COMPTROLLER OF THE DEPARTMENT OF DEFENSE

WASHINGTON, DC 20301-1100

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FOREWORD

This Volume of the DoD Financial Management Regulation is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," November 15, 1992. It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. This volume directs financial management requirements, systems, and functions for all nonappropriated fund (NAF) activities. In addition, it directs statutory and regulatory financial reporting requirements.

This Volume prescribes standard accounting principles and practices for all DoD nonappropriated fund instrumentalities (NAFIs) except the Military Exchanges. NAF accounting principles and practices are similar to generally accepted accounting principles used in the private sector. Standard principles and practices will ensure that financial statements and reports are complete and accurate, and that the results of operations can be analyzed. This Volume has four parts--a core section consisting of 10 chapters and 3 appendices. The core contains general accounting principles and procedures applicable to all NAFIs. The appendices contain specific policies and procedures applicable to the particular Military Service. In the future, through implementation of standard systems, the appendices will be eliminated.

This Volume of the Regulation applies to the Office of the Secretary of Defense; the Military Departments; the Defense Finance and Accounting Service; the Chairman of the Joint Chiefs of Staff; the Unified Commands; the Inspector General of the Department of Defense; the Defense Agencies; and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that it is adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives and/or regulations without the prior written approval of the Office of the Comptroller of the Department of Defense.

The internal reporting requirements in this regulation are exempt from licensing in accordance with paragraph E.4.f of DoD 7750.5-M, "DoD Procedures for Management of Information Requirements," November 1986.

Forward recommended changes to this Volume of the Regulation through channels to the address below. Submit requests for deviations from or exceptions to specific standards, with justification, to:

Office of the Comptroller of the Department of Defense
1100 Defense Pentagon
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DoD Components may obtain copies of this Volume of the Regulation through their own publication channels. Approved for public release; distribution unlimited. Authorized registered users may obtain copies of this publication from the Defense Technical Information Center, Cameron Station, Alexandria, VA 22304-6145. Other Federal agencies and the public may obtain copies from the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161; telephone (703) 487-4650.

John J. Hamre

INTRODUCTION TO THE DoD FINANCIAL MANAGEMENT REGULATION

GENERAL

The DoD Financial Management Regulation provides all DoD components with the policy, regulation, and procedures within the area of responsibility of the Comptroller, Department of Defense. The Regulation consists of the following 15 volumes:

1. General Financial Management Information, Systems, and Requirements
2. Budget Formulation and Presentation
3. Budget Execution - Availability and use of Budgetary Resources
4. Accounting Policy and Procedures
5. Disbursing Policy and Procedures
6. Reporting Policy and Procedures
7. Military Pay Policy and Procedures
8. Civilian Pay Policy and Procedures
9. Travel Policy and Procedures
10. Contract Payment Policy and Procedures
11. Reimbursable Operations, Policy and Procedures
12. Special Accounts, Funds and Programs
13. Nonappropriated Funds Policy and Procedures
14. Financial Management Education and Training
15. Security Assistance Policy and Procedures

AUTHORIZATION

This Regulation is issued by the Comptroller, Department of Defense under authority of Department of Defense Instruction 7000.14 "DoD Financial Management Policy and Procedures."

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 Volumes. The 6 digit paragraph number and its subparagraph designators are formulated as follows:

01	01	01	A. 1. a. (1) (a)
CHAPTER 1	SECTION 1	PARAGRAPH 1	SUBPARAGRAPHS

PUBLICATIONS INCORPORATED

This Volume of the Regulation incorporates the accounting policies and procedures contained in the following publications:

DoD Instruction 7000.12 "Financial Management of Morale, Welfare, and Recreational Activities"

Air Force Regulation 176-10 "Financial Operations and Accounting Procedures"

This Volume of the Regulation replaces and supersedes the following publications:

Army Regulation 215-5 "Non-Appropriated Fund Accounting Policy and Reporting Procedures"

Navy Comptroller Manual, NAVSO P-3520 "Financial Management Policies and Procedures for Morale, Welfare, and Recreation Programs"

Air Force Regulation 176-24 "Accounting Policy for Non-Appropriated Funds"

TABLE OF CONTENTS

FOREWORD i

INTRODUCTION ii

PUBLICATIONS INCORPORATED iii

TABLE OF CONTENTS iv

REFERENCES xiv

CHAPTER 01 NONAPPROPRIATED FUND ACCOUNTING

0101 FUNDS 1
0102 ACCOUNTING 1
0103 ACCOUNTING METHODS 4
0104 ACCOUNTING PERIOD 4
0105 ACCOUNTING CYCLE 4
0106 ACCOUNTING OFFICE 4
0107 ACCOUNTING OFFICE FUNDING 5
0108 EXTERNAL ORGANIZATIONAL RELATIONSHIPS 5
0109 MORALE, WELFARE, AND RECREATION CATEGORIES 5
0110 ACCOUNTING CHANGES 5
0111 PRIOR PERIOD ADJUSTMENTS 5
0112 FUND EQUITY 5
0113 EXTRAORDINARY ITEMS 6
0114 ETHICS 6

CHAPTER 02 GENERAL LEDGER AND CODING STRUCTURE

0201 NAF ACCOUNTING CLASSIFICATION CODE 8

CHAPTER 03 ASSETS

0301 GENERAL 9
0302 CURRENT ASSETS 9
0303 NON-CURRENT ASSETS 12

CHAPTER 04 LIABILITIES

0401 GENERAL 16
0402 PURCHASE ORDERS AND VENDOR INVOICES 16
0403 RECEIVING REPORTS 17
0404 DISCOUNTS 17
0405 PROMPT PAYMENT ACT 17
0406 CONTINGENT LIABILITIES 17

CHAPTER 05 REVENUE

0501 GENERAL 18

CHAPTER 06 EXPENSES

0601 GENERAL 19

CHAPTER 07 FINANCIAL REPORTING

0701 GENERAL 20
0702 REPORTING TO THE IRS 21
0703 RATIOS 22
0704 COMPARATIVE ANALYSIS OF FINANCIAL STATEMENTS 23

CHAPTER 08 PAYROLL

0801 GENERAL 26
0802 EMPLOYMENT CLASSIFICATION OF PERSONS PROVIDING SERVICES 27
0803 IRS REQUIREMENTS 28
0804 COMMON LAW FACTORS 29
0805 DOD EMPLOYEE BENEFIT PORTABILITY 31
0806 DUAL COMPENSATION 42

CHAPTER 09 INTERNAL CONTROLS

0901 PURPOSE 43
0902 REQUIREMENTS 43
0903 INTERNAL CONTROL STANDARDS 43

CHAPTER 10 MISCELLANEOUS

1001 INTERNATIONAL BALANCE OF PAYMENTS (IBOP) PROGRAM 53
1002 AUDITS 53
1003 CASH METHOD OF ACCOUNTING 53

APPENDIX A ACCOUNTING PROCEDURES FOR THE ARMY A-1

CHAPTER 01 GENERAL INFORMATION

A0101 PURPOSE A-2
A0102 REFERENCES A-2
A0103 RESPONSIBILITIES A-2

CHAPTER 02 THE CENTRAL ACCOUNTING OFFICE

A0201 ESTABLISHMENT OF A CENTRAL ACCOUNTING OFFICE A-3
A0202 CAO AND NAFI ADMINISTRATION A-4
A0203 DOCUMENT CONTROL A-7
A0204 ACCOUNTING POLICY FOR A CAO A-7
A0205 FINANCIAL STATEMENTS AND SCHEDULES OF OPERATING EXPENSES A-7
A0206 CAO COST PERCENTAGE A-7
A0207 DISSOLVING A CAO A-8

CHAPTER 03 THE NAF ACCOUNTING CLASSIFICATION CODE SYSTEM

A0301 SCOPE OF THE SYSTEM A-9
A0302 MAJOR COMMAND AND INSTALLATION CODE A-9
A0303 NAFI CODE A-9
A0304 PROGRAM CODES A-9
A0305 LOCATION CODES A-9
A0306 DEPARTMENT CODES A-9
A0307 GLACS A-9

CHAPTER 04 ASSETS

A0401 CASH AND INVESTMENT A-15
A0402 RECEIVABLES A-20
A0403 MERCHANDISE INVENTORY AND PREPAID ITEMS A-26
A0404 FIXED ASSETS A-30

CHAPTER 05 LIABILITIES AND FUND EQUITY

A0501 LIABILITY FOR NAF RESOURCES A-39
A0502 PURCHASE ORDERS AND VENDOR INVOICES A-39
A0503 RECEIVING REPORTS A-40
A0504 SERVICE CONTRACT PAYMENTS A-40
A0505 DA FORM 5313-R (NAF PAYABLE/DISBURSEMENT VOUCHER) A-40
A0506 ELECTRONIC FUNDS TRANSFER A-41
A0507 PAYING DEBTS OWED THE U.S. GOVERNMENT A-41
A0508 FUND EQUITY A-41

CHAPTER 06 INCOME

A0601 GENERAL A-42
A0602 CONCESSIONAIRE INCOME A-42
A0603 CONCESSION ACCOUNTING A-42
A0604 ARMY RECREATION MACHINE (ARM) PROFITS A-42
A0605 TICKET SALES A-42
A0606 INCOME FROM RECYCLING MATERIALS A-42
A0607 CONTRIBUTIONS FROM CHARITABLE SOURCES A-42
A0608 NON-OPERATING SOURCES OF REVENUE A-43
A0609 COUPONS A-43
A0610 TOKEN ACCOUNTABILITY A-43
A0611 INTEREST INCOME A-43
A0612 OPERATING SUBSIDIES A-43
A0613 LAYAWAY SALES A-43

CHAPTER 07 EXPENSES

A0701 GENERAL A-44
A0702 TRAVEL AND TRANSPORTATION A-44
A0703 ACCOUNTING FOR VOLUNTEER CHILD CARE EXPENSES A-45
A0704 INSURANCE PREMIUMS FOR FAMILY CHILD CARE PROVIDERS A-45
A0705 BILLETING FUND SURCHARGE A-45
A0706 ENTERTAINMENT AND PROMOTION EXPENSE A-46

CHAPTER 08 NONAPPROPRIATED FUNDS CENTRAL PAYROLL SYSTEM

A0801 GENERAL A-47
A0802 PAYROLL RESPONSIBILITIES A-47
A0803 ESTABLISHMENT OF PAY PERIOD A-48
A0804 PERSONNEL OR PAYROLL ACTION DOCUMENTS A-48
A0805 PROCEDURES FOR SUBMISSION OF TIME AND ATTENDANCE FORMS A-50
A0806 CHECK AND BOND MAILING A-53
A0807 OUTPUT REPORTS A-54
A0808 TRANSFERRING PAYROLL CASH A-58
A0809 PAYMENTS A-58
A0810 SERVICE CHARGES A-58
A0811 ANNUAL LEAVE A-58
A0812 SICK LEAVE A-59
A0813 HOME LEAVE A-60
A0814 ACCRUALS A-60
A0815 EMERGENCY PAYMENT PROCEDURES A-60
A0816 CONTINUANCE OF US ARMY NAF EMPLOYEE BENEFIT SYSTEM (EBS) DEDUCTIONS DURING LEAVE-WITHOUT-PAY STATUS A-62
A0817 PAYMENTS TO EMPLOYEES A-62
A0818 SECURITY A-62
A0819 RECOUPMENT OF OBLIGATIONS TO A NAFI A-63
A0820 ON-THE-SPOT AWARDS A-63
A0821 AUTOMATIC WITHIN-GRADE INCREASES FOR PREVAILING RATE EMPLOYEES A-66
A0822 NOTICE OF US EMPLOYEES WITHIN-GRADE INCREASE DUE A-66
A0823 AUTOMATIC LEAVE CATEGORY CHANGES A-66
A0824 PORTABILITY OF ANNUAL LEAVE BENEFITS A-66
A0825 NAF 401 (K) SAVINGS PLAN AND THRIFT SAVINGS PLAN A-67
A0826 NON-CASH AWARDS A-67

CHAPTER 09 UNIT FUNDS

A0901 GENERAL A-69
A0902 CONSOLIDATED UNIT FUND ACCOUNTING A-69
A0903 SOURCE OF FUNDS A-69
A0904 UNIT MWR FUNDS A-69
A0905 ACCOUNTING FOR IMWRF UNIT FUNDS A-69
A0906 ACCOUNTING FOR ISOLATED UNIT ACTIVITIES A-69
A0907 RECORDS AND FORMS A-70
A0908 CASH, PROPERTY, AND RECONCILIATION RECORD (CPRR) A-70
A0909 PETTY CASH SYSTEM A-71
A0910 REPORTING A-71

CHAPTER 10 FINANCIAL REPORTING REQUIREMENTS

A1001 GENERAL A-73
A1002 NONAPPROPRIATED FUND FINANCIAL REPORTING A-73
A1003 NAFI BANK BALANCES A-73

A1004 FINANCIAL STATEMENT ERRORS A-75
A1005 FOOTNOTES TO FINANCIAL STATEMENTS A-75
A1006 BINGO ACTIVITY SHEET A-76
A1007 REPORTING TO IRS A-76
A1008 CONTRACTORS DETERMINED TO BE EMPLOYEES FOR IRS PURPOSES A-77

CHAPTER 11 FINANCIAL ANALYSIS

A1101 GENERAL A-78
A1102 STANDARDS A-78
A1103 LIMITATIONS A-78
A1104 BALANCE SHEET RATIOS A-78
A1105 INCOME STATEMENT RATIOS A-79
A1106 COMBINED RATIOS A-79
A1107 OTHER RATIOS A-80
A1108 COMPARATIVE ANALYSIS A-80

CHAPTER 12 MISCELLANEOUS

A1201 POST RESTURANTS A-81
A1202 CIVILIAN WELFARE FUNDS A-82
A1203 VETERINARY SERVICES A-82

ATTACHMENT A.1 REFERENCES, FORMS AND FIGURES A-84

ATTACHMENT A.2 DESCRIPTION OF GENERAL LEDGER ACCOUNTS A-121

APPENDIX B ACCOUNTING PROCEDURES FOR THE AIR FORCE B-1

CHAPTER 01 PRINCIPLES, STANDARDS, AND REQUIREMENTS

B0101 ACCOUNTING ENTITY B-2
B0102 DOCUMENT FLOW AND CONTROL B-2
B0103 GENERAL LEDGER B-2
B0104 NONAPPROPRIATED FUND STANDARD ACCOUNTING MANAGEMENT SYSTEM (NAFSAMS) B-3
B0105 INTERIM FINANCIAL STATEMENTS B-3
B0106 FUND EQUITY B-3
B0107 FUND EQUITY ADJUSTMENTS B-3
B0108 RESERVING FUND EQUITY B-3
B0109 INCOME B-4
B0110 EXPENSES B-4
B0111 GRANTS B-4
B0112 EXTRAORDINARY ITEMS B-4
B0113 CONTINGENCIES B-4
B0114 ASSESSMENTS B-5
B0115 COMMAND LODGING FUND (CLF) PROCEDURES B-5
B0116 MORALE, WELFARE, AND RECREATION FUND TRANSFERS B-5
B0117 ACCOUNTING IN SMALL NAFIS B-5
B0118 MAJOR COMMAND (MAJCOM) SUPPLEMENTS B-5
B0119 REQUESTS FOR TECHNICAL ASSISTANCE OR WAIVER B-5

B0120 FORMS B-6

CHAPTER 02 EXEMPT NAFIS

B0201 USAF ACADEMY (USAFA) ATHLETIC ASSOCIATION (USAFAAA) B-7
B0202 USAFA CADET DINING HALL NAFI B-7

CHAPTER 03 PROPERTY

B0301 PROPERTY B-8
B0302 DEFENSE REUTILIZATION AND MARKETING OFFICE (DRMO) PROPERTY . . . B-8
B0303 LEASES B-8
B0304 REPAIR OF FIXED ASSETS B-8
B0305 DEPRECIATION B-8
B0306 MASTER PROPERTY RECORD CHANGES B-8
B0307 TRADE-IN OF ASSETS B-9
B0308 DISPOSITION OF ASSETS B-9
B0309 ACQUISITION OF EXPENDABLE ITEMS B-9
B0310 GOVERNMENT LOANED AIRCRAFT B-9
B0311 GOVERNMENT LOANED AIRCRAFT ENGINES B-9
B0312 CLAIMS B-9
B0313 BRF/CWF B-9

CHAPTER 04 REVENUE TRANSACTIONS

B0401 REVENUE PROCESSING B-10
B0402 SERVICE CHARGE PROCEDURES FOR LODGING FUNDS B-10
B0403 MONTE CARLO NIGHT B-10
B0404 QUALITY RECYCLING PROGRAM (QRP) B-10
B0405 INTEREST B-10
B0406 AAFES SIMPLIFIED DIVIDEND B-10
B0407 OPERATING SUBSIDIES B-10
B0408 FOREIGN CURRENCY B-10
B0409 COMMERCIAL SPONSORSHIP PROGRAM B-10
B0410 RANDOLPH SHEPPARD ACT-VENDING FACILITY PROGRAM FOR THE BLIND B-10
B0411 SLOT MACHINE B-10

CHAPTER 05 ACCOUNTS RECEIVABLE

B0501 INTERNAL ACCOUNTS RECEIVABLE (A/R) PROCESSING B-11
B0502 A/R FUNCTION LOCATED OUTSIDE THE NAF AO B-11
B0503 A/R OPERATING INSTRUCTION B-11
B0504 BILLING CUTOFF DATE B-11
B0505 MINIMUM OR MAXIMUM PURCHASE REQUIREMENT FOR THE EXTENSION OF INTERNAL CREDIT B-11
B0506 SCOPE OF CREDIT B-11
B0507 ORGANIZATIONAL CREDIT B-11
B0508 LATE PAYMENT CHARGE B-11
B0509 REVERSAL OF DUES INCORRECTLY CHARGED B-11
B0510 COLLECTION ACTIONS B-12

B0511	BAD DEBT WRITE OFF PROCEDURES	B-12
B0512	COMMERCIAL DEBT COLLECTION CONTRACTS	B-12
B0513	REINSTATEMENT OF MEMBERSHIP PRIVILEGES	B-12
B0514	A/R AGING AND REPORTING	B-12
B0515	DUES CUTOFF FOR DELINQUENT ACCOUNTS	B-12
B0516	ALLOWANCE FOR UNCOLLECTIBLE A/R	B-12
B0517	ALLOWANCE FOR UNCOLLECTIBLE RETURNED CHECKS	B-13
B0518	ACCOUNTS WITH CREDIT BALANCES	B-13
B0519	LODGING A/R	B-13
B0520	RETURNED CHECKS	B-13

CHAPTER 06 PURCHASE AND CONTROL OF MERCHANDISE

B0601	PARTIAL SHIPMENTS	B-14
B0602	VALUE ADDED TAX (VAT)	B-14
B0603	STOCK RECORDS	B-14
B0604	STOCK LEVELS AND REORDER POINTS	B-14
B0605	STOCK NUMBERS AND STANDARD UNITS OF MEASURE	B-14
B0606	AF FORM 2533, NAF TRANSFER BETWEEN COST CENTERS (TBCC)	B-14
B0607	AF FORM 1735, NAF INTERFUND PURCHASE ORDER (IPO)	B-14
B0608	SPOILAGE, BREAKAGE, AND OUT-DATED MATERIAL	B-14
B0609	COMMODITIES	B-15

