

C1.8.2.1.11. Percentage of Net Worth to Total Assets.

C1.8.2.1.12. Percentage of Net Income distributed to Category IV NAFI.

C1.8.2.1.13. Percentage of Concessionaire Sales to Gross Direct Sales, if applicable.

C1.8.2.1.14. Total Gross Sales by concessionaires and Commission Fees received therefrom.

C1.8.2.2. Installation level management indicators for an individual Category II civilian NAFI are in subparagraphs C1.8.2.1.4., through C1.8.2.1.14., above.

C1.8.2.3. Category IV Civilian Employee General Welfare and Recreation

C1.8.2.3.1. At the DoD Component or Joint Service level, the following indicators apply:

C1.8.2.3.1.1. Percentage of APFs and NAFs, respectively, of annual operating costs.

C1.8.2.3.1.2. Percentage of Category II dividend distribution income to Total Category IV Income.

C1.8.2.3.1.3. Percentage of all other income (nondividend) to total income.

C1.8.2.3.1.4. Percentage of Gross Sales to all other income, operating and nonoperating.

C1.8.2.3.1.5. Overall Current Ratio and Acid Test Ratio.

C1.8.2.3.1.6. Percentage of Salary/Wage Expenses to Total Operating Expenses.

C1.8.2.3.1.7. Percentage of Capital Expenditures to Fixed Assets.

C1.8.2.3.1.8. Percentage of Fund Equity to Total Assets.



C1.8.2.3.1.9. Program participation in total numbers (e.g., numbers of participants by activity; ratio of participants in program to total employee population).

C1.8.2.3.2. Installation-level management indicators in paragraph C1.8.2.3.1., above, also apply to an individual Category IV civilian NAFI, except that program participation is to be computed for each activity. Examples are in Chapter 2.

## C2. CHAPTER 2

### AUTHORIZED PROGRAMS AND ACTIVITIES

#### C2.1. RATIONALE FOR CIVILIAN EMPLOYEE PROGRAMS

C2.1.1. These Category II and Category IV MWR programs and activities are authorized at DoD locations where there are sufficient numbers of employees to establish and sustain the programs through a NAF instrumentality. Since the principal APF resources are not to be provided by direct dollar support, the generation of NAF income is indispensable to sustaining all civilian MWR programs.

C2.1.2. Civilian employees are vital to accomplishing the DoD mission. They are important members of the defense team. As such, they are at the DoD installation during one or more meal periods. On-base food service facilities are therefore essential to the health and welfare of the work force. The availability of refreshment services, convenience or other prepared food services, tobacco products, essential health needs, etc., throughout the workday also contributes to the morale and well-being of DoD civilian employees. All of these Category II MWR resale services must be reasonably accessible to the employees in the interests of maximum time on the job and satisfactory productivity. NAF financial viability also dictates that resale outlets be placed in reasonably close proximity to the patrons to be served. Therefore, Category II food and other resale services are appropriate at those installations and in buildings where concentrations of civilian employees occur.

C2.1.3. Category II resale services have the dual role of providing a product as well as generating sufficient net income to sustain a Category IV welfare and recreation program. The extent of Category IV activities depends on such variables as: employee interest in both participation and management; amount of income available; facility availability; convenience of the installation to employee residences; private and public MWR resources in surrounding civilian communities; and other mission and local factors. Whereas most Category II activities take place during meal and "work break" times, Category IV welfare and recreational activities are conducted primarily during nonwork hours. However, the physical and mental benefits of both categories can be a positive factor in fostering organizational pride and teamwork, unit cohesiveness, and a feeling of personal accomplishment.

C2.1.4. Civilian employees may also be members of Private Organizations on DoD installations, as authorized by DoD Instruction 1000.15 (reference (j)). Such

Private Organizations are neither official MWR activities nor NAFIs, as provided for herein and in cited references. However, they may be considered as alternatives to organizing small activities within the MWR/NAFI structure.