CHAPTER 07 ACCOUNTS PAYABLE PROCESSING

B0701	ESTABLISHMENT OF ACCOUNTS PAYABLE	B-16
B0702	DOCUMENTS AND ENTRIES	B-16
B0703	PAYABLE SUSPENSE FILE	B-16
B0704	PROOF OF SHIPMENT	B-16
B0705	VENDOR INVOICES	B-16
B0706	DISCOUNTS	B-16
B0707	DELIVERY COSTS	B-16
B0708	PREPARING ACCOUNTS PAYABLE FOR PAYMENT	B-16
B0709	DOCUMENTATION REQUIRED FOR PAYMENT	B-16

CHAPTER 08 INVENTORY

B0801	INVENTORY MAINTENANCE	B-18
B0802	ESTABLISHING INVENTORY DOLLAR LEVELS	B-18
B0803	REVIEW OF STOREROOM AND IN USE INVENTORIES	B-18
B0804	INVENTORY SCHEDULE AND FREQUENCY	B-18
B0805	CHANGE OF ACTIVITY MANAGERS	B-19
B0806	CHANGE OF CUSTODIAN (RMFC)	B-19
B0807	DECENTRALIZED STOREROOM (AERO CLUB AND SLOTS OPERATION)	B-19
B0808	FREE ITEMS OR DONATIONS	B-19

CHAPTER 09 CHILD CARE

B0901	REIMBURSEMENT FOR CHILD CARE FOOD PROGRAMS (CCFP)	B-20
B0902	ACCOUNTING FOR CHILD CARE SERVICE TO VOLUNTEERS	B-20

CHAPTER 10 REPORTS

B1001 TEMPORARY LODGING FACILITY (TLF) ASSESSMENT B-21
B1002 EMPLOYEE CENSUS DATA (QUARTERLY) B-21
B1003 APF SUPPORT TO MORALE, WELFARE, AND RECREATION (MWR) ACTIVITIES, RCS: HAF-MWR(Q)7503 ..... B-21
B1004 SPECIAL MORALE AND WELFARE EXPENDITURE REPORT B-21
B1005 NONAPPROPRIATED FUND CASH MANAGEMENT AND INVESTMENT PROGRAM (CMIP) REPORT, RCS:HAFDPM(D)7505 ..... B-21
B1006 NONAPPROPRIATED FUND FINANCIAL STATEMENT,RCS: HAF-DPM(Q)7407 ..... B-21
B1007 QUARTERLY PROMPT PAYMENT REPORT, RCS:DD-COMP(Q)1619 ..... B-22
B1008 ANNUAL PROMPT PAYMENT REPORT, RCS: DD-COMP(A)1607 ..... B-22
B1009 INTERNATIONAL BALANCE OF PAYMENTS TRANSACTIONS, RCS: DD-COMP(Q)743 (AF) B-22
B1010 TAX REPORTS B-22
B1011 CERTIFICATION OF FINANCIAL STATEMENTS B-22
B1012 CERTIFICATION OF CASH MANAGEMENT AND INVESTMENT PROGRAM (CMIP) ACCOUNTS B-22

CHAPTER 11 DEPOSITS, CHECK WRITING AND CONTROL OF CHECK STOCK

B1101 DEPOSIT SLIPS B-23
B1102 BANK FEES AND CHARGES B-23
B1103 CHECK WRITING FUNCTION B-23
B1104 CONTROL OF BLANK CHECK STOCK B-23
B1105 DESTRUCTION OF BLANK CHECK STOCKS B-23

CHAPTER 12 MISCELLANEOUS TRANSACTIONS

B1201 AERO CLUB LIABILITY INSURANCE EXPENSE B-25
B1202 AERO CLUB HULL INSURANCE B-25
B1203 WORKERS' COMPENSATION (WC) B-25
B1204 UNEMPLOYMENT COMPENSATION (UC) B-25
B1205 ASSET AND LIABILITY INSURANCE B-25
B1206 GROUP LIFE ACCIDENTAL DEATH AND DISMEMBERMENT AND COMPREHENSIVE MEDICAL EXPENSE INSURANCE PROGRAM B-25
B1207 RETIREMENT PROGRAM B-25
B1208 REIMBURSEMENTS FROM MAJCOMS B-25
B1209 PROCEDURES FOR AERO CLUB ACCRUALS B-25
B1210 PROMOTIONS B-25
B1211 SEVERANCE PAY B-26

ATTACHMENT B.1 ABBREVIATIONS GLOSSARY B-27

ATTACHMENT B.2 TERMS EXPLAINED B-30

ATTACHMENT B.3 PRESCRIBED FORMS B-32

APPENDIX C ACCOUNTING PROCEDURES FOR THE NAVY C-1

CHAPTER 01 GENERAL INFORMATION

C0101 GENERAL C-2
C0102 SCOPE C-2
C0103 SYSTEMS APPROVAL C-3

CHAPTER 02 FINANCIAL MANAGEMENT

C0201 GENERAL C-4
C0202 BUDGETING AND MANAGEMENT C-4
C0203 BUDGETING PROCEDURES C-5
C0204 OPERATING BUDGET C-6
C0205 CASH BUDGET C-7
C0206 CAPITAL BUDGET C-7
C0207 BALANCE SHEET PROJECTION C-8
C0208 MANAGEMENT OF WORKING CAPITAL C-9

CHAPTER 03 OPERATIONAL STANDARDS

C0301 GENERAL C-13
C0302 APPROPRIATED AND NONAPPROPRIATED FUNDS C-15
C0303 FRAUD OR OTHER DISHONEST ACTS C-16
C0304 INSURANCE C-16
C0305 CONCESSION OPERATIONS AND CONTRACTS C-17
C0306 AUDIT AND INSPECTION C-17
C0307 RECORDS MANAGEMENT C-18
C0308 LIQUIDATION AND CLOSING C-18

CHAPTER 04 UNIFORM CHART OF ACCOUNTS

C0401 GENERAL C-20
C0402 UNIFORM CHART OF ACCOUNTS C-20
C0403 DESCRIPTION OF GENERAL LEDGER ACCOUNTS C-21

CHAPTER 05 PROCEDURES

C0501 TAXES C-27
C0502 FEDERAL TAXES C-27
C0503 STATE, TERRITORIAL, AND LOCAL TAXES C-28
C0504 FOREIGN TAXES C-29
C0505 TAX REPORTING PROCEDURES C-30
C0506 CASH C-30
C0507 INCOME C-36
C0508 PURCHASING C-39
C0509 RECEIVING C-41
C0510 DISBURSING C-43
C0511 PAYROLL C-44
C0512 PROPERTY ACCOUNTABILITY AND CONTROL C-46
C0513 ADJUSTING AND CLOSING ENTRIES C-55
C0514 SPECIAL PROCEDURES C-57

CHAPTER 06 RECORDING FINANCIAL TRANSACTIONS

C0600 GENERAL C-60
C0601 JOURNALS C-60
C0602 LEDGERS C-62
C0603 FORMS C-62
C0604 REPORTS C-65
C0605 PROCUREMENT OF FORMS C-65

CHAPTER 07 INVESTMENTS

C0700 GENERAL C-67
C0701 RESPONSIBILITIES C-67
C0702 REPORTING REQUIREMENTS C-68

ATTACHMENT C.1 RULES RELATIVE TO THE PROTECTION OF BANK DEPOSITS C-69

ATTACHMENT C.2 FEDERAL UNEMPLOYMENT COMPENSATION PROGRAM FOR NONAPPROPRIATED FUND PAID EMPLOYEES C-72

ATTACHMENT C.3 NONAPPROPRIATED FUND INTERNATIONAL BALANCE OF PAYMENTS TRANSACTION REPORTING C-77

ATTACHMENT C.4 FINANCIAL MANAGEMENT, OVERSIGHT AND AUDIT OF THE NONAPPROPRIATED FUND (NAF) INVESTMENT PROGRAM C-79

REFERENCES

All references used in this Volume are specifically cited in the text. The following listing is a summary of those references.

a. Title 31, United States Code, sections as follows:
3511 Prescribing accounting requirements and developing accounting systems
3512 Executive agency accounting systems
3901-06 Prompt Payment

b. Title 7, United States Code, sections as follows:
Chapter 9
499a-499s Perishable Agriculture Commodities Act of 1930

c. U.S. General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies
Title 2, Accounting
Title 4, Claims
Title 6, Pay, Leave, and Allowances

d. Internal Revenue Code
26 USC 3121(d)(2)
26 USC 3401(c)
Section 6041

e. Internal Revenue Service Publications 15, Employer's Tax Guide (Circular E) 534

f. Revenue Ruling 87-41, 1987-1, C.B. 296.

g. Portability of Benefits for Non-Appropriated Fund Employees Act of 1990 (P.L. 101-508)

h. Contract Disputes Act of 1978 (41 USC 611)

i. Consumer Credit Protection Act (15 USC 1601 et. seq.)

j. Office of Personnel Management, Federal Personnel Manual (FPM)
Chapter 831
Chapter 832
Supplement 831-1

k. American Institute of Certified Public Accountants (AICPA)
Accounting Principles Board (APB) Opinions
Accounting Research Bulletins
AICPA accounting interpretations and implementation guides ("Qs and As")
AICPA Issues Papers
AICPA Accounting Standards Executive Committee (AcSEC)
AICPA Statements of Position.
AICPA Technical Practice Aids
Industry Audit and Accounting Guides

l. Financial Accounting Standards Board (FASB)
Technical Bulletins
Statements of Financial Accounting Standards and Interpretations
Concepts Statements

m. Government Accounting Standards Board (GASB)
Statements
Interpretations
Technical Bulletins

n. DoD Directives
1015.1, Establishment, Management, and Control of Nonappropriated Fund Instrumentalities
1015.6, Funding Morale, Welfare, and Recreation Programs
5118.3, Comptroller of the Department of Defense
5500.7, Standards of Conduct
5500.7-R, Joint Ethics Regulation
7000.12, Financial Management of Morale, Welfare, and Recreational Activities
7060.1, International Balance of Payments Transactions

o. DoD Instructions
1015.4, Assignment of Appropriated-Funded Personnel to Morale, Welfare and Recreation Activities
7060.2, International Balance of Payments Accounting?
7600.6, Audits of Nonappropriated Funds and Related Activities

p. DoD 1401.1-M, Personnel Policy Manual for Nonappropriated Fund Instrumentalities

q. DFAS 5010.38-R, DFAS Internal Management Control Program

r. Army Regulations
37-1, Army Accounting and Fund Control
215-1, Administration of MWR Activities and NAFIs
215-2, The Management and Operation of Army MWR Programs and NAFIs
215-3, NAF and Related Activities Personnel Policies and Procedures
215-4, Nonappropriated Fund Contracting
215-7, Civilian NAF and MWR Activities

s. Navy Regulations
Secretary of the Navy Instructions (SECNAVINST) 7000.23A
Navy Comptroller (NAVCOMPT) Manual Volumes 3 and 7
JAGINST 5890.1, Administrative Processing and Consideration of Claims on Behalf of and Against the United States

t. Air Force Regulations
176-1
176-2
176-10
177-15
700-20

u. Federal Accounting Standards Advisory Board (FASAB) Standards

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CHAPTER 1

NONAPPROPRIATED FUND ACCOUNTING

0101 FUNDS

010101 Nonappropriated Funds. Nonappropriated funds (NAF) are monies which are not appropriated by the Congress of the United States. NAF come primarily from the sale of goods and services to Department of Defense (DoD) military and civilian personnel and their family members, and are used to support Morale, Welfare, and Recreation (MWR), and billeting, certain religious and educational programs. NAFs are government funds; they are used for the collective benefit of military personnel, their family members, and authorized civilians. These funds are separate and apart from funds that are recorded in the books of the US Treasury.

010102 Appropriated Funds. Appropriated funds (APF) are monies made available to DoD by Congress. Appropriations are generally of two types: annual and multi-year. The appropriation acts approved by Congress specify the purpose for which the APFs can be used. Accounting for APFs is significantly different than accounting for NAFs. Specific accounting policies and procedures for APFs are described in other volumes of the DoD Financial Management Regulation.

0102 ACCOUNTING

010201 Definition. Accounting is the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial nature, and interpreting the results thereof. The primary use of accounting information is to aid decision-makers.

A. Recording. Recording of business transactions in an accurate and prompt manner is an essential requirement of both manual and automated accounting systems.

B. Classifying. Classifying relates to the process of sorting or grouping like things together rather than merely keeping a simple, diary-like narrative record of numerous and varied transactions and events. Ledgers are used to classify the journal entries according to like events.

1. General Ledger. The general ledger is the core of the NAF accounting system and provides a list of all accounting entries for the current period. A separate general ledger is established for each NAFI. All NAF accounting systems will use the chart of accounts in the appropriate Service supplement. At the end of each month, prepare a trial balance listing the balances in the general ledger accounts. Annually close the income and expense accounts to Fund Equity.

2. Subsidiary Records. NAF accounting systems have subsidiary records. If the number of transactions for a particular general ledger account is small or if balances are reversed at the beginning of each month or if the required data is maintained on a computer, a formal subsidiary ledger is not required. In some cases, a simple file system or the equivalent will be adequate provided it substaniates the general ledger account balance. Some typical subsidiary ledgers are:

a. Accounts Payable. Under a voucher system, a tickler or suspense file of unpaid vouchers can serve as the accounts payable subsidiary file. At the end of each month reconcile the total of all unpaid vouchers in this file to the general ledger control account.

b. Prepaid Accounts. Maintain a subsidiary record to aid proration of expenses for prepaid supplies, maintenance, insurance, etc. Reconcile any unexpired or unused amounts to the applicable general ledger control account.

c. Accounts Receivable. Subsidiary records for receivables are of vital importance in the accounting system. Maintain detailed records so that it is possible to accurately identify the debtor and the amount of the debt. For example, the same subsidiary record may be used to maintain accounts receivable for a member and unamortized advance dues.

C. Summarizing. Summarizing is the process of bringing together financial information to develop financial statements or reports. The balance sheet, income statement and statement of cash flows are the most commonly used financial statements. The balance sheet provides information about the financial condition of a business at a certain point in time. The income statement provides information about the results of operation (i.e., profit or loss) for the accounting period. The statement of cash flows reflects the amount of net cash provided or used by a business during the period from (a) operating activities, (b) investing activities, and (c) financing activities.

D. Interpreting. Interpreting refers to the steps taken to direct attention to the significance of various matters and relationships. Percentage analyses and ratios are often used to help explain the meaning of related information.

010202 Accounting Information. Accounting information is useful when it is timely, relevant, reliable, cost beneficial, material, comparable, and consistent. These qualities are described as follows:

A. Timeliness. Timeliness refers to the prompt reporting of financial information to its users when it will be of maximum benefit. Financial data should be recorded as soon as practical after the occurrence of a transaction.

B. Relevance. Relevance is the capacity of information to make a difference in a decision by helping users to form predictions about the outcome of past, present, and future events or to confirm or correct prior expectations.

C. Reliability. Reliability is the quality of information that assures that is reasonably free from error and bias and faithfully represents what it purports to represent.

D. Cost Beneficial. Cost beneficial refers to measuring the expense of obtaining certain information against the benefits of having the information. Information should not be provided if the cost exceeds the benefits derived, unless it is required to meet legal or other specific purposes.

E. Materiality. Materiality refers to whether the information is significant enough to make a difference to a reasonable person relying on the information. A decision not to disclose information in the financial statements may be made because the amounts involved are too small to make a difference or to affect the reliability of the information. In addition to magnitude, the nature of the item must be considered when making a materiality judgement. Any information which is material will be reported in financial statements.

F. Comparable. Comparability relates to the similarity and consistency of information produced by an entity from period to period and by others operating in similar circumstances. The value and usefulness of information depends greatly on the degree to which it is comparable to information from prior periods and to similar information reported by others.

G. Consistent. Consistency pertains primarily to information produced by one accounting entity using essentially the same methods over a period of time.

010203 Generally Accepted Accounting Principles. The phrase "generally accepted accounting principles" (GAAP) is a technical accounting term which encompasses the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. It includes not only broad guidelines of general application, but also detailed practices and procedures. Those

conventions, rules, and procedures provide a standard by which to measure financial presentations.

A. Judgement. Although there are numerous sources of GAAP, some judgement may be necessary to determine whether:

1. The accounting principles selected and applied have general acceptance.

2. The accounting principles are appropriate in the circumstances.

3. The financial statements, including the related notes, are informative of matters that may affect their use, understanding and interpretation.

4. The information presented in the financial statements is classified and summarized in a reasonable manner, that is, it is neither too detailed nor too condensed.

5. The financial statements reflect the underlying transactions and events in a manner that presents the financial position, results of operations, and cash flows stated within a range of acceptable limits, that is, limits that are reasonable and practicable to attain in financial statements.

B. GAAP Hierarchy. A GAAP hierarchy has been established which identifies five categories or sources of GAAP (in descending order of importance):

1. Officially established accounting principles which consist of Financial Accounting Standards Board (FASB) Statements of Financial Accounting Standards and Interpretations, Accounting Principles Board (APB) Opinions, and American Institute of Certified Public Accountants (AICPA) Accounting Research Bulletins.

2. FASB Technical Bulletins and, if cleared by the FASB, AICPA Industry Audit and Accounting Guides and AICPA Statements of Position.

3. AICPA Accounting Standards Executive Committee (AcSEC) that have been cleared by the FASB and consensus positions of the FASB Emerging Issues Task Force.

4. AICPA accounting interpretations and implementation guides ("Qs and As") published by the FASB staff, and practices that are widely recognized and prevalent either generally or in the industry.

5. Other accounting literature, including FASB Concepts Statements; AICPA Issues Papers; International Accounting Standards Committee Statements; Government Accounting Standards Board (GASB) Statements, Interpretations, and Technical Bulletins; pronouncements of other professional associations or regulatory agencies; AICPA Technical Practice Aids; and accounting textbooks, handbooks, and articles.

C. Other Considerations. An important aspect of GAAP as applied to Government entities is the recognition of the variety of legal and contractual considerations typical of the Government environment. These considerations underlie and are reflected in the fund structure, bases of accounting, and other principles, and are a major factor distinguishing governmental accounting from commercial accounting. The following are some of the types of laws and regulations that may have a direct and material effect on the determination of amounts in a NAF activity's financial statements:

1. Requirements for reporting to DoD, Congress, and others.

2. Restrictions on use of appropriated funds.

3. Restrictions on expenditures, including expenditures for construction.

4. Restrictions on investments.

5. Laws and regulations for

NAF, Civil Service, and military personnel.

0103 ACCOUNTING METHODS.

010301 Accrual Basis. Most NAF organizations will use the double-entry accrual basis of accounting. This system is widely used in the commercial or private sector. The general theory of the double entry accounting system is that whenever any financial transaction or value change takes place, there are two accounting actions involved. These two actions are expressed as debits and credits. In accordance with established principles of double entry accounting, equilibrium must be maintained. Every recording of an entry must consist of a debit and an offsetting credit and the total dollar amount of debits must always equal the total dollar amount of credits. Under accrual accounting, transactions and other economic events are recorded when they occur. Revenues are recognized and reported when they are earned. Expenses are recognized and reported when they occur and are deducted from revenue to determine income. Accrual accounting emphasizes matching revenues and expenses associated with each other in the period in which they occur. Generally, accrual accounting contributes to effective financial control over resources, cost of operations and is essential in developing adequate revenue and cost information.

010302 Cash Basis of Accounting. Under the cash basis, revenue is recognized when cash is received from the customer or client, and expenses are recognized when cash is actually paid for the item or service received. Chapter 10 contains the specific policies and procedures for small NAF organizations authorized by their DoD Component to use the cash basis of accounting.

0104 ACCOUNTING PERIOD. The accounting period for DoD NAF organizations (except the Exchange Services) as set by DoD instruction 7000.12 begins October 1 of each year and ends September 30 of the next year. Exceptions must be approved in writing by the DoD Comptroller.

0105 THE ACCOUNTING CYCLE. The interim accounting period will be monthly.

0106 ACCOUNTING OFFICE (AO). The NAF AO provides centralized professional accounting services to NAF organizations. All DAOs will follow certain basic standards:

A. Maintain all books of original entry, the general ledger, and related subsidiary ledgers.

B. Maintain fixed asset records.

C. Prepare all disbursement vouchers and checks after assuring availability of funds and pays liabilities of all serviced NAF organizations.

D. Maintain payroll records when needed.

E. Prepare required periodic financial reports. The AO provides the NAF manager ratios and percentages as requested. The AO also provides variances in relation to established standards or approved budget goals upon request.

F. Prepare other information when requested by NAF management or higher authority. For example, the AO may provide technical advice on preparation of NAF budgets.

G. Prepare and distribute financial reports to all serviced NAF organizations.

H. Prepare an annual operating budget for the AO. If more than one NAF organization is serviced by the AO, then a schedule will be prepared that shows the estimated amounts to be assessed each serviced NAF organization.

I. Where applicable reconcile the bank accounts of serviced NAF organizations. Review daily account balances shown on monthly bank statements to ensure that insurance and collateral are sufficient. Notify NAF managers of missing or delayed deposit or check documentation.

J. Compute and bill the cost of operating the AO for each NAF organization serviced.

K. Review documentation for completeness and accuracy.

L. As required, provide documentation to independent auditors.

0107 ACCOUNTING OFFICE FUNDING. The AO will charge a service fee to all NAF organizations serviced to recover its operating costs.

0108 EXTERNAL ORGANIZATIONAL RELATIONSHIPS. AO personnel should be alert for changes in NAF organization cost centers and other changes so that proper accountability can be maintained.

0109 MORALE, WELFARE, AND RECREATION (MWR) CATEGORIES. In accordance with DoD Instruction 1015.1, MWR programs within the DoD have been classified into three basic categoties for funding, financial reporting and program management. Each category has specific restrictions and requirements concerning funding. APF and NAF resources may be used only where permitted by DoD Directives 1015.4 and 1015.6.

0110 ACCOUNTING CHANGES. The term "accounting change" means a change in an accounting principle or a change in an accounting estimate. The correction of an error in previously issued financial statements is not an accounting change.

011001 Change in Accounting Principle. A change in accounting principle results from adoption of a generally accepted accounting principle different from the one used previously for reporting purposes. The term accounting principle includes not only accounting principles and practices but also the methods for applying them. A characteristic of a change in accounting principle is that it concerns a choice from among two or more generally accepted accounting principles. They include, for example, a change in the method of inventory pricing and a change in the depreciation method for previously recorded assets. In the preparation of financial statements, there is a presumption that an accounting principle once adopted should not be changed in accounting for events and transactions of a similar type. Consistent use of accounting principles from one accounting period to another enhances the utility of financial statements to users by facilitating analysis and understanding of comparative accounting data.

011002 Change in Accounting Estimate. Changes in estimates used in accounting are necessary consequences of periodic presentations of financial statements. Preparing financial statements requires estimating the effects of future events. Examples of items for which estimates are necessary are uncollectible receivables, inventory obsolescence, and service lives and salvage values of fixed assets. Future events and their effects cannot be predicted with certainty; estimating, therefore, requires the exercise of judgement. Thus, accounting estimates change as new events occur, as more experience is acquired, or as additional information is obtained.

0111 ACCOUNTING ERRORS. Errors in financial statements result from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared. In contrast, a change in accounting estimate results from new information or subsequent developments and accordingly from better insight or improved judgement. A change from an accounting principle that is not generally accepted to one that is generally accepted is a correction of an error.

0112 FUND EQUITY. Fund Equity consists of capital invested in the NAFI plus the profit or minus the loss resulting from operations since its inception. Transactions into and out of equity are limited to net income, net losses, and entries associated with the establishment, disestablishment, certain accounting principle changes, approved prior year error adjustments and distribution of capital. Fund equity adjustments should be very infrequent. When an item has been thoroughly

reviewed and it is determined the only appropriate treatment is to be recorded as an Equity Fund adjustment, a letter requesting approval to make a fund equity adjustment with all the facts surrounding the circumstances will be forwarded to DFAS via the appropriate program manager. Any request for Equity Fund Adjustment will be carefully reviewed by the program manager and DFAS prior to approval.

A. When a new NAF organization, with pre-existing capital, is authorized, that capital is recorded as equity, e.g., a private association that becomes a membership association. Equity is disestablished when a NAF organization is dissolved.

B. Equity may be distributed by declaring dividends to other NAF organizations. An example is dividends paid by base restaurants. Special grants for new construction and facility improvements are another method of distributing equity. Equity may be transferred in the form of cash or other assets.

0113 EXTRAORDINARY ITEMS. Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence. Both of the following criteria must be met to classify an event or transaction as an extraordinary item.

011301 Unusual Nature. The underlying event or transaction possesses a high degree of abnormality and is of a type clearly unrelated to, or only incidentally related to, the ordinary and typical operations of the NAFI, taking into account the environment in which the NAFI operates.

011302 Infrequency of Occurrence. The underlying event or transaction is of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the activity operates.

011303 Disclosure. Show extraordinary items separately as an item affecting net income after operating income.

0114 ETHICS To ensure that every citizen can have complete confidence in the integrity of the Federal Government, each Federal employee (appropriated fund and nonappropriated fund) shall respect and adhere to the fundamental principles of ethical service. The provisions of DoD Directive 5500.7 and DoD Regulation 5500.7-R apply.

A. Public service is a public trust, requiring employees to place loyalty to the Constitution, the laws, and ethical principles above private gain.

B. Employees shall not hold financial interests that conflict with the conscientious performance of duty.

C. Employees shall not engage in financial transactions using nonpublic Government information or allow the improper use of such information to further any private interest.

D. An employee shall not, except pursuant to such reasonable exceptions as provided by regulation, solicit or accept any gift or other item of monetary value from any person or entity seeking official action from, doing business with, or conducting activities regulated by the employee's agency, or whose interests may be substantially affected by the performance or nonperformance of the employee's duties.

E. Employees shall put forth honest effort in the performance of their duties.

F. Employees shall make no unauthorized commitments or promises of any kind purporting to bind the Government.

G. Employees shall not use public office for private gain.

H. Employees shall act impartially and not give preferential treatment to any private organization or individual.

I. Employees shall protect and conserve Federal property and shall not use it for other than authorized activities.

J. Employees shall not engage in outside employment or activities, including seeking or negotiating for employment, that conflict with official Government duties and responsibilities.

K. Employees shall disclose waste, fraud, abuse, and corruption to appropriate authorities.

L. Employees shall satisfy in good faith their obligations as citizens, including all just financial obligations, especially those--such as Federal, State or local taxes--that are imposed by law.

M. Employees shall adhere to all laws and regulations that provide equal opportunity for all Americans regardless of race, color, religion, sex, national origin, age, or handicap.

N. Employees shall endeavor to avoid any actions creating the appearance that they are violating the law or these ethical standards.

CHAPTER 2

GENERAL LEDGER AND CODING STRUCTURE

0201 NONAPPROPRIATED FUND ACCOUNTING CLASSIFICATION CODES. The Defense Finance and Accounting Service is developing a uniform system for coding transactions to insure consistency in financial management procedures as well as flexibility in application to either manual or mechanized accounting records in the NAF area. When the standard general ledger account code structure is completed and approved it will be incorporated in this chapter. In the meantime, accounting offices will continue to use their current account code structure until further notice.

CHAPTER 3

ASSETS

0301 GENERAL. Assets are economic resources obtained or controlled by NAF Instrumentalities (NAFI) as a result of past transactions or events. They are classified on financial statements as either current or non-current.

0302 CURRENT ASSETS. Current assets are those items of cash and other assets or resources that can be reasonably expected to be converted to cash or consumed during the normal operating cycle (12 months). These include cash and cash equivalents, short-term investments, accounts receivable, inventories, and prepaid expenses.

030201 Cash. Almost all accounting transactions affect the cash account at one time or another and these transactions occur most frequently. Cash includes coin and paper currency of all kinds including amounts on deposit in a banking institution.

A. Reconciliation of Bank Accounts. All bank statements or reports will be reconciled at a minimum monthly. Any discrepancies found shall be reported immediately to NAFI management.

B. Cash in Imprest Funds.

1. Change funds use these funds to make change and cash checks. Cash received from operations may be used to replenish the fund at the end of the day as long as daily receipts are deposited in total and all checks cashed from these funds are deposited daily. In no case will the custodian exchange dollars for foreign currency, except as provided in paragraph 3 below.

2. Petty Cash Funds. These funds are established by the NAFI to handle minor disbursements. The AO advances to an individual from the NAFI or activity that is designated as petty cash custodian a fixed amount of funds. Disbursements are made by the appointed individual and a petty cash voucher is completed to support each transaction. When needed, requests to reimburse the petty cash fund are sent to the AO from the NAFI with petty cash vouchers and cash register receipts (or equivalent) attached. At the minimum, a request to reimburse petty cash is sent to the AO by the NAFI as of the last day of the month. The AO issues a check payable to the petty cash fund custodian by name to reimburse the petty cash fund and the vouchers are charged to the appropriate expense accounts.

a. Each manager within a NAFI appoints individuals to act as petty cash custodians in writing.

b. The amount of a petty cash fund will not exceed one month's requirements.

c. Any one transaction will not exceed $500 or a lower amount if prescribed by the Military Services. Transactions will not be fragmented to circumvent this limitation.

d. If cash is given as bingo prizes, use a separate petty cash fund.

e. In foreign locations, an NAFI may have one petty cash fund in the local foreign currency as well as one in dollars. If an NAFI gives cash bingo prizes both in dollars and foreign currency, two bingo petty cash funds should be established.

f. NAFIs will not use petty cash funds for cashing checks or paying salaries and wages.

3. Foreign Currency Cash Funds. These funds are used to buy and sell foreign currency as a service to members and

customers.

4. Other Imprest Funds. The NAFI requests establishment of an imprest fund for designated purposes. The NAFI custodian forwards an approved request to establish an imprest fund, the dollar amount authorized, and the purpose of the fund to the AO. The AO retains all documents authorizing the fund. The AO establishes the imprest fund by issuing a check. When needed the NAFI requests reimbursement of the change fund and forwards supporting documentation pertaining to the disbursements to the AO. These funds are reimbursed as of the last day of each month.

5. Accounting for Imprest Funds. Upon initial issuance of the change fund, the NAFI's cash account is reduced and the appropriate asset account (change funds issued) is increased. Disbursements to the petty cash fund are recorded to the applicable expense accounts in the month petty cash was disbursed by the petty cash custodian. Increases to these funds should be requested from the NAFI custodian in writing. The AO issues a check for the approved amount and increases the asset account accordingly.

C. Blank Check Stock

1. The AO may designate someone to perform the duties of keeping the records and controlling the blank check stock, but it cannot be one of the check writers.

2. Checks will be sequentially prenumbered and stored in a locked container.

D. Check Signing Equipment. There are three components to check-signing equipment: a signature plate, a key to the machine, and the machine itself. The signatory maintains the signature plate and a person other than the signatory maintains the key to the machine. Maintain a log to record machine usage. Whenever the machine is operated, the authorized operator enters the beginning and ending readings, date, and initials the log.

E. Change of Signatory. When a change of signatory occurs destroy the signature plates. A certificate of destruction is prepared and signed by the two witnesses and the successor signatory.

030202 Investments. Investment policy is found in DoD Instruction 7000.12.

030203 Accounts Receivable. Detailed records will be maintained so that it is possible to accurately identify the debtor and the amount of the debt. Accounts receivable subsidiary records will be, on a monthly basis, reconciled to the general ledger control accounts.

A. Customer Accounts Receivable. Amounts recorded in accounts receivable that result from in house credit (charge) sales of merchandise and services, and dues are considered customer type accounts receivable. For this type receivable, the following applies:

1. A subsidiary ledger is maintained for each individual account.

2. Charge monthly dues as applicable. In many operations it is possible to pay dues and fees in advance. If advance dues or fees are received, record the amounts received as unearned income. When the amount is earned, record an entry that debits unearned income and credits the applicable revenue account.

3. Monthly statements are sent to members or participants of the NAFIs that permit charge sales, charge dues, or deferred payments.

4. An aged accounts receivable report will be prepared for all NAFIs with internal credit systems. Account balances are normally due and payable on the first day after the statement date of the month in which credit was extended. Current month dues will be treated the same as current month charge sales and normally become payable the first day after the statement date. The aging of accounts receivable shall be accomplished immediately following a successful billing statement generation. The aging report, at a minimum, will

be broken down as follows:

a. Over 30 days delinquent on the current statement is the second billing the patron has received.

b. Over 60 days delinquent on the current statement is the third billing the patron has received.

c. Over 90 days delinquent on the current statement is the fourth billing the patron has received.

5. If delinquent fees are authorized by the DoD Component, they are charged to the delinquent account each month. Establish that amount as a customer receivable.

B. Returned Checks. A subsidiary is maintained, by individual, for returned checks receivable. The NAFI is responsible for collection actions and maintains records for returned checks received from the bank and deposits made for returned checks.

C. Other Accounts Receivable. Items in this category include amounts due from other NAFIs, amounts due from higher headquarters for grants and other payments, and amounts due from outsiders.

D. Allowance for Bad Debts. If using the allowance method for bad debts, at the end of each reporting period determine and records the amount of accounts receivable estimated to be uncollectible. The amount to be recorded as estimated is based on a review of the average writeoffs of accounts receivable based on historical data. Adjust the allowance for bad debts to cover those accounts expected to become uncollectible during the next reporting period.

030204 Inventory.

A. Resale. Goods held for sale in the normal course of a business are designated as resale inventory items. A value is assigned to these goods which represents the cost of acquistion. When the goods are sold, the value assigned is used to determine profit for the accounting period as shown on the income statement, and to properly report assets on the balance sheet at the end of the accounting period.

B. Inventory Subsidiary. All items are recorded at cost. Cost is the purchase price less trade and cash discounts. If cash discounts are not material to warrant changing individual prices, the amount of the discount is credited to the purchases account and not to individual items. Discounts lost and excise taxes paid will not be included in the cost of merchandise but will be recorded in the applicable operating expense account. Include freight, insurance, and handling charges in the cost of merchandise if they can be identified to specific items. If they cannot be identified to specific items, record directly against the appropriate expense account.

C. Stock Record. The stock record is used to record resale merchandise and supplies in a warehouse or storeroom. It requires a complete description of the merchandise and all pertinent information regarding receipt and issue.

D. Spoilage, Breakage, Obsolete Material, Customer Complaint or Reject Items. Immaterial losses of inventory resulting from spoilage, breakage, becoming obsolete, rejected, or a constant customer complaint item are absorbed in cost of goods. Material losses are recorded in a Spoilage and Breakage expense account to the applicable operation.

E. Consigned Merchandise and Tickets. Merchandise held on consignment is maintained and accounted for by consignor. Inventory of consigned merchandise is for accountability purposes only. These items are physically inventoried monthly, or at the end of an event for tickets (or whichever comes first). The inventory is not recorded in the general ledger.

F. Inventory in Transit. Inventory in transit consists of inventory where title has passed to the NAFI, but the inventory has not been received at a NAFI warehouse. Appropriate

entries should be made to account for these items at the balance sheet date.

F. Physical Counts of Inventory. Inventories are required to be physically counted. Following are the policies and procedures related to physical inventories of merchandise.

1. The inventory lists should be printed in the same sequence in which the merchandise is stored or arranged for display, or in stock record number sequence.

2. A cutoff date is to be established for sales, issues, returns, adjustments, and transfers so inventory quantities and related accounting entries can be recorded.

3. Merchandise received during the inventory will not be counted unless the payable or payment will be recorded in the general ledger as of the inventory cutoff date.

4. Merchandise sold during the inventory will be included in the inventory count, unless the related sale and receivable or cash received will be recorded in the general ledger as of the inventory cutoff date.

5. Physical inventories will be conducted separately for each department.

6. Inventories of merchandise held on consignment and returnable containers, will be separate from NAFI-owned merchandise. Inventory lists will be prepared for each owner of the goods.

7. At the conclusion of the inventory, any discrepancies are provided to the NAFI custodian for resolution. The general ledger is adjusted to match the physical count that was observed by the observation team.

G. Physical Inventory Observation. At least annually, the physical inventories will be observed by at least one person who is clearly independent of the activity conducting the inventory. The objective is to observe the inventory to determine the accuracy of the accounting records. Since it is frequently impractical to observe all physical inventories at one time, the observations may be staggered throughout the year.

030205 Prepaid Expenses. Payments made for expenses that apply to a specific period of time are amortized over that period. Any unexpired portion is shown as a prepaid asset. Many NAFI supply-type expenses are paid before the items purchased are actually used. Examples of supply-type items include tableware, kitchenware, glassware, linens, uniforms and prepaid bingo prizes. Advance payments for maintenance, rent, insurance are examples of expenses that span numerous months. The accounting principle of materiality should be considered before employing the prepaid concept. An advance or prepayment is never amortized for more than its expected usage. Monthly expenses will be computed and prorated over each month of the period covered by the advance payment. Supplies will be expensed based on expected usage provided by the NAFI custodian. The unexpired prepaid expense subsidiary will be reconciled to the related control account.

0303 NON-CURRENT ASSETS. Long-term, tangible assets that will not be converted to cash or consumed during the next 12 months are classified as non-current. These assets are expected to benefit the NAFI for more than one accounting period. Non-current assets include fixed assets, land, leases, long-term investments, long-term loans, long-term receivables, and long-term prepaid expenses.

030301 Fixed Assets. Fixed assets are also commonly referred to as property, plant and equipment. It includes capital assets such as buildings, equipment, furniture, fixtures, tools, machinery and livestock. Intangibles are excluded from this category. Fixed assets are defined as property, plant and equipment purchased, donated, or transferred to a NAFI that have an expected life of two or more years and a cost of $1000 or more.

A. Acquisition Cost. Unless otherwise stated below, fixed assets are recorded

at cost plus any expenditures necessary to place those assets into use as intended, e.g., installation, freight, testing, legal fees to establish title, and any other costs of putting the asset in the condition and location for use. Purchase discounts should be applied to reduce the costs, however, interest charges should not be capitalized.