## C2.2. MWR PROGRAM GUIDANCE

DoD Instruction 1015.2 (reference (b)) provides general MWR program guidance regardless of source of funds or category in which classified. The program priorities defined therein apply to civilian MWR activities, as follows:

C2.2.1. Indispensable MWR Activities. These are limited to those activities established and continued for military personnel in close relationship to the basic military mission of the Department of Defense. No civilian MWR activities shall be included.

C2.2.2. Essential MWR Activities. Certain MWR activities are considered essential to the physical, mental, and social well-being of civilian employees. Within the guidelines of DoD Instruction 1015.2 (reference (b)) those activities may be considered as a minimum fundamental core of broad-based personal needs at the work site for which off-base sites are not a feasible alternative. Essential activities include the following:

C2.2.2.1. The food service portion of Category II dining/vending activities. Excluded are the resale of those products not essential to regular mealtime (or work shift) food services and normally considered as refreshments, snacks, confections, and other like items. The "Essential" designation does not constitute the "essential feeding" of military personnel authorized by DoD Directive 1015.6 (reference (d)) and provided by military open messes.

C2.2.2.2. Category II resale and Category IV general welfare and recreation programs at DoD locations where a large concentration of Federal employees may live on the installation necessitates meeting many of their personal and community needs on base. At these locations, MWR programs make an essential contribution to the physical, social, and mental well-being of the employees and their families living on base.

C2.2.2.3. Category IV general welfare and recreation programs under the following conditions:

C2.2.2.3.1. At locations where a large concentration of DoD employees

live in civilian communities within 10 miles or 30 commuting minutes of the installation. Reference (b) shall be used for guidance in conducting the survey of available public or commercial MWR alternatives. If the evaluation of survey factors concludes that alternative facilities and programs are not sufficient to accommodate the MWR needs and interests of the DoD employee population, on-base programs may be prioritized as "Essential."

C2.2.2.3.2. At locations where Category IV programs have been designated to meet the MWR needs of the installation military population in lieu of Category III MWR activities, as authorized by reference (b).

C2.2.3. Desirable MWR Activities. All civilian Categories II and IV MWR activities, not otherwise prioritized as "Essential" per subsection C2.2.2., above, shall be classified as "Desirable." The NAFI must have met the criteria for establishment or continuance in accordance with DoD Directive 1015.1 (reference (a)). However, the base of support appeal or participation in the MWR programs offered is less broad than for essential activities. Category IV MWR activities at installations having few if any civilian employees living onbase will normally be classified as "Desirable," even though the food service mission of the Category II civilian MWR activities may have been prioritized as "Essential."

### C2.3. AUTHORIZED ACTIVITIES

C2.3.1. Category II Other Resale and Revenue-Sharing. References (a) and (e), DoD Instruction 1330.18, authorize these Category II MWR Activities and their supporting NAFIs to provide food and limited retail services for civilian personnel on DoD installations. This authorization also includes operation of amusement machines, including electronic games. In addition to regular mealtime (or shift work) service food and beverages may be offered either manually or by machine throughout the workday. These include snacks, confections, beverages, and similar refreshments and are also an integral part of the program. Additionally, other items of convenience and necessity for on-the-job use may be offered on an individually justified basis, when approved by the Head of the DoD Component or a designee at Military Department level, including a joint civilian NAFI. Merchandise authorized for resale shall be limited to those items of daily personal use and necessity listed in DoD Directive 1330.9 (reference (k)). Examples are: simple drug remedies; standard first aid items; sanitary goods and supplies; smoking accessories; toiletries and cosmetics; apparel repairs; and emergency replacements.

C2.3.2. Category IV Civilian Employee General Welfare and Recreation Programs. The content and extent of these programs are necessarily flexible because of variations in NAFI financial capability, employee interests, facility availability, and the geographical relationship of work site to home site. More extensive programs are appropriate at locations where a large employee population is housed on the installation or in adjacent nonurban communities. Employee family programs may be conducted if operating costs are offset by income from participants. The objective of these programs is to offer a variety of activities and benefits that will collectively appeal to as many eligible patrons as is financially feasible.