1. Assets Purchased in Quantity. Like items purchased in a quantity in excess of one are capitalized in accordance with the appropriate Service appendix even if the per unit cost is not at the level required for capitalization. All other criteria for fixed assets must be met.

2. Self-Constructed Assets. If fixed assets are built or manufactured by the NAFI, all costs incurred, materials, permits, taxes, insurance and overhead costs should be capitalized in accordance with the appropriate appendice.

3. Assets Traded-In. When an asset is traded-in at time of purchase, the new asset will be recorded at the amount of the monetary consideration paid plus the trade-in allowance for the old asset. The acquisition cost and accumulated depreciation of the traded-in asset are removed from the accounting records. If the trade-in allowance is less than the book value of the old asset, then a loss will result. These losses should be recorded as "other expenses" in the records of the NAFI. If the trade-in allowance is more than the book value of the old asset, the difference is subtracted from the acquisition cost of the new asset. No gain is recognized.

4. Construction in Progress. Construction in progress includes all cost attributable to a construction project (i.e., building and improvement). This includes, but is not limited to, costs of new buildings, renovation of existing buildings, and fixed assets which are purchased as part of the project. Record amounts based on documentation supporting the contract completion. When progress payments to contractors are based on a percentage completion clause, record amount of payments due or paid. In addition to costs related to a construction project, fixed assets received but not billed may be recorded. Transfer the cost of construction in progress to the appropriate fixed asset account and commence depreciation when the project begins producing revenue or project is utilized or the final payment is disbursed. NAFI management establishes the facility depreciation periods according to depreciation tables in the appropriate Service appendix.

5. Donated or Transferred Assets. Assets donated or transferred without the expenditure of funds should be recorded at the fair market value on the date the asset is donated or transferred. If the fair market value cannot be determined, the amount recorded should be the book value of the donated asset in the donor's accounting records.

6. Non-Monetary Exchanges. When assets are exchanged between NAFIs without monetary consideration, it is called a non-monetary exchange. The assets received in such exchanges should be recorded on the books of the gaining NAFI at the net book value on the books of the losing NAFI. The offsetting entry is to Equity on both the gaining and the losing NAFI.

7. Appropriated Fund (APF) Property Obtained for Free. These assets should be recorded separately from other fixed assets because title and control of these assets remains with APFs. For APF fixed assets expected to benefit more than one accounting period, any acquisition costs such as repairs, transportation, and installation (and any subsequent outlays that extend the useful life of the asset) should be recorded and depreciated over the useful life of the asset. For APF fixed assets held one year or less, all costs are an expense for the period the asset is held.

8. Leases. Leases may be used for equipment or for real property and are categorized as either a capital lease or an operating lease.

a. Capital Leases. A

capital lease is based on the concept that a lease transfers substantially all of the benefits and risk as to the ownership of equipment to the lessee. The lease is recorded as an asset by the lessee and is amortized in a manner similar to depreciating assets if one of the following conditions are met:

(1) The lease transfers ownership of the asset to the lessee at the end of the lease term.

(2) The lease contains a purchase option.

(3) The lease term is equal to 75% or more of the estimated economic life of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(4) The present value at the beginning of the lease term of the minimum lease payments, excluding that portion of payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, including profit thereon, equals or exceeds 90% of the excess of the fair value of the leased property to the lessor at the inception of the lease over any related investment tax credit retained by the lessor and expected to be realized by the lessor.

b. Operating Leases. If none of the above conditions is met, the lease is an operating lease. Payments on an operating lease shall be charged to expense over the lease term as it becomes payable. If payments are not made on a straight-line basis, the expense nevertheless shall be recognized on a straight-line basis unless another systematic and rational basis is more representative of the time pattern in which benefits are derived from the leased property, in which case that basis shall be used.

c. Disclosures. If either capital or operating leases are material, then information concerning the leases should be disclosed in the NAFI financial statements or the footnotes.

B. Subsequent Expenditures.

1. Subsequent expenditures for fixed assets fall into three categories: maintenance and repair; improvements; and additions.

a. Maintenance and Repair. Expenditures in this category are designed to prevent an asset from deteriorating (e.g., painting the interior of the enlisted club) or to return the asset to its original level of performance (e.g., a tune-up on a motor vehicle). These expenditures do not improve the performance of the asset or extend the life of the asset. Maintenance and repair expenditures are expensed in the period incurred.

b. Improvements. Improvements are expenditures which extend the useful life of an asset (e.g., an engine overhaul on a motor vehicle) or improve original asset performance. Improvements should be capitalized and depreciated.

c. Additions. Expenditures which increase the size of an asset (e.g., adding a new section to the club) are called additions. Additions should be capitalized and depreciated.

2. The objective is to match the expenditures with the period benefited. Thus, expenditures which benefit only the current period should be expensed and expenditures which benefit future periods should be capitalized. As a rule, any expenditure of $1000 or less should be expensed.

C. Government Title Fixed Assets. An aspect of NAF accounting is that some assets, particularly buildings, are purchased using NAF and the NAFI has exclusive use, but title rests with the government. NAF procured property or facilities may be transferred to APF for maintenance when allowed by the Service regulations. Upon receipt of approved documentation from NAFI management, record

these items in the NAF property records and general ledger as Fixed Assets-APF titled (signifies government title) and commence depreciation.

D. Fixed Assets in Transit. On occasion, title to fixed assets may pass to the NAFI and payment may be made before the NAFI has physical possession of the property. Typically, this happens when property destined for a NAFI overseas is delivered to a state-side port for over water transportation by government means. Payment is made based on the receipt at the port and is recorded to the appropriate Fixed Asset account. Depreciation begins when the asset is placed in service.

E. Disposition of Property. Disposal means that the NAFI activity manager has physical control of the item and disposes of it. Documents are prepared and approved by the appropriate official for the disposition of fixed assets. When property is transferred to APFs, it will be evidenced on the form required by APFs.

F. Physical Inventories. A physical inventory of all fixed assets will be conducted at least annually. Since it is frequently impractical to perform a physical inventory of all of the fixed assets of a NAFI at one time, physical inventories may be scheduled and conducted by area.

G. Property Subsidiary. Property subsidiaries serve as property control records. As a minimum the property subsidiary should list each piece of property, acquisition date, acquisition value, useful life, depreciation to date, and current book value. This subsidiary can be either mechanized or manual. If mechanized is available, it should be used. Documentation is prepared by the NAFI whenever any data on the subsidiary records is changed even though no general ledger entries are required, e.g., fixed assets are transferred from one location to another.

H. Claims. When an insured asset is destroyed or damaged, and the claim is settled, the affected accounts are adjusted. Usually claim settlements do not exceed the acquisition value less accumulated depreciation of the property destroyed (book value).

I. Depreciation. Depreciation accounting distributes the cost or other basic value of tangible capital assets over the estimated useful life of such assets in a systematic and rational manner. Accounting for depreciation as an expense is an integral part of the accrual basis of accounting. Accordingly, all NAF activities will recognize depreciation of their fixed assets. For NAF capital assets whose title is transferred to APFs, but is still used by the NAFI, continue to depreciate these fixed assets on the NAFI's book until the items are fully depreciated.

1. Several steps are involved in computing depreciation:

a. Calculate Asset Cost or Value.

b. Estimate the Useful Life of the Asset. A reliable source for determining the useful life of the asset is the experience with similar assets.

c. Estimate the Salvage Value for the Asset. The value, if any, remaining at the end of an asset's useful life may, if allowed by the appropriate appendice, be subtracted from the acquisition cost of the asset before computing depreciation.

d. Divide the Net Cost or Value of the Asset Over the Useful Life. The straight line method of depreciation is used for determining he monthly depreciation expense.

2. Once a method of depreciation has been selected for a particular asset, it should generally never change.

030302 Land. The value of any land is always recorded separately from buildings or other structures built on the land. The primary reason is that land, unlike other fixed assets, has an indefinite life span and therefore is never depreciated. As a general rule, NAFIs are located on Government-owned land and do not record the value of land.

CHAPTER 4

LIABILITIES

0401 GENERAL.

040101 Definition. Liabilities represent obligations resulting from past transactions to pay sums of money, convey other assets, or perform certain services. Liabilities must be fully recognized and properly measured on the balance sheet to accurately portray amounts owed. Liabilities may be current or long-term. Current liabilities are obligations whose liquidation is reasonably expected to require use of existing resources properly classified as current assets or the creation of other current liabilities. Long-term liabilities represent probable future sacrifices of economic benefits arising from present obligations that are not due or payable within the next 12 months.

040102 Accountability for NAF Resources. Accountability for NAF resources rests with the NAFI manager. Therefore, disbursement of NAF resources can only take place with the specific approval of the Program Manager, NAFI Manager or as authorized in this regulation.

040103 Documentation Required for Payment.

A. The following documents, properly prepared and authenticated, is authority for payment.

1. A procurement instrument such as a purchase order, a contract, a blanket purchase agreement, or other similar documents.

2. A receiving report or other signed documentary evidence that the goods or services have been received by the NAFI.

3. An invoice or claim from the vendor requesting payment. This may be an invoice issued for a specific delivery or a statement showing deliveries over a month, week, or other period.

B. Overseas Shipments. Vendor invoice and proof of shipment must be received before payment can be made on overseas shipments prior to receipt of goods.

C. Partial Shipments. Partial shipments are paid for using a DD Form 250, Material Inspection and Receiving Report, or locally devised form as a receiving report. Ensure "Partial Shipment" is written on the top of the form. Establish as an accounts payable open item. On receipt of an invoice, process for payment. Annotate the check as partial shipment received.

040104 Purchases From Other NAFIs. Purchase of goods or services from other NAFI will be supported by a request for the goods or services and a signed document showing receipt. DD Form 1149 or similar form will suffice.

040105 Purchases From the Government. Purchase of goods or services from the Government (e.g., bills from appropriated funds) will not normally be supported by a procurement instrument, however, a receiving report or other signed evidence of receipt must be present to support the payment.

0402 PURCHASE ORDERS AND VENDOR INVOICES.

040201 Purchase Orders. A purchase order is a document forwarded to a supplier by an activity specifying unit size and price, as well as delivery terms for desired products to be delivered at a specified time and place. The supplier can then accept and act on the offer or refuse it. A purchase order log is maintained in numerical sequence and all purchase order numbers must be accounted for.

040202 Vendor Invoices. A vendor invoice represents a claim against NAF. All invoices should be date stamped at time of receipt.

0403 RECEIVING REPORTS. Receiving reports must be prepared for all merchandise received or services performed.

0404 DISCOUNTS. Accounts payable will be recorded net of discounts. Discounts are to be taken on the gross amount of the invoice if goods are supplied FOB destination. If the goods are supplied FOB other and a separate freight charge is shown, the discount will be taken on the cost of goods only. The FOB delivery terms are shown on the purchase order. Discounts lost will be recorded in the appropriate general ledger account.

0405 PROMPT PAYMENT ACT. The Prompt Payment Act (PPA) of May 21, 1982 (Public Law 97-177), amended on October 17, 1988 (Public Law 100-496), requires Federal agencies (including NAF activities) to make payments in a timely manner. If a payment to a contractor is late, an interest payment also is due to the contractor and should be made without a contractor having to request the interest payment. Specific policy and procedures, record keeping, computation of interest payments and reporting requirements are contained in Volume 10 of the DoD Financial Management Regulation, DoD 7000.14-R.

0406 CONTINGENT LIABILITIES. Contingencies are existing conditions, situations, or circumstances involving uncertainty as to possible gain or loss that will ultimately be resolved when one or more future events occur or fail to occur. Accrue loss contingencies where the outcome is probable and the amount is reasonably estimable, however, do not record gain contingencies. When a contingency is identified, attach a footnote to the year end service level consolidated financial statements explaining the contingency and the potential for gain or loss.

CHAPTER 5

REVENUE

0501 GENERAL. Revenue consists of cash or credit sales of goods and services as a result of operations by the NAFI. Under the accrual method of accounting, revenue is recorded on a consistent basis in the appropriate cost center in the accounting period in which the revenue is earned. Revenue will be recorded in accordance with the appropriate Service appendix.

050101 Revenue shall be recognized when it becomes realizable with reasonable practical certainty; that is, when the receiving accounting entity acknowledges a claim against its resources or the performing accounting entity has an enforceable claim.

050102 Revenue shall be recorded in the financial records, collected promptly, and deposited in the appropriate bank account. Amounts received in advance of performance, however, shall be accounted for as unearned revenues until performance is accomplished.

CHAPTER 6

EXPENSES

0601 GENERAL Expenses consist of the costs related to the sales of goods and services as a result of the operation of the NAFI. Under the accrual method of accounting, expenses are recorded on a consistent basis in the appropriate cost center in the accounting period in which the expense is incurred. Until further notice, expenses will be recorded in accordance with the appropriate Service appendix.

CHAPTER 7

FINANCIAL REPORTING

0701 GENERAL Financial statements are a key feature in financial reporting. They are a principal means of communicating accounting information to those outside an activity. Although financial statements may also contain information from sources other than accounting records, accounting systems are generally organized on the basis of the elements of financial statements (assets, liabilities, revenues, expenses, etc.) and provide the bulk of the information for financial statements. Financial reporting is not an end in itself but is intended to provide information that is useful in making business and economic decisions--for making reasoned choices among alternative uses of scarce resources in the conduct of business and economic activities.

070101 Objectives. Financial reporting should provide information about:

A. The activity's economic resources, obligations, and owner's equity;

B. The activity's financial performance during a period;

C. How the activity obtains and spends cash;

D. How the activity discharged its stewardship responsibility.

070102 Other Requirements. In addition to providing explanations and interpretations to assist users of financial reports, financial reports contain program and personnel information required by DoD, Congress, and other users.

070103 Financial Statements. The principal financial statements used to convey information to users are the statement of financial position or balance sheet, statement of operations or income and expense statement, and the statement of cash flows. These reports provide information on the financial performance and condition of the NAFI as follows:

1. The statement of financial position (or balance sheet) provides information about an activity's economic resources, obligations, and equity. That information helps users identify the activity's financial strengths and weaknesses and assess its liquidity and solvency.

2. The statement of financial position (or income and expense statement) provides information about the activity's financial performance during a specified period of time.

3. The statement of cash flows details the amount of cash received and cash dispersed for the accounting period. The beginning balance is the beginning of the period cash and the ending balance is the end of period cash.

070104 Responsibilities.

A. DoD Components. The DoD Components are responsible for the fair presentation in the financial statements of financial position, results of operation, and the program and personnel information included. In addition, the DoD Components are responsible for compliance with NAF program laws and regulations.

B. DFAS. DFAS is responsible for compiling all the necessary information from the nonappropriated and appropriated fund accounting and payroll systems, and preparation of financial statements and reports. The integrity of those systems and the accuracy of the data produced are also DFAS responsibilities. When requested, DFAS will provide other management information as needed to satisfy management or regulatory requirements.

070105 Cash Basis of Accounting. Financial statements, reports, and other information from activities authorized to use the cash basis of accounting shall be prepared in accordance with generally accepted accounting principles. The statements differ from those described above.

070106 Footnotes to financial statements. Footnotes are an integral part of the financial statements and should be used when more information is needed. Footnotes normally are not required other than on the year-end service-level consolidated statements. Accountants are required to disclose in the financial statements all relevant economic information pertaining to the business entity. When the actual dollar amounts on the financial statements do not provide sufficient information for decision makers, accountants supplement the financial statements with more detailed data in the form of footnotes. An example of a footnote is a special event that dramatically effects the financial statements. The footnote will help managers compare the operating results of the current business period with the operating results of previous periods. Fund equity adjustments and significant business closures are other prime examples of occurrences which require footnotes.

0702 REPORTING TO THE IRS.

070201 General. All records relating to payments to individuals and firms must be retained for at least four years and be available for IRS review if required. CONUS offices should consult their local IRS office when forms, publications, or assistance are needed. Overseas offices should contact the Internal Revenue Service, Assistant Commissioner (International), 950 L'Enfant Plaza South S.W., Washington, DC 20024, to get the address and telephone number of the nearest IRS representative. IRS representatives, in CONUS and overseas, are available to provide instructions concerning IRS procedures for return preparation and filing, and depositing employment tax payments. Overseas offices should use the following to request forms and publications: Forms Distribution Center, PO Box 25866, Richmond, VA 23289, or Forms Distribution Center, Rancho Corboda, CA 95743-0001.

070202 Contract Payments. Cumulative payments made under service contracts of $600 or more to anyone other than a corporation during a calendar year will be reported. The items to be reported are the total amount paid and the name, address, and social security number of the individual. For businesses, report the amount paid, the business name, business address, and business tax identification number. NAFI contracts with entertainers are considered service contracts. If a single payment to an individual is less than $600 but total payments made during the calendar year to the same individual reach $600, the report must be filed. The report (the return) will be provided to the individual or firm and to the IRS on IRS Form 1099 MISC. The individual or firm should receive a copy of the Form 1099 MISC by January 31 of the year following the calendar year of payment. This requirement also applies to individuals who, in addition to being NAFI employees, have contracts with the NAFI for non-personal services. A separate Form 1099 MISC will be prepared for each individual or firm to whom total payments of $600 or more are made. An IRS Form 1096 is used to transmit the IRS copy of the Form 1099s to the IRS. These forms must be forwarded to the IRS by February 28 each year. Refer to IRS publications for preparation instructions and filing requirements.

070203 Gambling/Bingo Winnings. IRS reporting requirements for gambling and bingo winnings are tied to individual games. Winnings are not accumulated from game to game as contract payments are. Each game stands alone for IRS reporting requirements. Whenever cash, merchandise, or a combination thereof with a total value of $1200 or more is awarded to a person for winning a single bingo game or other gambling activity, an IRS Form W-2G (Statement for Certain Gambling Winnings) is prepared. Individuals should receive their copies of the W-2G either at the time payment is made or not later than January 31 of the following year. An IRS Form 1096 is used to transmit the IRS copy of the W-2Gs to the IRS. These forms must be forwarded to the IRS by February 28 of the following year. Refer to IRS publications for

preparation instructions and filing requirements.

0703 RATIOS. If requested, DFAS can provide as an example the following ratios.

070301 Working Capital Ratios. The ratio analysis or working capital can be used by management as a means of checking upon the efficiency with which working capital is being applied. Important ratios for working capital management analysis are the working capital and inventory turnover ratios and the turnover or average collection period for accounts receivable. The behavior of ratios, over a series of accounting periods, is indicative of trends which may signal the need for adjustments in the future. Some of the working capital ratios which may be computed are described below.

070302 Current Ratio. The relationship between current assets and current liabilities is called the current ratio. This ratio measures the ability to pay short term debts and is computed by dividing the total of current assets by the total of current liabilities. Marketable securities, receivables, and inventories may decline in value and there is no certainty as to when they will be converted into cash. On the other hand, current liabilities must be paid at their face value and at specific dates. It is desirable, therefore, that current assets always be materially in excess of current liabilities. The excess of current assets over current liabilities is also frequently used as an index of current financial condition. It is referred to as working capital or net current assets. There is general rule that a current ratio of 1.5:1 is satisfactory. Like most generalities this one is subject to modification in certain specific cases. A ratio that is smaller would indicate that debts may be too high. On the other hand, if the current ratio is too large this means more current assets should be converted to other useful purposes.