C2.3.2.1. Examples of Category IV Programs:

C2.3.2.1.1. Sports (self-directed and organized).

C2.3.2.1.2. Hobbies and crafts.

C2.3.2.1.3. Social and recreational groups (not Category VI membership associations).

C2.3.2.1.4. Lounges or work "break" areas (if not authorized from appropriated fund sources).

C2.3.2.1.5. Circulating library.

C2.3.2.1.6. Bowling.

C2.3.2.1.7. Outdoor activities.

C2.3.2.1.8. Family services.

C2.3.2.1.9. Special installation or command events not authorized appropriated fund support but that will promote the morale or welfare of the civilian work force.

C2.3.2.2. Bingo may be played in civilian MWR activities within the United States on DoD installation real property that has been fully ceded to the U.S. Government. It may also be played on those DoD installations that are not fully ceded where bingo playing is allowed within the local civil jurisdiction. Bingo shall be financially self-supporting and not subsidized by NAFI income generated from other sources.

C2.3.2.3. Participation fees and charges shall be the primary source of Category IV income to supplement Category II revenue sharing provided through dividends. Collections may be made either on an individual or periodic usage basis. Any resale of merchandise by Category IV NAFIs shall be authorized by the DoD Component only when directly related and essential to participation in the activity, and the item cannot feasibly be sold by the Category II civilian NAFL.

#### C2.4. ADVERTISING

Policies contained in DoD Instruction 1015.2 (reference (b)) apply. Advertising may be purchased in civilian or military media that is produced primarily for distribution on the DoD installation to authorized MWR/NAFI patronage. Advertising may also be prepared by the MWR activity for local dissemination by installation media. All advertising shall be prudently selected, attractively designed, and not reflect unfavorably on the U.S. Government, its activities, or its instrumentalities. Postal regulations prohibit the distribution of information on bingo events through the U.S. Postal Service.

#### C2.5. AUTHORIZED PATRONAGE

The following patronage authorizations for participation in civilian MWR programs are based on reference (b) and shall be followed in the priority order listed below:

##### C2.5.1. Category II Civilian Employee Resale and Revenue Sharing

C2.5.1.1. DoD and other civilian employees working on the installation, their dependents, and accompanying guests.

C2.5.1.2. Uniformed personnel, active duty and retired with pay, their dependents and accompanying guests; and members of Reserve components while on inactive duty for training (IADT).

C2.5.1.3. Unremarried former spouses and other dependents entitled to commissary, exchange, and theater privileges.

C2.5.1.4. Authorized visitors to the installation.

##### C2.5.2. Category IV Civilian Employee General Welfare and Recreation

C2.5.2.1. DoD and other civilian employees working on or logistically supported by the installation, their dependents, and accompanying guests.

C2.5.2.2. Active duty uniformed personnel, their dependents, and accompanying guests; and members of Reserve components while on IADT.

C2.5.2.3. Uniformed military personnel retired with pay, their dependents, and accompanying guests.

C2.5.2.4. Unremarried former spouses and other dependents entitled to commissary, exchange, and theater privileges.

C2.5.2.5. Retired DoD employees and their dependents.

C2.5.2.6. Patrons listed in paragraphs C2.5.2.1. and C2.5.2.2., above, shall enjoy the same priority when there are no installation Category III MWR programs available for military personnel.

## C2.6. IDENTIFICATION OF PATRONS

Official DoD or Component identification cards/badges or locally approved identification procedures shall be used to verify patron eligibility and relative priority, as required. No verification of identification is required for use of Category II food service facilities or vending machines.

### C3. CHAPTER 3

#### FINANCIAL MANAGEMENT AND GENERAL SUPPORT

##### C3.1. SELF-SUPPORTING CHARACTERISTICS.

Civilian MWR activities are required to be generally self-supporting, i.e., largely dependent on NAFs for support. DoD Directive 1015.6, (reference (d)) and DoD Instruction 1015.4, (reference (g)), delineate the APF/NAF relationships, including personnel support. (Also see section C3.4., below.)

##### C3.2. FINANCIAL MANAGEMENT

DoD Instruction 7000.12 (reference (i)) prescribes guidance for DoD financial management policies for MWR activities. Broad guidance for supporting NAF financial management systems is also included. All civilian employee NWR resources shall be administered economically and efficiently through sound financial management practices.

###### C3.2.1. Income Objectives

C3.2.1.1. Category II NAFI income objectives shall be geared toward the dual role of earning and sharing revenue. From its gross NAF income, derived largely through patron resale activities, the NAFI must pay for the goods, the expenses of selling them, and for most of the supporting assets used in conjunction herewith. In addition to these internal demands on gross income, are the external demands of dividends to be paid Category IV NAFIs. These dividends shall be paid on a timely and dependable basis, normally apportioned from current net income transfers to equity. However, dividends also may be paid on a temporary basis from Net Worth (Fund Equity) accumulations of prior fiscal periods in order to prevent "feast or famine" situations from developing in Category IV support.

C3.2.1.2. Category IV NAFI income objectives shall be geared primarily to these Category II dividends. Income objectives that exceed the dividends received may require self-generated income through the activities authorized in Chapter 2, subsection C2.3.2. However, the incidental income derived from Category IV activities is not intended to replace nor compete with those resale activities that are more properly Category II. Unconditional acceptance of gifts and donations from



sources outside the NAFI system is neither a prohibited nor a preferred source of income.

C3.2.2. Pricing. Selling prices for goods and services shall be consistent with the income objectives essential to sustaining the planned Category II and IV MWR programs. The financial plan shall be expressed through the budgeting process. Realistic prices for goods and services are a means by which income objectives are achieved. Additionally, civilian NAFI prices may not be substantially less than comparable commercial establishments within the commuting area of the DoD installation. No resale goods or services shall be priced at less than total cost, including both direct and indirect costs.

C3.2.2.1. Menu cost cards should be used in establishing prices that cover all food costs, including labor.

C3.2.2.2. Malt beverages authorized for mealtime consumption may not be sold at reduced prices.

C3.2.2.3. Tobacco products sold through vending machines shall not be priced lower than comparable items and brands sold by the installation military exchange.

C3.2.2.4. Neither shall a patron receive special prices or privileges for individual or group functions that are not available to other patrons. Nor shall special privileges and prices that are less than "break even" plus a nominal net return be given to functions designated as "command sponsored."

C3.2.2.5. Bingo game prices shall be sufficient to cover all costs of bingo.

C3.2.3. Budgeting and Accounting. DoD Instruction 7000.12 (reference (i)) contains policy guidance directed toward greater standardization of NAF budgeting, accounting, reporting, analyzing, and managing of resources. Civilian NAFIs shall use departmental financial management regulations, adapting and supplementing only as required. The Military Departments shall, in turn, recognize the need to accommodate civilian NAFI requirements within their financial management systems.

C3.2.3.1. Operating, Capital, and Cash Budgets shall be prepared in accordance with the formats, schedules, and other procedures published by the responsible departmental-level civilian NAFI. Individual NAFI budgets shall be approved at the installation or a higher echelon level.

C3.2.3.2. Analyses of actual performance shall be compared with the approved budget and the necessary management actions taken. See Chapter 1, section C1.8., for performance indicators.

C3.2.3.3. Departmental NAFI accounting systems are required to follow the policies contained in reference (i). The departmental-level civilian NAFI may issue supplementary accounting interpretations and instructions unique to the civilian NAFI system. A copy of these interpretations and instructions shall be forwarded to the Director of Accounting Policy (OASD(C)), as well as the Deputy Assistant Secretary of Defense (Force Management and Personnel) (Civilian Personnel Policy and Requirements) (DASD(FM&P))(CPP&R).