070303 Acid-Test Ratio. This ratio is the sum of cash, receivables, and marketable securities (called quick assets) divided by current liabilities. The acid-test ratio is a supplemental measure of liquidity. A ratio of 1:1 indicates that for every dollar of current debt there is available one dollar of quick assets to meet current liabilities. As a general rule, the acid-test ratio should be no less than 1:1. While it is generally desirable that the acid-test be high and improving, it is possible for it to be too high for the good of the business. Cash and most receivables are not earning interest and the return on most temporary investments is not large. Neither too little nor too much working capital is desirable. One of the arts of business management is the ability to determine and maintain the optimum amount of each type of asset.

070304 Ratio of Net Sales to Assets. The ratio of net sales to assets is a measure of the effectiveness of the utilization of assets. Assume that two similar activities have equal amounts of assets but that the sales of one are double the amount of the sales of the other. Obviously, the former is making better use of its assets. In computing the ratio, any long-term investments should be excluded from total assets as they make no contribution to sales. The units of product sold may also be used in place of the dollar amount of sales, if sales can be stated in a common unit. Assets used in determining the ratio may be the total at the end of the year, the average at the beginning and end of the year, or the average of monthly totals.

070305 Accounts Receivable Turnover. The relationship between credit charge sales and accounts receivable is stated as the accounts receivable turnover. It is calculated by dividing net charge sales by the average accounts receivable. The average of the monthly balances of accounts receivable should be used in the computation, as it gives recognition to seasonal fluctuations. When such data are not available it is necessary to use the average of the balances at the beginning and end of the year. Accounts receivable yield no revenue hence it is desirable to keep the amount invested in them at a minimum and the number of turnovers as high as possible. Prompt collection reduces the amount of loss from bad debts. The composition of accounts receivable changes continually during the business cycle. Accounts receivable are increased when charge sales are made and decreased when collections are received. Increases or decreases in the volume of sales will

also affect the amount of outstanding accounts. Another method of expressing the result is to divide 365 (days) by the receivable turnover figure to get the average number of days that the receivables were on the books.

070306 Merchandise Inventory Turnover. Most of the observations about receivables discussed in the preceding subsection are also applicable to merchandise inventory. Inventory in excess of the needs of the business ties up funds that could be used in other ways to better advantage and may increase the amount of insurance, storage, and other related expenses. There is also added risk of loss through price declines and deterioration or obsolescence of the merchandise. The merchandise inventory turnover rate is computed by dividing the cost of goods sold by the average cost price value of the inventory. If monthly data are not available, it is necessary to use the average of the inventories at the beginning and end of the year. This measures the efficiency of inventory control. A ratio of 1 to 1 is generally acceptable for food and bar operations. For all other sales operations, however NAFI management may establish other goals.

070307 Turnover of Working Capital. A close relationship exists between sales and working capital. As sales volume increases, the investment in inventories and receivables increases and therefore, a larger amount of working capital is necessary. The turnover of working capital reflects the extent to which the business is operating on a small or large amount of working capital in relation to sales. This turnover or ratio is composite of number of relationships (inventories, receivables, current liabilities, etc.). These various component elements should be analyzed individually to account for changes from period to period. The turnover of working capital is computed by dividing the net sales for the year by the average working capital.

070308 Net Income Ratio. This measures the rate of return on revenue. A percentage of 5-10 percent is generally acceptable.

070309 Return on Assets Ratio. This measures the NAFIs ability to generate revenue with its existing assets. The ratio is computed by dividing net income by the average total assets. Average total assets are beginning total assets plus ending total assets divided by 2.

070310 Return on Fund Equity. This measures the NAFI's ability to use leverage by earning a higher rate of return than is paid for the funds used to operate. The ratio is computed by dividing net income by the average fund equity.

070311 Other Ratios.

A. Fixed Asset Turnover.

B. Accounts Receivable Aging.

C. Working Capital to Total Assets.

D. Return on Tangible Assets.

0704 COMPARATIVE ANALYSIS OF FINANCIAL STATEMENTS.

070401 General. Comparative analysis consists of a study of relationships and trends to determine whether or not the financial position and results of operations and the financial progress of the business are satisfactory or unsatisfactory. The objective of any analytical method used to analyze a financial statement is to simplify or reduce the data under review to more understandable terms. The analyst first computes and organizes data and then analyzes and interprets them. Analytical data are not ends in themselves, they must be assimilated intelligently to aid in decision making by management. The frequency with which analytical data are furnished is of the utmost importance. It is not enough for management to know at the end of a year, or even a quarter, that costs are increasing more rapidly than revenues. The accountant must often use interim cost standards, ratios, or other devices, in presenting income statement data. Moreover, they must devise adequate methods of accruing items which may not be finally determined until the end of the fiscal year or later, but which are

of vital importance in their effect on income.

070402 Analytical Methods and Techniques. Analytical methods and techniques used in analyzing financial statements include the following:

A. Comparative balance sheets, income statements, and statements of retained earnings or net worth showing:

1. Absolute data (dollar amounts).

2. Increases and decreases in absolute data in terms of dollar amounts.

3. Increases and decreases in absolute data in terms of percentages.

4. Comparisons expressed in ratios.

5. Percentages of total.

B. Statement of sources and uses of working capital.

C. Trend ratios of selected and/or related financial and operating data. A trend analysis should be made for each NAFI's financial statement. The analysis of the balance sheet should compare actual to actual and the percentage of increase or decrease be shown. The analysis of the income statement for each activity should compare actual to actual and actual to the budgeted amounts. As with the balance sheet analysis, differences will be shown as a percentage. The analysis should be made by each activity for items such as; sales, cost of goods sold, labor expenses, net income, and all other revenue and expense items with a material financial effect on the activity.

D. Common-size percentages - balance sheets, income statements and individual sections of these statements.

E. Ratios expressing the relationships of items selected from the balance sheet, the income statement or both statements.

F. Statement of variation in net income or gross margin.

070403 Comparative Statements

A. General. Any fact, by itself has limited significance. There must be other related facts to give the first one increased meaning. The validity of this observation is easily demonstrated in the case of information about a business. For example, learning that last year's net income of a certain activity was $68,514 is to learn very little. Does that amount of net income indicate a successful year or a poor one? Does the amount present an improvement over or a decline from the year before? Is the amount large or small in relation to sales? - to assets? - to equity? How does it compare with similar activities? Other facts must be known if the information about last year's income is to have any real meaning. The same can be said of any other single bit of information about a business.

B. Types of Comparison. The financial statements can be much more informative and meaningful if they are analyzed on a comparative basis. Four types of comparison may be possible:

1. Comparison of the latest financial statements and relationships between various elements with the statements and relationships of one or more previous periods.

2. Comparison of the statements and financial relationships of the fund with data for other similar activities.

3. Comparison of statements and financial relationships of two or more divisions or branches of the same activity.

4. Comparison of information in the statements with pre-set plans or goals (normally in the form of budgets).

C. Horizontal Analysis. A comparison of the amounts for the same item in the financial statements of two or more periods is called horizontal analysis. The term is applied because the analysis, which suggests

probabilities, weaknesses, or strengths, includes data from year to year rather than as of one date or period of time as a whole. The comparison is facilitated if the amount of any change and its relative size are shown. In computing the percent of change, the amount for the earlier year serves as the base. In general, the percentage of change is of greater interest than the actual amounts.

D. Vertical Analysis. The amount of each item in a statement can be expressed as a percentage of the total. This is termed vertical analysis. A maximum of information is provided if statements relating to two or more periods are vertically analyzed and the results compared or contrasted.

CHAPTER 8

PAYROLL

0801 GENERAL The Defense Finance and Accounting Service (DFAS) is responsible for developing a standard nonappropriated fund (NAF) payroll system which will provide NAF customers with quality service at low cost. On March 16, 1992, the Department of Defense (DoD) approved the selection of the Nonappropriated Fund Central Payroll System (NAFCPS) as the standard DoD payroll system for all NAF employees. Until NAFCPS is implemented, all NAF payroll offices should follow the procedures in the appropriate Service appendix. For policies and procedures not covered in this chapter, the basic policies in the DoD personnel rules and regulations should be followed.

080101 Standards. Comptroller General standards developed under the authority of 31 U.S.C. 3511 require that all Government organizations establish, evaluate, and maintain adequate systems of accounting and internal control. This requirement includes the responsibility to ensure that contractor (Government or private) operating a payroll system on behalf of an agency maintains adequate systems of accounting and internal controls.

080102 Payroll Objectives. In carrying out the responsibilities set forth in 080101, organizations must minimize the number of payroll systems in use, automate and standardize them to the extent feasible, and ensure that they meet the following objectives to facilitate adequate control over all phases of pay, leave, and allowances.

A. Prompt payment in the proper amount to all persons entitled to be paid, in compliance with applicable laws, regulations, and legal decisions.

B. Prompt accounting for and disposition of all authorized deductions from gross pay.

C. Adequate control over retention and disposition of all payroll-related documents.

D. Prompt preparation of adequate and reliable payroll records. Individual pay records for all civilian and military personnel must be maintained to show gross compensation (including allowances) by type and amount, deductions (including allotments), by type and amount, and net pay for each pay period. As a part of the overall financial management system, these records must be maintained by calendar year, leave year, or fiscal year, as appropriate, to support:

1. Management purposes.

2. Planning, preparation, execution, and review of the budget.

3. Internal and external reporting requirements.

E. Effective communication between organizations and organization personnel on payroll matters.

F. Adequate control over all phases of pay, leave, and allowances.

G. Effective interaction of the payroll function with the general ledger, personnel, and cost accounting functions, with provision for reconciling common data elements among separate systems.

080103 Internal Control Standards. A key to effective payroll operations is the maintenance of internal controls over those operations. Internal control standards to be followed are in Chapter 9 of this volume. All DoD NAF organizations must ensure that these standards

are followed through the plan of organization relating to payroll operations as well as through the methods and procedures adopted for processing and auditing their payrolls.

0802 EMPLOYMENT CLASSIFICATION OF PERSONS PROVIDING SERVICES. Although workers may be called contractors for personal services, for tax purposes they are employees and should have Federal income tax and Social Security taxes withheld from their wages. Even though an individual or position may not be classified as an employee under other DoD regulations, the position incumbent is still an employee for whom the NAFI has a responsibility to withhold Federal income tax and FICA taxes.

080201 Personal Services Contracts. After giving full consideration to the common law factors and when it is determined that the contemplated service contract establishes an employer-employee relationship with the worker, then a personal services contract (PSC) could be used; and, it should include the following or similar statement:

> "As an employee for purposes of the Internal Revenue Code [26 USC 3121(d)(2) and 26 USC 3401(c)], the Contractor is subject to withholding for both FICA and Federal income tax."

080202 Each NAFI or MWR activity should be directed to administer, pay, and report for payroll purposes all amounts paid consistent with the provisions of the PSC agreement or arrangement.

080203 Definitions.

A. Employee. The term "employee" means any individual who, under the usual common law rules or factors applicable in determining the employer/employee relationship has the status of employee. A worker is an employee under the usual common law rules if the relationship between him and the person for whom he performs services is the legal relationship exists when the person for whom services are performed has the right to direct and control the person who performs the services, not only as to the result to be accomplished by the work but also as to the details and means by which the result is accomplished. That is, an employee is subject to the will and control of the employer not only as to what shall be done but how it shall be done. In this connection, it is not necessary that the employer actually direct or control the manner in which the services are performed; it is sufficient if he has the right to do so. The right to discharge is also an important factor indicating that the person possessing that right is an employer.

B. Employment. IRC Section 3121(b) defines "employment" as any service, of whatever nature, performed by an employee for the person employing him, irrespective of the citizenship or residence of either. In addition to service within the United States, this definition also applies to service outside the United States by a citizen or resident of the United States as an employee of an American employer. An American employer as defined in IRC Section 3121(h) and includes, among others, the United States or any instrumentality thereof.

1. Prior to January 1, 1984, service performed in the employment of the United States that was covered by a retirement system established by a law of the United States was excepted from the definition of employment and therefore was not subject to the tax under the Federal Old Age, Survivors and Disability Insurance System. Section 101.(a)(1) of the Social Security Amendments of 1983 amended IRC Section 3121(b) to remove this exception. Therefore, service performed in the employ of the United States by individuals hired after December 31, 1983, is not exempt from the Federal Old Age, Survivors Disability Insurance System. The exemption was not removed for employees engaged in employment before that date and for employees who had left such employment and after being separated therefrom, regardless of whether the period of separation began before, on, or after December 31, 1983, if the period of such separation does not exceed 365 consecutive days. Those employees are subject only to the hospital insurance portion of FICA taxes [See IRC Section

3121(u)].

2. Subsection (6) of Section 3306(c) excepts from the definition of employment, service performed in the employ of the United Stated Government or of an instrumentality of the United States which is wholly or partially owned by the United States. This exception was not affected by the Social Security Amendments of 1983. Therefore, wages of employees of the United States Government or instrumentalities of the United States are not subject to the FUTA tax.

C. Wages. According to Treasury Regulations, the name by which the remuneration is designated is immaterial. Thus, salaries, fees, bonuses, and commissions on sales or on insurance premiums, are wages paid as compensation for employment. The basis upon which the remuneration is paid is also immaterial in determining whether the remuneration constitutes wages. Thus, wages may be paid on the basis of piecework, or a percentage of profit and may be paid hourly, daily, weekly, bi-weekly, monthly, or annually. Wages, under IRC Section 3401(A) relating to withholding of income tax at the source of payment, means all remuneration for services performed by an employee for his employer, including the cash value of all renumeration paid in any other than cash form.

1. There are no provisions in the Collection of Income Tax at Source on Wages that are analogous to Section 3122 of the FICA. Therefore, a determination under Section 3122 of the FICA does not have any effect with respect to the application of the income tax withholding provisions.

2. Renumeration of a civilian employee in the employ of the United States or an instrumentality of the United States is wages subject to the Collection of Income Tax at Source on Wages.

080204 Other Factors. Other factors characteristic of an employer, but not necessarily present in every case, are the furnishing of tools and the furnishing of a place to work, to the individual who performs the services. In general, if an individual is subject to the control or direction of another merely as the result to be accomplished by the work and not as to the means and methods for accomplishing the result, he is an independent contractor. An individual performing services as an independent contractor is not, as to such services, an employee under the usual common law rules. Whether the relationship of employer and employee exists under the usual common law rules will, in doubtful cases, be determined upon an examination of the particular facts of each case.

080205 The employment tax regulations provide, "If the relationship of employer and employee exists, the designation or description of the relationship by the parties as anything other than that of employer and employee is immaterial. Thus, if such relationship exists, it is of no consequence that the employee is designated as a partner, agent, independent contractor or the like." In summary, when determining the existence of a common law employer/employee relationship, the crucial test lies in the right of control, or lack of it, which the employer may exercise respecting the manner in which the service is to be performed and the means to be employed in its accomplishment, as well as the result to be obtained.

0803 IRS REQUIREMENTS. Accounting technicians, contracting officials, and responsible activity operating managers should be aware of the requirements under IRC Section 6041 and the importance of preparing and issuing the Forms 1096 and 1099-MISC correctly and filing them timely. [Note: The Form 1096 is required to transmit the Forms 1099 which must be issued to individuals who received payments of $600 or more.]

080301 Form W-4. Periodic instruction should be given by DoD components to paying offices about the requirements for Forms W-4. NAF instrumentalities should be instructed as to the provisions for employment tax reporting. Treasury Publication 15, the Employer's Tax Guide, is a reliable source of information about this and other requirements for reporting to the

IRS.

080302 Overseas Requirements. Overseas activities should consider requesting an IRS Revenue Service Representative (see appendix for the nearest, applicable office) to conduct workshops for operating personnel.

080303 Desk Procedures. The use of desk procedures and checklists may be helpful to new employees--especially to the payroll clerks. High turnover rate experienced in many job categories (especially the clerical positions) contributes to poor or irregular compliance with the myriad of compliance rules and procedures.

080304 Form W-2G. NAF accounting personnel should be aware of IRS regulations and proper reporting procedures for reporting winnings from gambling activities on Form W-2G.

080305 Form 1099-MISC. Each DoD accounting office will adopt and use a consistent, standardized accounting method for tabulating, recording, and reporting of bingo and slot machine winnings at military units or on military posts/bases. Each accounting office will develop and promulgate a usable accounting sub-system for its activities for the collection and recording of payments to contractors and the preparation of Form 1099-MISC.

080306 IRS Resource. Accounting offices, in particular, and any other activity should be aware of the assistance available and offered by Revenue Service Representative; and, accounting offices are encouraged to use this IRS resource.

080307 Retaining and Storing Records. Accounting and payroll offices will retain records for a period of 4 years so as to be consistent with section 31.6001-19d (2) of the Treasury Regulations; and each accounting office should to adhere to a systematic storage method to facilitate retrieval of tax-related documents. After 4 years, individual payroll records are to be transferred to the National Personnel Records Center, St. Louis, MO for retention for an additional 56 years.

080308 Employee Status. Although NAF employees are not employees of the Federal Government for some purposes, they are employees of a federal instrumentality and therefore are considered employees of the federal government for tax purposes.

080309 Depositing Payroll Taxes. Irrespective of the current IRS policy regarding the assertion of penalties, U.S. Government agencies are not exempt from the requirements for making Federal tax deposits. All DoD NAF payroll activities must adhere to the IRS employment tax deposit and reporting requirements. These procedures should then be emphasized to each financial officer to inform and provide specific, applicable instructions (especially in overseas areas) for withholding the tax and making the deposits. IRS Publication 15, Employer's Tax Guide (Circular E) is also recommended for review by financial officers annually. DFAS will periodically review payroll office operations to determine if Federal Tax deposits are timely and in accordance with IRS procedures and guidelines.

080310 Employer Identification Numbers. Each DoD NAF payroll activity will use only one Employer Identification Number (EIN).

0804 COMMON LAW FACTORS. Listed below are the twenty common law factors that have been developed for use by DoD NAF payroll offices (and other organizations that pay contractor wages) in the determination of the employer/employee relationship as required by IRC Section 3121(d)(2), and identified in 0803 and 0804. All factors are not always present in every case, and the degree of importance of each factor may vary depending on the occupation and the reason for its existence. These factors were published by the IRS in Revenue Ruling 87-41, 1987-1, C.B. 296.

080401 Instructions. A worker who is required to comply with other persons' instructions about when, where, and how he/she is to work is ordinarily an employee. This control factor is present if the person or persons for whom the services are performed have the right to require compliance with instructions.

080402 Training. Training the worker by requiring an experienced employee to work with the worker, by corresponding with the worker, by requiring the worker to attend meetings, or by using other methods, indicates that the person or persons for whom the services are performed want the services performed in a particular method or manner.

080403 Integration. Integration of the worker's services into the overall business operations generally shows that the worker is subject to direction and control. When the success or continuation of a business depends to an appreciable degree upon the performance of certain services, the workers who perform those services must necessarily be subject to a certain amount of control by the owner of the business.