C3.2.3.3.1. Departmental-level procedures shall ensure that APF expenses for Categories II and IV civilian MWR activities are promptly and accurately reported in accordance with reference (i) and accompany civilian NAFI financial reports.

C3.2.3.3.2. The distribution of all dividends by Category II to Category IV civilian NAFIs shall be recorded and reported as decreases in equity. Other distributions and receipts of dividends and grants and all equity transactions shall be recorded and reported in accordance with reference (i), as implemented through departmental NAF accounting regulations.

#### C3.2.4. Internal Controls and Auditing

C3.2.4.1. NAFs are created by cash transactions that place emphasis on the need for an effective system of internal controls. The volume and types of transactions conducted by Category II civilian resale activities cause their tangible assets to be especially vulnerable to fraud, waste, and abuse. Internal control systems developed by the Military Departments shall be fully implemented and maintained in order to safeguard all assets, ensure the propriety of receipts and disbursements, and promote the accuracy and reliability of records and reports.

C3.2.4.2. DoD Directive 1015.1 (reference (a)) requires DoD Components to provide for the periodic review and audit of NAFIs. Audits also concern the authorization for functions being performed, as well as their being conducted in accordance with the policies referenced herein. In accordance with DoD Instruction 7600.6 (reference (1)), the normal NAFI audit cycle is every other fiscal year. Conditions and circumstances may warrant more or less frequent audits. A decision to

audit less frequently than biennial shall be justified and approved by the installation commander. In no event shall the elapsed time between the audit of a civilian NAFI exceed 4 years. When there are indications of fraud or other serious improprieties, out-of-cycle, special purpose audits shall be performed. DoD personnel paid from APFs are authorized to perform these special audits when required to discharge the Government's responsibilities for NAFI management surveillance.

C3.2.4.2.1. DoD personnel paid from APFs are also authorized to perform audits on a nonreimbursable basis for all Category II NAFIs with annual gross revenues of less than \$250,000 and all Category IV NAFIs, regardless of annual gross income.

C3.2.4.2.2. Independent audits for all Category II NAFIs with annual gross revenues of \$250,000 or more shall be performed at NAF expense by licensed certified public accountants. As an alternative, DoD personnel paid from APFs may be used for these audits on a reimbursable basis, if more economical and based on availability.

#### C3.2.5. Reporting and Analysis

C3.2.5.1. DoD Instruction 7000.12 (reference (i)) prescribes annual consolidated summary reports to ASD(FM&P) pertaining to the overall financial management of APF and NAF resources. DoD Components are required to separately forward consolidated reports for joint Categories II and IV civilian MWR/NAFIs. The narrative analyses shall be prepared by the responsible departmental-level office that has been designated in accordance with subsection 6.2., DoD Directive 1015.8 (reference (c)).

C3.2.5.2. DoD Instruction 1330.20 (reference (h)) requires DoD Components to also submit annual consolidated summary personnel reports to the ASD(FM&P). These reports present statistical information on MWR Personnel Strength and NAFI Employees' Compensation and Benefits Programs, both by categories of employees and MWR activities. DoD civilian MWR activities and NAFIs at all levels shall cooperate in collecting and verifying the data. Care shall be observed in reporting any APF personnel, both military and civilian, who assist on a part-time basis in managing civilian MWR activities. These personnel shall not be included in reports if less than 25 percent of an individual's part-time or collateral duties are with Category II or IV civilian MWR activities.

C3.2.5.3. Financial and personnel reports enable the Office of the Secretary of Defense (OSD) to maintain broad surveillance over these sensitive resources. Certain information is to be maintained through management indicators. Monitoring of more detailed information may be necessary to execute management responsibilities at other levels within the Department of Defense. Such information shall be within the policy guidelines of DoD Instruction 1330.20 and DoD Instruction 7000.12 (references (h) and (i)), and compatible with all reporting required therein and above. Detailed analysis and evaluation is particularly valuable at installation and MWR activity level, providing it is followed by appropriate management action.