080404 Services Rendered Personally. If the services must be rendered personally, presumably the person or persons for whom the services are performed are interested in the methods used to accomplish the work, as well as in the results, and the control factor is satisfied.

080405 Continuing Relationship. A continuing and regular relationship between the worker and the person or persons for whom the services are performed indicates that an employer-employee relationship exists. A continuing and regular basis may exist where work is performed at frequently recurring although irregular intervals.

080406 Set Hours of Work. The establishment of set hours of work by the person or persons for whom the services are performed is a factor indicating and showing necessary control.

080407 Doing Work on Employer's Premises. If the work is performed on the premises of the person or persons for whom the services are being performed, that factor suggests control over the worker, especially if the work could be done elsewhere. Work done off the premises of the person or persons receiving the services, such as at the office of the worker, indicates some freedom from control. However, this fact by itself does not mean that the worker is not an employee. The importance of this factor depends on the nature of the service involved and the extent to which an employer generally would require that employees perform such services on the employer's premises. Control over the place of work is indicated when the person or persons for whom the services are performed have the right to compel the worker to travel a designated route, to canvass a territory within a certain time, or to work at specific places as required.

080408 Order or Sequence Set. If a worker must perform services in the order or sequence set by the person or persons for whom the services are performed, that factor shows that the worker is not free to follow the worker's own pattern of work but must follow the established routines and schedules of the person or persons for whom the services are performed. Often, because of the nature of the occupation, the person or persons for whom the services are performed do not set the order of the services or set the order infrequently. It is sufficient to show control, however, if such person or persons retain the right to do so.

080409 Oral or Written Reports. A requirement that the worker submit regular or written reports to the person or persons for whom the services are performed indicates a degree of control appropriate for an employee.

080410 Payment of Business and/or Traveling Expenses. If the person or persons for whom the services are performed ordinarily pay the worker's business and/or traveling expenses, the worker is ordinarily an employee. An employer, to be able to control expense, generally retains the right to regulate and direct the worker's business activities.

080411 Furnishing of Tools and Materials. The fact that the person or persons for whom the services are performed furnish significant tools, materials, and other equipment tends to show the existence of an employer/employee relationship.

080412 Right to Discharge. The right to discharge a worker is a factor indicating that the

worker is an employee and the person possessing the right is an employer. An employer exercises control through the threat of dismissal, which causes the worker to obey the employer's instructions. An independent contractor, on the other hand, cannot be fired so long as the independent contractor produces a result that meets the contract specifications.

080413 Right to Terminate. If the worker has the right to end his or her relationship with the person for whom the services are performed at any time he or she wishes, without incurring liability, that factor indicates an employer/employee relationship.

080414 Significant Investment. If the worker invests in facilities that are used by the worker in performing services and are not typically maintained by employees (such as the maintenance of an office rented at fair value from an unrelated party), that factor tends to indicate that the worker is an independent contractor. On the other hand, lack of investment in facilities indicates dependence on the person or persons for whom the services are performed for such facilities and accordingly, the existence of an employer/employee relationship. Special scrutiny is required with respect to certain types of facilities such as home offices.

080415 Realization of Profit or Loss. A worker who can realize a profit or suffer a loss as a result of the worker's services (in addition to the profit or loss ordinarily realized by employees) is generally an independent contractor, but the worker who cannot is an employee. For example, if the worker is subject to a real risk of economic loss due to significant investments or a bona fide liability for expenses, such as salary payments to unrelated employees, that factor indicates that the worker is an independent contractor. The risk that the worker will not receive payment for his or her services, however, is common to both independent contractors and employees and thus does not constitute a sufficient economic risk to support treatment as an independent contractor.

080416 Working for More Than One Firm at a Time. If a worker performs more than de minimis services for a multiple of unrelated persons or firms at the same time, that factor generally indicates that the worker is an independent contractor. However, a worker who performs services for more than one person may be an employee of each of the persons, especially where such persons are part of the same service arrangement.

080417 Making Services Available to General Public. The fact that a worker makes his or her services available to general public on a regular and consistent basis indicates an independent contractor relationship.

080418 Hiring, Supervising, and Paying Assistants. If the person or persons for whom the services are performed hire, supervise, and pay assistants, that factor generally shows control over the workers on the job. However, if one worker hires, supervises, and pays the other assistants pursuant to a contract under which the worker agrees to provide materials and labor and under which the worker is responsible only for the attainment of a result, this factor indicates an independent contractor status.

080419 Full Time Required. If the worker must devote substantially full time to the business of the person or persons for whom the services are performed, such person or persons have control over the amount of the time the worker spends working and thereby restricts the worker from doing other gainful work. An independent contractor, on the other hand, is free to work when and for whom he or she chooses.

080420 Payment by Hour, Week, Month. Payment by the hour, week, or month generally points to an employer-employee relationship, provided that this method or payment is not just a convenient way of paying a lump sum agreed upon as the cost of a job. Payment made by the job or on a straight commission generally indicates that the worker is an independent contractor.

0805 DoD EMPLOYEE BENEFIT PORTABILITY

080501 Purpose. This section prescribes retirement accounting procedures for all nonappropriated fund (NAF) payroll offices having responsibility for employees who, under the Portability of Benefits for Nonappropriated Fund Employees Act of 1990, P.L. 101-508, have elected to retain their Civil Service Retirement coverage. Election to retain Civil Service Retirement coverage may be made only if the employee is vested in the plan of the losing employment system, i.e., five years of creditable service for the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). The Federal Personnel Manual (FPM), chapters 831 and 832 contain policies and instructions for administering the retirement system. FPM Supplement 831-1 contains the basic instructions for maintenance and disposition of retirement records.

080502 Employee Retirement System. The Nonappropriated Fund Notification of Personnel Action Form will reflect the appropriate retirement system to which the employee is subject.

080503 Responsibilities. Nonappropriated fund payroll offices must fulfill the following general responsibilities relating to the Civil Service retirement systems.

A. Prepare and maintain an SF 2806/SF 3100, Individual Retirement Record, for each employee subject to either CSRS or FERS.

B. Maintain adequate control over retirement records and associated monetary balances.

C. Requisition and maintain stocks of all retirement forms.

D. Promptly send claims and records to OPM. OPM requires all Federal agencies to get at least 80 percent of all claims for benefits to OPM within 30 days of the retirement or separation date.

E. Withhold retirement deductions from employees' salaries, make agency contributions, and send these to OPM for deposit. Deductions begin on the day employee acquires coverage under the retirement system and must be prorated for partial pay periods.

080504 Routing Records of Separated Employees. Forward records of separated employees directly to the Employees Service and Records Center, Boyers, PA, as follows:

A. CSRS Retirement Records

OPM/CSRS
P.O. Box 45
Boyers, PA 16020

B. FERS Retirement Records

OPM/FERS
P.O. Box 200
Boyers, PA 16020

080505 Preparation and Maintenance of Individual Retirement Records.

A. Forms. An SF 2806/3100 is maintained for each employee subject to CSRS/FERS. These forms are used by OPM to adjudicate the retirement rights of a separated employee or survivors. It is important each SF 2806/3100 be correct, complete, clear in every detail, and properly certified. Timely and accurate maintenance of SF 2806/3100 expedites close-out procedures when an employee is separated or transferred to the paying jurisdiction of another agency.

B. Preparation of Form. The NAF payroll office will prepare an SF 2806/SF 3100 for each employee subject to CSRS/FERS.

C. Method of Posting.

1. The SF 2806/3100 may be posted by automated data processing system, typewriter, or by handwriting in ink. All entries must remain within the ruled lines. If necessary, use a second line to complete an entry, but do not post in the margin.

2. Corrections to manually maintained SF 2806/3100 will be made by lining through the incorrect item, entering the correct

data, and initialing the correction.

3. If the Service History or Fiscal Record becomes filled on one side of the record for a manually maintained record, continue posting on the reverse side by bringing the cumulative salary deductions forward with the annotation "Balance Forward".

D. Payroll Office Number (PON). Each nonappropriated fund payroll office has been assigned a payroll office number which has been forwarded to OPM. This number is used by OPM to control records and identify the payroll office making and remitting deductions and contributions. This number must be reflected on each retirement record.

E. Maintenance of Service History.

1. Post service history entries as they occur. Obtain the data from the nonappropriated fund notification of personnel action. FPM Supplement 292-1 contains the standard abbreviations which shall be used.

2. Include additional pay to which an employee is regularly entitled and that is a part of basic salary for CSRS/FERS deductions. Omit postings for additional pay which is received on an irregular or unscheduled basis. Also omit additional pay not subject to CSRS/FERS deductions.

F. Fiscal Record Posting.

1. Post the total of retirement deductions withheld during the year in column 6 of the SF 2806/3100 at the end of the calendar year. If no deductions were made because of a non-pay status, enter a zero in column 6. If an employee had more than one retirement deduction rate during the year, enter separate yearly totals for each retirement deduction rate and note the deduction percentage rate, for each entry in column 8.

2. Include repayments in the current year of prior year deductions allowed under the retroactive provisions of the Portability of Benefits for Non-Appropriated Fund Employees Act of 1990 in column 6. Column 8 shall carry the annotation "Includes repayment of $xx.xx in prior year deductions per P.L. 101-508.

3. If calendar year deductions entered in column 6 include deductions from additional pay not included in the base pay posted in the Service History, place an asterisk after the amount in column 6. Place an asterisk and foot-note additional pay status "APS" in the lower left corner of the form. If calendar year deductions are annotated APS, show in column 8 the number of hours Leave Without Pay (LWOP) for each hourly rate during the year. If none, show "No LWOP". All LWOP must be shown.

G. Entries in Remarks Columns. In addition to the service history and fiscal data, record the following information on the SF 2806/3100 under Remarks, column 4 and 8, as appropriate:

1. Enter periods of LWOP of more than 6 months in a calendar year.

2. Enter the number of days in a pay status during each calendar year or, if paid at an hourly rate and the number of days on which work was performed cannot be determined, enter the number of hours in a pay status during each calendar year for employees serving on an intermittent basis without a regular tour of duty,

3. Enter the tour of duty (4 hours a day, 5 days a week, etc.) for employees serving on a part-time basis with a regular tour of duty administratively determined in advance,

4. Enter the last date on which the employee was in a pay status, unused sick leave, and the Service Computation Date annotated as "SCD (month, day, year)." when an employee retires.

H. Health Benefits Data. Nonappropriated fund employees electing to retain civil service retirement coverage are ineligible for federal employee health benefit

enrollment. These employees, however, may elect to participate in the respective NAF health insurance program. Nonetheless the individual retirement record must be annotated concerning status of health benefits enrollment. Individual retirement records forwarded to OPM for regular retirement, disability retirement, or deceased employees must be annotated "Employee Ineligible for Enrollment - P.L. 101-508" in column 4 of the record.

I. Sick Leave. If an employee dies or separates and appears eligible for an immediate annuity, enter the amount of unused sick leave in column 4 of the individual retirement record as follows:

1. If there is a minus or zero sick leave balance, enter "No unused sick leave balance."

2. If the employee has unused sick leave at the time of separation, enter the number of hours and cite "P.L. 101-508."

3. For employees with uncommon tours of duty, enter the number of hours of unused sick leave, with notation showing there was an uncommon tour of duty, and the date the sick leave, if used, would have expired. Cite "P.L. 101-508."

4. If the individual retirement record is for an application of disability retirement, post "Will use (or has used) all sick leave." When the application for disability retirement has been approved, post "No unused sick leave balance" on the final individual retirement record to be forwarded to OPM.

J. Federal Employees Group Life Insurance. Nonappropriated fund employees electing to retain civil service retirement coverage are ineligible for federal employees group life insurance. These employees, however, may elect to participate in the respective NAF life insurance program. Nonetheless the individual retirement record must be annotated concerning status of life insurance enrollment. Individual retirement records forwarded to OPM for regular retirement, disability retirement, or deceased employees must be annotated "Employee Ineligible for Enrollment - P.L. 101-508" in column 4 of the record.

K. Disposition of the Individual Retirement Record.

1. Transfers between payroll offices in the same Military Service or Defense Agency, e.g., from one Air Force payroll office to another Air Force payroll office:

a. If the employee is covered by CSRS complete the SF 2806 and transmit it to the new servicing payroll office via the SF 2807 (Register of Separations and Transfers-Civil Service Retirement System). This type of transfer is commonly referred to as an "Interagency Transfer."

b. If the employee is covered by FERS complete the SF 3100 record and transmit it to OPM at the address in paragraph 080504 via the SF 3103 (FERS Register of Separations and Transfers).

2. Transfers between payroll offices not in the same Military Service or Defense Agency, e.g., from an Air Force payroll office to a Navy payroll office:

a. If the employee is covered by CSRS complete the SF 2806 and transmit it to OPM at the address in paragraph 080504 via the SF 2807 (Register of Separations and Transfers-Civil Service Retirement System).

b. If the employee is covered by FERS complete the SF 3100 record and transmit it to OPM at the address in paragraph 080504 via the SF 3103 (FERS Register of Separations and Transfers).

3. Employee Death. Send the SF 2806/3100 via the SF 2807/3103 to OPM within 5 days of the date of the computation of final pay. Enter in column 4 of the SF 2806/3100 the service computation date: "SCD (month, day, year)" and unused sick leave data.

4. Application for Refund of Retirement.

a. Upon leaving federal employment, an employee may request refund of retirement deductions by submitting SF 2802, Application for Refund of Retirement Deductions.

b. If the request for refund is received at the same time as the notification of the separation, attach the SF 2802 to the SF 2806/3100 and submit to OPM within 10 calendar days after the ending date of the pay period in which the employee was separated from the service. Refer to the SF 2802 in column 4 of the SF 2807/3103.

c. If the employee completes the SF 2802 within 30 days after the separation date, and the SF 2802 is received in the payroll office after the SF 2806/3100 is transmitted to OPM, send the SF 2802 to OPM. Annotate the SF 2807/3203 showing the date and number of the SF 2807/3103 on which the SF 2806/3100 was transmitted.

d. If the employee has been separated more than 30 days, he or she should file the SF 2802 directly with OPM.

5. Disability Retirement Separations. Advance close-out of the SF 2806/3100 is required when an application for disability retirement is received from a current employee.

a. Annotate the SF 2806/3100 as follows:

(1) Add the words "Preliminary-Disability Retirement" in the top margin of the SF 2806/3100.

(2) Post retirement deduction to the close of the previous calendar year.

(3) Enter the date application for disability retirement was made in the service history.

(4) Show the pay status of the employee, as applicable: "Employee in duty status", "Leave with pay will end (date)", or "Pay stopped (date)." Also, enter in column 4 of the SF 2806/3100 the service computation date as follows: "SCD" (month, day, year).

(5) On each preliminary SF 2806/3100 submitted with an application for disability retirement, enter in column 4 "Employee Ineligible for Enrollment in Health Benefits or Federal Employees Government Life Insurance."

(6) Show the unused sick leave data in column 4 of the SF 2806/3100 and enter "Will use all sick leave" or "No unused sick leave". In addition enter projected date pay will terminate, i.e. when sick leave terminates.

(7) Prepare a new SF 2806/3100 to record retirement deductions withheld after sending the preliminary SF 2806/3100. Add the words "Final-Disability Retirement" above the date of birth. Enter "APP FOR DIS RET EXEC" and annotate the date application for Disability Retirement (SF 2801) was executed on the Service History of the SF 2806/3100. Post all actions that occur after submission of the application for preliminary disability retirement to this record.

(8) Prepare the SF 2807/3103 and send the preliminary SF 2806/3100 with the application for disability retirement as follows: for CSRS employees, OPM/CSRS, P.O. Box 45, Boyers, PA 16020; for FERS employees, OPM/FERS P.O. Box 200, Boyers, PA 16020, within 5 calendar days after receipt of the application. Annotate column 4 of the SF 2807/3103 with "Preliminary Disability" and the date established by the civilian personnel office.

(9) On approval of the application, complete the final SF 2806/3100. Post retirement deductions withheld after the preliminary SF 2806/3100 was sent. Show the effective date of disability retirement and the date that pay ceased on SF 2806/3100. Send the final SF 2806/3100 to OPM within 5 calendar days after the date of the employee's final pay check.

(10) If the employee's application is denied, continue using the final SF 2806/3100. OPM will not return the preliminary SF 2806/3100.

6. Non-Disability Retirement Separations. Send the SF 2806/3100 with the SF 2801, Application for Immediate Retirement, with attached CSC Form 1084, Information in Support of Civil Service Retirement Application, as follows: CSRS employees, OPM/CSRS, P.O. Box 45, Boyers, PA 16020; for FERS employees, OPM/FERS, P.O. Box 200, Boyers, PA 16020 within 10 calendar days after the ending date of the pay period in which the employee retired.

a. Use OPM developed checklists to ensure complete and accurate processing. Submit completed and signed checklist to OPM with the retirement package.

b. Post retirement deductions through the date of retirement on the Fiscal Record of the SF 2806/3100.

c. Enter the type of non-disability retirement in the service history, e.g. optional, mandatory, or discontinued service.

d. Enter the date pay stopped in column 4 of the SF 2806/3100. This will normally be the date of retirement; however, if pay status ends before the retirement date, enter the earlier date. Enter the service computation date "SCD (month, day, year)."

7. Service Credit Deposits for Post-1956 Military Service. Any individual employed in a position subject to the CSRS on or after October 1, 1982, will receive credit for Post-1956 military service only if he or she deposits a sum equal to seven percent of the military basic pay received for such post-1956 military service. Individuals who were first employed under CSRS before October 1, 1982, will have the option of making deposits for post-1956 military service and avoid a possible annuity reduction. These same provisions apply to FERS employees, except that the amount to be deposited will be equal to three percent of the military basic pay received for post-1956 military service.

a. Payment of service credit deposits may be made either by cash payment or biweekly payroll deductions. Installment payments must be in whole dollar amounts not less than $25 per pay period, except for the last payment which may be in any amount to complete repayment. Unpaid balances are subject to interest calculations, and OPM will issue annual guidance concerning the rate of interest to be used.

b. Record payments on the OPM Form 1514, Military Deposit Worksheet. In addition, a separate SF 2806/3100 will also be maintained for Post-1956 military deposits. The SF 2806/3100 Service History should carry the annotation "Military Service History and Deposit Record."

c. Close out the SF 2806 when military service credit deposits are complete and annotate in the Remarks column "Deposit paid in full." Submit the 2806 along with the OPM Form 1514 and the SF 2803 to OPM via a regular SF 2807/3103.

d. Close out and submit the SF 2806/3100 to OPM via a regular SF 2807/3103 in the event an employee resigns, retires, or dies prior to completing military service deposits. Annotate the SF 2806/3100 in the Remarks column with either "Paid in full" or "Partially paid", depending upon action taken by the employee or survivor. Notify the employee or survivor of the intended close out and provide the opportunity to complete payment prior to submitting to OPM. Advise the employee or survivor that refunds of military service deposits may be made only by OPM.

e. Close out and send the SF 2806 for military deposits to the new payroll office when an employee transfers to another payroll office within the same Military Service or Defense Agency. When the transfer is to another payroll office not in the same Military Service or Defense Agency, close out the SF 2806 and submit to OPM. A FERS Post-1956 retirement record is sent to OPM together with

the regular retirement record for all transfers to another payroll office including transfers within the same military service.