C3.2.6. Management of Resources. Civilian MWR activities shall be managed to ensure that both APF and NAF resources are obtained and used effectively.

C3.2.6.1. Cash. Cash shall be accounted for, protected, invested, and expended promptly. Conversion of NAF cash investments to more usable forms of assets through MWR program benefits for DoD personnel is the principal purpose of the DoD MWR/NAFI program. Payments shall be made to contractors within the payment terms of the contract to avoid interest penalties imposed by Public Law 97-177 (reference (m)). (See paragraph C3.4.1.2.)

C3.2.6.2. Investments. The purpose of accumulating assets through investments is to enable a program expenditure to occur in the required amount at the proper time. Safety and liquidity are, therefore, most important. Sound funds management dictates, however, that a reasonably competitive rate of return also be realized. Investment sources are limited to those specified in reference (i).

C3.2.6.3. Loans. Departments shall ensure that there is a NAFI loan source available to civilian NAFIs. This source will normally be the departmental-level Central Successor NAFI. Civilian NAFIs shall not borrow from non-NAFI sources except as approved at Military Department level in coordination with the ASD(FM&P).

C3.2.6.4. Dividends. Financial management, in both its planning and operational phases, shall recognize the obligation of Category II civilian NAFIs to support Category IV NAFIs through regular and timely dividends in adequate amounts. Conversely, Category IV-dividend budgeting shall recognize the dependence of Category II resale activities on income generation through customer patronage. Category II NAFIs must also fund most capital and operating needs of civilian NAFIs. Departmental dividend distribution systems shall therefore be based on equitability toward both the generator and the recipient of dividends.

C3.2.6.5. Risk Management. Protection of NAFI assets used in MWR programs shall normally be done through existing departmental NAF insurance programs. The law of large numbers, the spreading of risk, and program administration are most economically and efficiently applied by maximizing coverages and standardizing rate structures. Civilian NAFI risk management programs that are planned to be independent of departmental programs require the approval of the ASD(FM&P).

### C3.3. PERSONNEL

C3.3.1. Staffing. Staffing of civilian MWR activities and the supporting NAFIs shall be in accordance with DoD Instruction 1015.4 (reference (g)). Appropriated fund personnel, both military and civilian, may perform ECECS, as further described in Chapter 1, section C1.7. Therefore, personnel paid from NAF must provide much of the management continuity and operating skills in civilian MWR programs. NAFI employees shall be administered in accordance with DoD 1401.1-M (reference (n)) and reported in accordance with subsection C3.2.5., above. Civilian employee volunteers are also an important staffing resource. See Chapter 1, subsection C1.7.5., above.

C3.3.2. Standards of Conduct. The standards of conduct are published in DoD Directive 5500.7 (reference (o)) and implemented by reference (n). These standards apply to all NAFI employees and other personnel associated with managing or operating civilian MWR activities, including volunteers.

C3.3.3. Training. Military Department offices responsible for civilian MWR programs shall ensure that all necessary NAFI employee training is conducted in accordance with reference (n). This may include job orientation, on-the-job and off-the-job training, apprentice programs, and supervisory training. The nature of directly operated, full food services by Category II civilian NAFIs in particular, lends itself to cost-effective training. Funding necessary for most training needs is a responsibility of the employing NAFI. In accordance with reference (n), existing Government training programs should be made available for civilian NAFI employees within limits permitted by law, regulations, and funding.

#### C3.3.4. NAFI Employee Administration

C3.3.4.1. The following major areas of administering civilian NAFI employees are delineated in reference (n).

C3.3.4.1.1. Employment and Placement.

C3.3.4.1.2. Position Classification.

C3.3.4.1.3. Pay and Allowances.

C3.3.4.1.4. Attendance and Leave.

C3.3.4.1.5. Personnel Relations.

C3.3.4.1.6. Retirement and Insurance.

C3.3.4.2. In the interests of uniformity, economy, and job mobility, civilian employee NAFIs shall be administered on the same basis as other DoD NAFIs within the applicable Military Department NAFI personnel system.