080506 Safeguarding Individual Retirement Records. Individual retirement records not maintained in a mechanized manner must be stored in secured fireproof containers. It is recommended that manually maintained individual retirement records be microfilmed/microfiched after the annual posting, and that these be stored separately from the record itself.

080507 Registers of Separations and Transfers.

A. The SF 2807 (Register of Separation and Transfers) is used to control and transmit SFs 2806 to other payroll offices and OPM. The SF 3103 (Register of Separation and Transfers) is used to control and transmit SFs 3100 to OPM.

B. Series Designations. Maintain two separate series of SFs 2807 transmittal numbers depending on whether the SF 2807 is transmitted to another payroll office or to OPM. Each series is consecutively numbered throughout the calendar year, and the first SF 2807 prepared in a new calendar year will begin with the number 1. SFs 2807 transmitted to another payroll office will be designated "IA" (Intra-Agency). Those transmitted to OPM will be designated "OPM." For example, the first SF 2807 transmitted to OPM for calendar year 1992 will be designated "OPM-92-1", while the first SF 2807 submitted to another payroll office will be designated "IA-92-1."

C. As all SFs 3100 are transmitted to OPM, it is necessary to maintain only one series of transmittal numbers for SFs 3103. These must also be consecutively numbered throughout the calendar year, and the first SF 3103 transmitted to OPM in a calendar year will begin with the number 1. All SFs 3103 will be designated "FERS." For example the first SF 3103 submitted to OPM for calendar year 1992 will be designated "FERS-92-1.

D. More than one SF 2806/3100 may be submitted with each SF 2807/3103. However, do not delay sending completed retirement records while other records are being prepared for submission.

E. Copies required.

1. OPM series. Prepare and submit the original to OPM. Retain one copy in payroll office files. An additional copy may be required according to your DFAS Center departmental instructions.

2. IA series. Prepare and submit the original and one copy to the gaining payroll office. Retain one copy in payroll office files. An additional copy may be required according to your Center departmental instructions.

3. FERS series. Prepare and submit the original to OPM. Retain one copy in payroll office files. An additional copy may be required according to your DFAS Center departmental instructions.

F. Filing the SF 2807/3103. File SFs 2807 received from other payroll offices in a separate file in order of receipt by calendar year. Maintain a separate file for each "IA" series of SFs 2807 received. These files will be in numerical order for each calendar year. Maintain a separate file for SFs 3103 in numerical order for each calendar year.

080508 Adjustments.

A. Current Employees

1. Erroneous Deductions. If an erroneous amount was deducted for retirement from the pay of a current employee, make an adjustment on the next payroll. Increase or decrease current retirement deductions from the employee's current pay period earnings, and make a corresponding adjustment in the employer's contributions. Include the adjustment in the SF 2812L prepared for the current pay period.

2. Deductions Not Withheld When Required. If deductions were not made for a period when the employee should have been covered by the CSRS/FERS retirement acts, compute the correct amount and make the withholding the next pay period. If deductions were made for a NAF retirement plan when deductions were required for CSRS/FERS, adjust the NAF retirement deductions and contributions, and FICA contributions and deductions, in the next pay period submission to these retirement plans. These amounts should then be offset against the amounts that should have been submitted for CSRS/FERS to determine the net amount that must be withheld from the employee's current period pay.

B. Separated Employees.

1. Overdeductions:

a. When an excess amount has been deducted from a former employee's pay, and the SF 2806/3100 has not yet been forwarded to OPM, the amount is included in the current calendar year and total accumulative deduction postings in columns 6 and 7 respectively on the SF 2806/2807. In addition, the amount of excess deductions is shown in column 8, Remarks.

b. If the overdeduction is found after the SF 2806/3100 was sent to OPM, an SF 2806-1, Notice of Correction of Individual Retirement Record for CSRS employees, or an SF 3101, Notice of Correction of Individual Retirement Record (FERS), must be prepared and submitted to OPM.

c. When an overdeduction from a former employee's pay results in excess employer contributions, the amount of the excess should be deducted from the next pay period's SF 2812L.

2. Underdeductions

a. When an insufficient amount has been deducted from a former employee's pay, and the SF 2806/3100 has not yet been submitted to OPM, note the amount of the deficiency in column 8 of the SF 2806/3100. If the SF 2806/3100 has been submitted, another SF 2806/3100 must be prepared and annotated "Supplemental" in the upper left margin.

b. When an underdeduction from a former employee's pay results in insufficient employer contributions, the amount of the shortfall should be included in the next pay period's SF 2812L.

3. Other Corrections. Corrections to the Service History or Name History portions of the SF 2806/3100 should be made on the retirement record if the error is detected before to the record is submitted to OPM. If the error is detected after the record is submitted to OPM, prepare an SF 2806-1 or SF 3101.

C. Transferred Employees

1. Overdeductions

a. When an excess amount has been deducted from a transferred employee's pay, and the SF 2806 has not yet been forwarded to another payroll office within the same Military Service, the amount is included in the current calendar year and total accumulative deduction postings in columns 6 and 7 respectively on the SF 2806/2807. In addition, the amount of excess deductions is shown in column 8, Remarks.

b. Prepare and submit an SF 2806-1, Notice of Correction of Individual Retirement Record for CSRS employees, or an SF 3101, Notice of Correction of Individual Retirement Record, to the new payroll office if the overdeduction is found after the SF 2806/3100 was forwarded to another payroll office within the same Military Service.

c. Deduct the amount of excess employer contributions from the next pay period's SF 2812L when an overdeduction from a transferred employee's pay results in excess employer contributions.

2. Underdeductions. Note

the amount of underdeductions in column 8 of the SF 2806 when an insufficient amount has been deducted from a former employee's pay, and the SF 2806 has not yet been forwarded to another payroll office within the same Military Service. Prepare and forward an SF 2806-1 to the new payroll office if the SF 2806 has been submitted.

3. Other Corrections. Correct the Service History or Name portion of the SF 2806 on the retirement record if the error is detected before to the record is submitted to another payroll office within the same Military Service. Prepare and submit an SF 2806-1 to the new payroll office if the error is detected after the record is submitted.

4. Retroactive Payments

a. Report CSRS/FERS deductions withheld from a retroactive salary payment for a separated employee by preparing a supplemental SF 2806/3100, and forwarding it to OPM by SF 2807/3103.

b. Include CSRS/FERS deductions withheld from a retroactive salary payment for a current employee in the current year salary deduction on the SF 2806/3100 being maintained for the employee.

c. Report CSRS/FERS deductions withheld from a retroactive salary payment for an employee transferred to another payroll office within the same Military Service by preparing a supplemental SF 2806/3100, and forwarding it to the new payroll office by SF 2807/3103.

080509 Availability of Retirement Funds for Loan and Setoffs.

A. Loans and Private Debt.

1. An employee may not borrow from the Civil Service retirement funds or assign money credited to his or her account as security for a loan for any other purpose. Generally, lump-sum credit or annuity is not subject to execution, levy, attachment, garnishment, or other legal process.

2. However, OPM will comply with a garnishment or attachment order issued to enforce a child support or alimony obligation. In addition OPM will comply with the assignment of retirement benefits in a State court order, decree, or community property settlement agreement in connection with the divorce, annulment of marriage, or legal separation of a Federal employee or retiree.

B. Setoff.

1. Conditions governing collection by setoff.

a. An employee's contributions to the Civil Service retirement fund may be setoff to recover any valid debt to the United States if all of the conditions below are met.

(1) The employee has been separated.

(2) The payroll office has exhausted all other means of recovery.

(3) The employee has filed an application for refund or for a monthly civil service annuity benefit.

(4) The creditor agency has given the employee an opportunity to request reconsideration of the collection including an oral hearing, waiver, or compromise.

b. An employee's contributions to the Thrift Savings Plan may not be setoff to recover any valid debt to the United States.

2. Setoff Procedure

a. Before a payroll office can ask OPM to recover a debt of a former employee from the retirement fund, the employee must be notified in writing of the following:

(1) The reason for the debt.

(2) The date repayment must be made (normally not more than 30 days after date of the notice).

(3) The intention to collect the debt by setoff from the retirement fund.

(4) The opportunity to request reconsideration of the decision to collect the indebtedness, including waiver or compromise.

(5) An explanation of the right to an oral hearing.

b. Only one written demand containing the above notice is required to be sent to the employee. If there is no reason to believe that the employee has not received the demand notice, the payroll office has the right to judge the claim based on evidence in its possession.

c. An SF 2805, Request for Recovery of Debt Due the United States, will be prepared, and the payroll office will send Parts 1, 2, and 4 of the SF 2805 to OPM. Part 3 will be retained in the payroll office.

d. If a debt has been pursued to judgement, written demand need not be made. A copy of the court order must be attached to SF 2805.

e. Do not retain the SF 2806/3100 pending completion of action necessary to prepare and submit an SF 2805. If an SF 2805 will be submitted at a later date, the SF 2806 should be annotated in column 8, Remarks, with the existence of the debt, the amount (if known), and the reason for the debt. If the exact amount of the debt is unknown, note in the SF 2806, column 8, that the employee is indebted in an unknown amount.

080510 Annual Summary of Retirement Fund Transactions. OPM requires an annual summary and reconciliation of amounts reported throughout the calendar year for CSRS and FERS. These summaries and reconciliations are performed at the departmental level at each DFAS Center. Each Center has different procedures concerning how this annual summary and reconciliation is performed; therefore you should contact the Center which has responsibility for your payroll office to obtain their instructions.

080511 Thrift Savings Plan Retroactive Contributions.

A. The Federal Retirement Thrift Investment Board has developed a form to be used in capturing information concerning retroactive contributions for employees who have transferred from a civil service position to a NAF position, and who are eligible to make retroactive contributions in accordance with the Portability of Benefits for Nonappropriated Fund Employees Act of 1990. The form to be used is the TSP-1-NAF, Election Form for Retroactive Contributions - NAF Employees. This form will not be contained in any Thrift Savings Plan (TSP) Bulletin.

B. It is recommended that you only use this form to capture elections concerning retroactive contributions allowable by the Portability of Benefits for Nonappropriated Fund Employees Act of 1990. The TSP-1, TSP Election Form, should be used to document information concerning current contributions to TSP.

080512 Retroactive Adjustments Allowed by P.L. 101-508. OPM has issued guidance concerning adjustments required when an employee elects to be retroactively covered by his or her former retirement plan. The guidance differs depending on whether the employee was previously covered by the Civil Service Retirement System or the Federal Employees Retirement System. This guidance is outlined below.

A. Employees Electing to Retain Full CSRS Coverage

1. Employee Deductions. CSRS employees have certain options concerning the payment of employee deductions when deductions have not been taken from basic pay to cover the required deduction. The employee should have these options explained, and a written election should be obtained which includes a statement concerning the option elected and whether the employee has received a direct refund from the nonappropriated fund (NAF) retirement plan for previously withheld deductions. The options are as follows:

a. Agency Correction of Records. Election of this option by the employee requests the employing agency to collect the employee deduction, if necessary, and make the required adjustments to the Individual Retirement Record. If the employee selects this option, he or she will not have to go through normal OPM service credit procedures, and interest will not be charged.

(1) If the employee is retroactively placed in CSRS, both the agency and the employee have overpaid FICA taxes and Nonappropriated Fund retirement (unless the employee received a direct refund for his NAF retirement deductions). Instructions for making the proper adjustments in this situation are contained in Comptroller General Decision B-202201.

(2) After the adjustments required by Comptroller General Decision B-202201 have been completed, the employees' salary may not have been reduced by an amount equal to that necessary for the full CSRS employee deduction. If this is the case, the employee has received a salary overpayment that may be considered for waiver. If the request for waiver is denied, the employee must repay the amount. Repayment may be made in either in a single lump-sum amount or in installments. If the request for waiver is approved, the NAF instrumentality must pay the employee's share from its funds and report the payment via the SF 2812L no later than the second pay period after the decision. In either case, such repayments must be included as calendar year salary deductions on the employee's SF 2806.

b. Payment of Deposit to OPM. If the employee elects not to have his or her records corrected, there will still be an option to file Standard Form 2803, Application for Deposit or Redeposit, with OPM and make payments directly to OPM through normal service credit channels. This deposit must be completed before the annuity is finally adjudicated at the time of the employee's retirement. In this case, the employee's SF 2806 must be documented to reflect the period for which deductions were not withheld, the amount of deductions that should have been taken, and that the employee did not elect correction. If the employee chooses this option, interest on the deposit will be charged as required by law.

c. Nondeduction service. If the employee elects this option, the retroactive period will be considered as nondeduction service. Service performed after October 1, 1982, will not be used in the computation of the annuity, if the deposit is not made. In this case, the employee's SF 2806 must be documented to reflect the period for which deductions were not withheld, the amount of deductions that should have been taken, and that the employee elected nondeduction service.

2. Agency Contributions. Regardless of the option selected by the employee, the NAF instrumentality must send OPM its share of CSRS retirement contributions for each employee. The NAF instrumentality should compute and send to OPM, in accordance with their instructions for adjusting retirement, an amount equal to that which would have been contributed had the employee been covered by CSRS rather than NAF during the period in question. This payment must include an amount retroactive to the effective date of the CSRS coverage. These contributions should be submitted to OPM no later than the second pay period after the amount of the agency contribution is established for each employee.

B. Employees Electing to Retain FERS Coverage

1. Unlike employees who elect to retain CSRS coverage, those employees

who elect to retain FERS coverage do not have an option concerning whether to repay for periods of retroactive deductions. All periods subject to retroactive deductions must be repaid. The NAF instrumentality is responsible for repaying the full normal cost, which includes the employee and employer share. The amount that should have been deducted from the employee's basic pay to cover FERS retirement deduction constitutes an overpayment of pay to the employee. Any overpayment of pay is subject to collection unless it is waived.

2. If the employee is retroactively placed in FERS, both the agency and the employee have overpaid Nonappropriated Fund retirement (unless the employee received a direct refund for his NAF retirement deductions). Action should be taken to recover both employee deductions and employer contributions for periods of retroactive FERS coverage. Prior to requesting a refund from the NAF retirement plan, a written statement should be obtained from the employee concerning whether he or she has received a direct refund from the Nonappropriated Fund (NAF) retirement plan for previously withheld deductions. This statement then will become the basis to apply for a refund of previously withheld NAF retirement employee deductions. Refunds of employee deductions received from NAF retirement plans should be offset against the amount owed to OPM for FERS employee deductions to determine the net amount of the overpayment of pay.

3. Agency Contributions. The NAF instrumentality must send OPM its share of FERS retirement contributions for each employee. The NAF instrumentality should compute and send to OPM, in accordance with their instructions for adjusting retirement, an amount equal to that which would have been contributed had the employee been covered by FERS rather than NAF during the period in question. This payment must include an amount retroactive to the effective date of the FERS coverage. These contributions should be submitted to OPM no later than the second pay period after the amount of the agency contribution is established for each employee.

080513 Annual Leave Lump Sum Repayment. Employees who are covered under the provisions of the Portability of Benefits for Nonappropriated Fund Employees Act of 1990 who were paid lump sum leave payments between January 1, 1987 and April 15, 1991, as a result of a transfer between appropriated and nonappropriated fund positions, may repay those lump sum payments and receive recredit of the leave. Employees who separated from Federal service between January 1, 1987 and April 15, 1991, and who were subsequently rehired may also have the opportunity to repay the lump sum leave and receive recredit in accordance with Section 1077 of Public Law 102-484 (the DoD Authorization Act for Fiscal Year 1993).

0806 DUAL COMPENSATION

080601. General The Dual Compensation Act of 1964, as amended (codified at 5 U.S.C. 5531-33, provides that a retired member of the armed forces who later is employed in a Federal civilian position (including a NAF position) may receive the full salary of that position, but their retired or retainer pay may be reduced. For details, refer to Volume 7, Part B of the DoD financial Management Regulation 7000.14-R.

CHAPTER 9

INTERNAL CONTROLS

0901 PURPOSE. This chapter prescribes the internal control techniques that are to be designed and implemented into all DoD NAF accounting systems.

0902 REQUIREMENTS

090201 Legal. 31 USC 3512 requires the head of each executive agency to establish and maintain systems of accounting and internal control that conform to the requirements prescribed by the Comptroller General of the United States. The head of each executive agency is required to report annually on whether the agency's accounting systems conform to the accounting principles, standards, and related requirements prescribed by the Comptroller General. The accounting requirements of the Comptroller General prescribed under section 3511 are set forth in the General Accounting Office Policy and Procedures Manual for Guidance of General Agencies and implemented in this regulation.

090202 Internal Controls - The plan of organization and all of the coordinate methods and measures adopted within a business entity or activity to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. Accounting controls for safeguarding assets and ensuring the reliability of records include systems of authorization and approval, separation of duties, physical controls over assets, and internal auditing. Administrative controls concerning operational efficiency and compliance with policies and procedures include statistical analyses, training programs, and quality controls.

090203 Systems. Subsection (a) of section 3512 requires the head of each executive agency (including the DoD Components) to have systems of accounting and internal control which provide:

A. Complete disclosure of the financial results of agency activities;

B. Adequate financial information needed for agency management purposes;

C. Effective control over, and accountability for, assets for which the agency is responsible;

D. Reliable accounting results and reports that will be the basis for preparing and supporting agency budget requests, controlling budget execution, and providing financial information the President requires, and;

E. Suitable integration of agency accounting with Treasury's central accounting and reporting responsibilities.

0903 INTERNAL CONTROL STANDARDS. The standards contained in this chapter apply to all manual and/or automated systems of accounting and related internal controls under development, under major revision, or currently operating in all DoD Components. These standards, along with other applicable requirements, shall be considered when Component heads report annually in compliance with management control standards prescribed by GAO and guidelines issued by OMB as they relate to their accounting systems as required by the Federal Manager's Financial Integrity Act, P.L. 97-255. The internal management control (IMC) program is implemented by DFAS 5010.38-R.

090301 Structure of the Accounting System

A. The accounting system shall be structured to produce and report financial information to satisfy the internal needs of the DoD Component and the external reporting

needs of the executive branch, the Congress, and the public as applicable.

B. The system shall be structured in such a way that it ensures the proper gathering, recording, storing, processing, communication, and consistent reporting of the information.

C. Information shall be organized by project or program, responsibility centers, activities, object class of expenditure, organization units, appropriation, etc.

D. The system shall be flexible so it can adapt to changing user and external requirements during the system's life cycle.

E. The system shall be flexible enough to handle additions or deletions, including changes to accounts or account codes, classifications, organizations, and dollar thresholds, without extensive program or system changes.

F. Data shall be captured at the lowest level of detail to facilitate adapting to new and expanded report requirements.

G. The accounting structure shall provide for general ledger and subsidiary accounts, incorporating the double-entry concept.

H. The account structure within the general ledger shall be driven by the type of funds involved and the nature of the Component's operations.

I. The general ledger account structure shall support required internal and external reporting and shall conform with the general ledger as prescribed in the appropriate appendix contained in this regulation.