C3.3.5. Recognition Awards. Departmental offices responsible for civilian NAFIs are encouraged to develop awards programs to recognize unique or specialized program contributions; e.g., in Category II employee food services. Funding for recognition programs may be by the employing NAFI, departmental-level civilian NAFI, or a combination of these.

#### C3.4. LOGISTICAL SUPPORT

##### C3.4.1. Procurement

C3.4.1.1. Civilian NAFI procurement shall be accomplished in accordance with DoD Instruction 4105.67 (reference (p)) and implemented by departmental regulations. Supplemental guidance for civilian NAFIs may be issued, providing it is in consonance with DoD guidance. Civilian NAFIs shall participate with other NAFIs in common item or service acquisitions to the extent feasible, including the use of existing contracts. Authorization for support from the APF procurement office is contained in DoD Directive 1015.6 (reference (d)) and reference (p).

C3.4.1.2. Public Law 97-177 (reference (m)) applies to all NAFI acquisitions, and contracts shall:

C3.4.1.2.1. Set the terms of payment clearly.

C3.4.1.2.2. Specify payment due dates.

C3.4.1.2.3. Designate the NAFI or servicing accounting office to which invoices will be sent.

C3.4.1.3. Discounts within the terms of the contract shall be taken whenever possible. In the absence of specific terms in the contract, payment terms for receiving acceptable products shall be: 7 days for fresh meat, poultry, and eggs; 10 days for other agricultural products; and 30 days for all other products.

C3.4.1.4. All personnel involved in the civilian NAFI procurement process shall:

C3.4.1.4.1. Receive formal instruction in procurement policy and procedures.

C3.4.1.4.2. Participate in meetings conducted by installations and commands for the purpose of improving the NAF procurement process.

#### C3.4.2. Equipment

##### C3.4.2.1. Use of Surplus APF Equipment

C3.4.2.1.1. Reference (d) authorizes the use of Government-owned surplus/excess equipment by both Category II and IV MWR activities. DoD 4160.21-M (reference (q)) sets DoD policy and prescribes uniform procedures for using this type of property. Civilian NAFIs shall comply with departmental regulations and local procedures that implement reference (q).

C3.4.2.1.2. Records and other documentation for loaned APF property may not be combined with NAFI property records. The title and accountability for loaned APF property remain with the Government, although responsibility is assumed by the appropriate MWR program official. For ease of identification, inventory, and accountability, the two types of property shall be marked differently.

C3.4.2.1.3. Reference (d) requires that NAFIs be used to pay the costs of maintaining and repairing loaned APF equipment.

C3.4.2.1.4. Since the type and availability of APF property will vary by location, additional equipment requirements shall be filled from NAFI resources, either by transfer or purchase.

#### C3.4.2.2. NAFI Equipment

C3.4.2.2.1. DoD Directive 1015.6 (reference (d)) requires that the cost of maintaining and repairing equipment acquired with NAFs be borne by the NAFI. For ease of maintaining accountability and fixing responsibility, NAFI property shall be identified and marked by number and/or code.

C3.4.2.2.2. NAFI property accounted for as a fixed asset shall be capitalized, recorded, controlled, and depreciated in accordance with DoD Instruction 7000.12 (reference (i)) and departmental accounting instructions.

C3.4.2.2.3. All food service equipment shall be operated and maintained in compliance with the sanitation standards prescribed by departmental regulations.

#### C3.4.3. Facilities

C3.4.3.1. Use. The use, maintenance, and repair of Government facilities by civilian MWR activities is authorized by reference (d). Repair and maintenance costs paid from NAF are authorized only when APFs are not available or sufficient.

C3.4.3.2. Space Criteria. DoD 4270.1-M (reference (r)) contains facilities space and other construction criteria for civilian employee restaurants. Facilities planned that exceed these criteria require a waiver. Construction of Category II civilian MWR facilities other than restaurants, as well as all Category IV activities construction, require an exception to these criteria, since these are not provided for in reference (r). Military Department regulations shall be followed in processing civilian employee MWR projects that require construction criteria waivers or exceptions. These project requests shall be forwarded through engineering technical channels.

C3.4.3.3. Utilities. Reference (d) requires that all utility costs for Category II civilian MWR activities be paid from NAF. Category IV utility costs may be paid from appropriated funds on the same basis as comparable Category III MWR activities.

C3.4.4. Other Logistical Sort. In the daily operation of civilian employee MWR activities, particularly food services and other resale, the authorization and funding of logistical support is of major importance. Specific items listed below are based on the authorization contained in reference (d).



C3.4.4.1. Supplies. The supply of expendable items to Category II and IV activities is authorized for the purposes of ECECS. All other supplies will be provided with NAFs.

C3.4.4.2. Transportation. NAFI property may be transported at APF expense under the following conditions:

C3.4.4.2.1. As excess equipment.

C3.4.4.2.2. Upon a base closure.

C3.4.4.2.3. During emergency conditions.

C3.4.4.3. Otherwise NAFs shall be used for such transportation. Transportation of personnel by Government-owned vehicles is authorized for use only in ECECS functions. Other use of Government-owned vehicles by Category II and IV civilian NAFIs, including transportation of personnel, shall be on a reimbursable basis.

C3.4.4.4. Communications. APF support is authorized for ECECS and when communicating with other DoD and Governmental Agencies. Examples are data gathering and reporting and obtaining command and departmental-level information. Otherwise, NAFs must be used for communications costs related to resale activities, collections of income, and other NAFI internal administrative and operational functions.

C3.4.4.5. Common Services. These services are necessary for security protection, health, sanitation, and safety. They are, therefore, authorized to be furnished from APF resources for both Categories II and IV.

C3.4.4.6. Exemptions for Small MWR Activities. DoD Directive 1015.6 (reference (d)) authorizes APF support for common services as defined therein when total annual cost of these services to MWR activities is \$500 or less. This exemption may have particular applicability to small civilian MWR activities and should be carefully examined to achieve authorized economies in proration and billing.

#### C3.4.5. Transfer of Installations

C3.4.5.1. DoD Instruction 1015.2 (reference (b)) provides for the negotiation process to determine the disposition of NAFI assets upon the transfer of a DoD

installation. The overall objective shall be to retain these assets for continued use by DoD civilian employees and control within the DoD civilian MWR/NAFI system.

C3.4.5.1.1. Asset disposition upon transfer of installation jurisdiction within a Military Department or Defense Agency shall be a matter of determination within the Department or Agency, as applicable. However, priority shall be accorded to other civilian NAFIs within the Department or Agency. If a joint departmental-level civilian NAFI exists, priority shall next be accorded to the civilian NAFI of the other Military Department(s) or Defense Agencies. In no event will civilian employee NAFI cash and investment assets totalling \$5,000 or more, or serviceable property assets with fair market values totalling \$50,000 or more, be transferred to other than a Category II or IV civilian employee NAFI without the advance approval of ASD(FM&P).

C3.4.5.1.2. Transfer of installation jurisdiction between Military Departments and Defense Agencies shall be by negotiation within the following guidance:

C3.4.5.1.2.1. Assets shall be transferred to the appropriate civilian NAFI of the gaining Military Department or Defense Agency if civilian NAFI operations are to be continued on the same scale.

C3.4.5.1.2.2. Assets shall be transferred to the Central Successor Civilian NAFI of the losing Military Department if civilian NAFI operations are being discontinued.

C3.4.5.1.3. If transfer of the installation is to a Federal Agency outside the Department of Defense, to a State or local government, or to the private sector, civilian employee NAFI assets shall be transferred to or controlled by the Central Successor Civilian NAFI of the losing Military Department.

C3.4.5.2. Transfers of serviceable property assets shall be made only when cost effective; i.e., when the value or utility of the property is greater than the costs of shipping and handling.