J. The accounting system shall provide a means of capturing and reporting transactions by organizational segments, appropriations and funds, budget activities, programs, projects, geographic locations, obligations, disbursements, objects of expenditures, etc. as necessary to meet user needs and outside reporting requirements and inquiries.

K. The classification coding scheme shall be coded in such a way that lower levels of data roll up into higher levels. For example, projects normally roll up into programs, which roll up into budget activities, which roll up into appropriations, which roll up into Component-level information, which roll up into consolidated department wide information.

L. Programming, budgeting, accounting, and reporting classifications shall be consistent with each other and synchronized with the organizational structure so that actual activity can be compared with enacted budgets and support future budget formulation for each management function. To achieve this consistency and synchronization, the account structure and transaction coding and data classification scheme shall be uniform or translatable among all accounting, budgeting, and reporting systems and subsystems, within the Component.

090302 Accounting Processes and Procedures

A. Support for Transactions

1. The financial transactions for which the accounting system must account shall be adequately supported with pertinent documents and source records.

2. These transactions, and any subsequent adjustments, shall be authorized and executed in accordance with management criteria by personnel acting within the scope of their authority.

3. Transactions shall be properly accumulated and correctly classified, coded, and recorded in all affected accounts.

4. Transactions shall be recorded in the accounts promptly and accurately, in the proper amount, to permit preparation of financial reports in accordance with internal needs and external requirements

and prompt analysis of the information by management.

5. Information shall be captured in the accounting records simultaneously with or immediately following the economic event that gave rise to the transaction.

6. All transactions, including those which are computer-generated and computer-processed, shall be uniquely referenced to individual source records.

7. Referencing shall be done in a manner that enables tracing or replicating a transaction form its source to the resulting record or report, and from the resulting record or report to the source, or by tracing indirectly to source records through summaries and calculations contained in general and specific journals.

8. Individual source records fall into the following three categories:

a. Documents (either traditional source documents or paper documents or forms created when data are entered at a terminal),

b. Source listings of transaction data entered at a terminal (these listings include the same data elements as the traditional source document without generating the individual documents), and

c. Source records stored on magnetic media such as disk or tape.

9. Items in source records necessary for audit trail purposes shall include transaction type, record or account involved, amount, processing references, and identification of the preparer and approver of the transaction.

10. To facilitate tracing to source documents, the ledger account shall include transaction references, that is, a record of all postings to the account.

11. In the case of computer generated transactions, verification shall be accomplished through reviews of systems documentation such as edit routines, decision criteria in program listings, master files or data base records, detailed listings of computer media work files, or input transactions which trigger other computer generated transactions.

12. Electronic certification procedures shall include software lockouts to prevent unauthorized individuals from modifying or accessing any information not within the scope of their authority.

B. Reconciliation

1. General ledger balances shall be reconciled with subsidiary accounts and records, either manually or by the computer, in a timely manner.

2. Regularly scheduled reconciliation of control and subsidiary accounts and records for such things as cash receipts, accounts receivable, inventories, and accounts payable shall be performed to substantiate and maintain the accuracy of account postings and balances by checking the agreement between the sum of the detail in subsidiary accounts with the general ledger control balances.

3. General ledger property control accounts shall be periodically reconciled to detailed property records.

4. Accounting records shall be adjusted to be in agreement with the results of physical inventories when they are taken.

5. The results of periodic physical counts of cash and cash items shall be reconciled to recorded amounts and any discrepancies adjusted.

6. Financial data produced by program offices or other financial systems shall be reconcilable with the comparable data in the accounting system.

7. The system, whether

automated or manual, shall have the capability of readily reconciling expenditure data with obligations and outlay data.

8. The system shall include appropriate procedures for closing the accounts at the end of one accounting period and reopening accounts at the beginning of the next period.

C. Transaction Processing/ Production Control

1. The accounting system shall contain internal controls which operate to prevent, detect, and correct errors and irregularities which may occur anywhere in the chain of events from transaction authorization to issuance of reports.

2. The controls shall cover the functions of transaction authorization and approval, data preparation and validation, input, communications, processing, storage, and output, as well as error resolution and reentry and file or data base quality maintenance.

3. The internal controls shall provide reasonable assurance that the recording, processing, and reporting of financial data are promptly performed and that the completeness and accuracy of authorized transactions and data are ensured during automated (or manual) processing of the accounting.

4. Input controls shall exist to detect incomplete, duplicate, or otherwise erroneous transactions and ensure they are controlled until corrected.

5. Processing controls shall exist to provide reasonable assurance that all transactions have been processed and that the application processing was correct, using correct file data, operator procedures, and processing logic.

6. Output controls shall provide reasonable assurance that the output is complete, correct, and distributed only to authorized users.

7. Data communication controls shall exist to ensure that the integrity and confidentiality of messages (data) transmitted by communication lines from the originating point to the reception point are maintained.

8. Data storage and retrieval controls shall exist to ensure that the files and data are protected from loss, destruction, and unauthorized changes, and that only the correct and latest version of data and program files are used during processing.

9. While the particular procedures and records used to effect these controls are left to each Component, the accounting system shall include controls, where appropriate, that prevent or detect the following kinds of situations:

a. Failure to record a transaction,

b. Incorrect or incomplete recording of a transaction,

c. Duplicate recording of a transaction,

d. Loss of a transaction document in handling,

e. Incorrect entry of data at a terminal,

f. Processing of unauthorized or incorrect data,

g. Directly changing account/master file/data base records without an authorized transaction,

h. Use of a superseded or test version of a program rather than the current production version,

i. Use of a wrong file or record in processing,

j. Unauthorized file

maintenance transaction (which have a financial impact),

k. Use of an incorrect value in internal tables,

l. Incorrect default value,

m. Input of incorrect program parameters,

n. Unauthorized use of programs which bypass normal program controls and edits,

o. Incorrect or incomplete processing logic,

p. Abnormal interruption of the application processing run,

q. Destruction of part or all of a file during processing,

r. Data base errors,

s. Inappropriate use of operating program testing aids to circumvent normal processing control procedures,

t. Out-of-balance conditions, and

u. Data errors caused during data transfer between interfacing systems.

10. The accounting system shall provide a reference and control list of transactions processed during a processing cycle or a given period of time.

D. Error Handling

1. The accounting system shall provide procedures for control over errors to ensure that once errors are detected:

a. Corrections are made in a timely manner and reentered into the appropriate processing cycle,

b. Corrections are made only once, and

c. The correction itself is validated.

2. Data items that contain errors shall be carefully controlled to ensure they are resubmitted (i.e., the transaction is not lost).

3. For data input errors, error lists or reports indicating why each item was rejected shall be prepared and open items shall be tracked and aged until all errors are corrected.

4. The system shall provide management with reports that list errors, reasons for errors, and corrective action taken.

5. Supervisor personnel shall review error listings and corrections.

6. Procedures shall be established for periodically analyzing reasons for errors and rejected transactions by type and source so that appropriate actions may be taken to obtain improvements.

7. When transaction are input through a terminal, either on-line or for later update to the system, the transaction and its data elements shall be edited as keyed, errors found by the edits are resolved and re-input by the person keying the transaction, or the transaction is held in some fashion until all the data are validated.

8. When error resolution cannot be done at the terminal, the document or source record shall be controlled to ensure errors are researched, corrected, documented, and resubmitted for input into the system in the appropriate processing cycle.

9. Additional editing by the application software shall occur once the transaction is in the system.

E. Control Over Output

1. Output distribution shall be controlled to ensure that only properly authorized personnel receive reports or other output.

2. Prior to distribution, outputs shall be checked for such things as completeness, agreement of control totals, and appropriateness of the number of copies.

3. If feasible, a cross-check with output from related programs shall be done.

4. The user group or area responsible for the function related to the output shall perform simple error detection and control procedures (e.g. visual scans, tests against independently maintained control totals, comparison with approximations or physical counts) before relying on the output.

F. Verifying File Data

1. Since data quality can deteriorate over time the accounting system shall provide maintenance procedures to ensure the continuing quality of files.

2. Depending on what the application and record type are, file reviews shall be performed by the users or other personnel who would be most effective in detecting discrepancies.

3. The need for periodic special reviews to verify file data shall be reduced where input controls are effective and when the examination of reports routinely produced by the system can be relied upon to serve this purpose.

4. Component management shall determine the frequency and extent of file quality reviews with due regard to the risks and costs involved. Similar review procedures shall be considered for satellite files (stored tables) used by application programs.

G. Reviews and Evaluations of the System in Operation

1. Periodic reviews and tests of the accounting system shall be performed to ensure that the system and its controls and security features continue to meet user needs, perform as intended, and conform with applicable accounting standards.

2. In certifying compliance with prescribed accounting principles, standards and related requirements as required by the Federal Managers' Financial Integrity Act, transaction testing of the system in operation shall be performed.

3. Transaction testing shall be done on the critical aspects of the system and results are documented.

4. Tests shall be designed to disclose whether valid transaction are processed properly and whether the system rejects invalid transactions.

5. The tests shall cover the entire flow of transactions from initial authorization through processing, posting to the accounts, and reporting.

6. In developing test plans, consideration shall be given to the results of any prior system testing.

7. When the system involves manual operations, interview and observation techniques shall be performed because of the higher risk that prescribed accounting procedures or control techniques are not consistently followed or that the results of processing test transactions are not representative.

8. System evaluation policies shall provide for more comprehensive evaluation on a cyclical basis. For example, independent and fairly detailed reviews of the entire system or of a major portion of the system might be made every third year, with personnel who operate the system performing less comprehensive reviews in the interim.

9. More than one of the

following testing techniques shall be used to test all key aspects of an accounting system:

a. Interviewing persons who operate the system.

b. Observing operating procedures.

c. Examining system documentation.

d. Independently verifying data integrity by use of generalized audit software.

e. Verifying that the computer-based system correctly processes (or rejects) both valid and invalid transactions by using actual or simulated transactions.

f. Reviewing process and error reports and evaluating error follow-up procedures.

g. Comparing data from related reports and records.

10. Accounting System managers shall:

a. Promptly evaluate findings and recommendations made by auditors and others reviewing accounting systems.

b. Determine proper actions in response to findings and recommendations.

c. Complete, within established time frames, all actions to correct or resolve findings and recommendations.

H. Financial Reporting

1. Financial reports shall provide information users need, be easy to understand, be accurately and promptly prepared on a consistent and comparable basis, fairly present information and relevant disclosure data, and include the effect of all and only transactions of the period being reported upon.

2. Financial reports shall comply with restrictions on information classified for security purposes.

3. Internal and external reports shall be prepared from the same source data (the underlying accounting records or data base) and shall be in agreement.

4. Reporting periods may vary between systems; therefore, reconciliation is required between systems.

5. Except when estimates are clearly appropriate, information included in external reports required by the Treasury and OMB shall be from the general ledger or accounts under general ledger control.

6. Interagency, intra-agency, and interfund transactions shall be separately identified in records and statements so they can be properly treated in preparing consolidated reports.

7. Financial statements shall be prepared based on the entity's systematic accounting process covering the total operations of the reporting entity.

I. Accuracy

1. All financial data presented in reports shall be accurate.

2. Reasonable estimates shall be clearly identified in reports and statements when precise measurements are impractical, uneconomical, unnecessary or would cause delay in report issuance.

3. If financial data or reports are based on sources other than the official accounting system, their basis shall be clearly explained.

4. The component's financial reports shall include full and adequate disclosure

of financial and accounting information, including:

a. Disclosure of related party transactions.

b. Liability for employer benefit plan.

c. Department of the Treasury specific reporting requirements.

5. Automated and manual controls built into the system shall ensure the accuracy of financial data collected, processed, and reported. In addition, when reports are manually prepared, they shall result directly from financial data coming from the system and shall be prepared by designated individuals knowledgeable of the reporting requirements, and reviewed and approved by supervisory personnel.

J. Usefulness

1. Internal reports, including reports presented on terminal screen displays, shall be designed and produced to meet users' needs.

2. Recurring internal financial reports shall be based on explicit statements of financial information requirements for each user organizational unit.

3. Information needed by users shall be identified when designing the system.

4. Reports and user satisfaction with the level of detail, frequency, and report distribution shall be verified periodically.

5. Written policies and procedures shall be developed for initiating and approving requests for financial information and for changes to report formats.

6. The accounting system ad hoc reporting or query capabilities, as well as agency procedures for using these capabilities, shall be readily available to system users.

7. All internal reporting policies and practices shall be reviewed periodically to determine their continued usefulness and whether they represent organizational and program changes.

8. The responsibility for keeping current on changing requirements of external reports shall be assigned to a particular individual or group.

9. Reports shall be designed to highlight major problems, exceptions, or trends and to facilitate the monitoring and evaluation of operations.

10. Reports produced by the accounting system shall compare current and prior-period performance, and planned performance with actual performance in a variety of ways, including on a cash, accrual, or obligational basis.

11. Reports shall be designed so they can:

a. Signal when controls over funds or other resources have broken down.

b. Alert managers when operations are deviating from financial plans.

c. Provide the financial data needed to analyze and predict the financial consequences of alternative course of action.

12. Accounting system reports, combined with other management information, shall provide managers with a wide range of useful reports that contrast anticipated work units and their anticipated costs with actual work units and actual incurred costs.

13. Data shall be saved as appropriate for historical as well as for reconstruction of data files.

K. Timeliness

1. Reports shall be promptly produced to be of maximum use to management and to meet external requirements.

2. When timeliness is particularly critical, reporting needs shall be met by providing the capability to query the system's data base or by ad hoc report generation capabilities.

3. Systems shall have back-up and recovery provisions to help ensure timely report generation in cases of processing interruption or emergency situations.

4. The Component shall develop and maintain reporting schedules and due dates.

5. Responsibility for report distribution shall be assigned to one individual or group.

6. A control list of reports produced, their due dates, and authorized recipients shall be maintained and checked off as reports are issued.

7. Approved cut off dates shall be established for data input for produced reports and this shall be communicated throughout the Component.

8. Financial reports shall be issued periodically according to the accounting period and as needed.

L. Consistency

1. Financial management data shall be recorded and reported in the same manner throughout the Component using standard accounting and budget definitions and classifications.

2. Financial data reported shall be derived from general ledger accounts that are maintained on a consistent basis from period to period.

3. Any material changes in accounting policies or methods and their effects shall be clearly explained in the reports.

M. Operation, Maintenance, and Evaluation

1. Management shall monitor an operating accounting system's life cycle to ensure that the system's stability is maintained because of changes in hardware and software.

2. Successful application of management policies and procedures for controlling changes in system software and hardware and improved compilers, and the proper training of new employees shall operate to protect against communication problems, data entry failures, and user negligence.

3. Well-defined organizational responsibilities and strict adherence to procedures and controls governing the processing of changes to the system, such as system maintenance, shall operate to ensure stability of the system in operation.

4. All system changes shall be properly authorized in writing and such authorizations shall be maintained with the system documentation.

5. The separation of duties required for control purposes shall include to the extent practical the following:

a. Computer operations group: Has responsibility to deliver to users products generated by the application systems, to assess problems, and to act as a liaison between users and the maintenance support group in resolving problems.

b. Maintenance support group: Has responsibility to accomplish and document changes or enhancements to meet user needs or to correct program errors detected within the group.

(1) Care shall be used, through use of formally approved and documented system change control procedures,

to protect against fraudulent or otherwise unauthorized changes to previously tested and accepted application systems and data bases.

(2) Control procedures shall require proper analysis of requested changes.

(3) After the analysis is completed and documented, user and/or ADP management shall approve the changes before modifications are made.

(4) Within the maintenance support group, not all programmers shall have access to all application software.

(5) After any changes are made, the maintenance support group shall conduct appropriate tests and reruns of the application software to ensure that procedures and controls are working as intended.

c. User groups: Are responsible for ensuring, to the extent practicable, the integrity of data input, processing, and output. This responsibility includes making sure that internal controls and operating procedures are properly implemented, training and operating manuals are provided to appropriate personnel, operations are continually evaluated against the design requirements, problems are promptly communicated, and errors are promptly resolved. In addition, key duties in authorizing, processing, recording, and reviewing transactions shall be separated among individuals.

N. System Documentation

1. The system documentation shall be complete, current, and maintainable.

2. The documentation shall be of sufficient scope and depth to provide management, users, auditors, and system operation, maintenance, and modification personnel with an understanding of the design and operation of each component in the system and its integration with and relation to all other components.

3. Documentation of the operating system shall be appropriately safeguarded and periodically updated so that it always shows actual operations.

4. System documentation shall include the requirements specified in chapter 2 of Volume 1 of this regulation.

5. Internal control objectives and techniques, pertinent aspects of transactions, and other significant events shall be documented.

a. Internal control objectives shall be logical, applicable, and complete.

b. Internal control techniques shall be effective and efficient in accomplishing the applicable objectives.

6. System documentation shall be available and easily accessible for examination.

O. Personnel

1. Accounting operations shall receive high priority by ensuring that each AO is supervised by a qualified, professional accountant.

2. Accountants shall be aware of, and adhere to, all prescribed accounting principles, standards, and related requirements.

3. All personnel in the operating AO shall receive adequate training to efficiently and economically accomplish their assigned responsibilities.

CHAPTER 10

MISCELLANEOUS

1001 INTERNATIONAL BALANCE OF PAYMENTS (IBOP) PROGRAM. All nonappropriated fund instrumentalities (NAFIs) are subject to the International Balance of Payments (IBOP) requirements in DoD Directive 7060.1 and DoD Instruction 7060.2. Those requirements will be eventually incorporated into Volume 3 of this regulation. Until then, NAF accounting offices should follow the requirements in the appropriate appendix.

1002 AUDITS

100201 Policy. It is DoD policy to provide adequate audit coverage of NAFIs. The primary objectives of such audits shall be to determine whether internal control systems are adequate, resources are safeguarded and managed economically and efficiently, and desired program results are achieved. Particular attention should be placed on identifying potential fraud, waste, or abuse in operations. To the extent possible, audits should be conducted on a system or functional basis, rather than on an activity basis, and the reliability and accuracy of ADP systems should be verified. The results of such system or functional audits should be made available to the NAFI community in the form of reports and/or internal control checklists. Department of Defense personnel, rather than certified public accounting firms, should be used for audits involving potential fraud or other serious improprieties.

100202 Scheduled Audits. Activities will normally be audited annually or as directed by the DoD Component heads. Audits may also be scheduled whenever circumstances warrant or directives require them. Policies regarding the audit of nonappropriated funds and related activities are prescribed in DoD Instruction 7600.6.

1003 CASH METHOD OF ACCOUNTING

100301 General. This section prescribes a uniform cash method of accounting and reporting system applicable to small NAFIs. These procedures represent a single entry cash basis system of accounting and prescribe statements which will reflect the financial condition of the various activities on a standardized basis.

100302 Scope. NAFIs are required to use the accrual method of accounting unless specifically authorized by the DoD Components to use the cash method of accounting.

100303 Definitions. For the purpose of this section, the following definitions apply.

A. Income - All cash receipts.

B. Expenditures - Cash spent for authorized transactions.

C. Net Worth - The total of the fund at a given date, i.e., cash in bank, cash on hand, petty cash, and other authorized investments.

D. Non-expendable Property - Property which ordinarily retains its original identity during use, has a unit acquisition value of $1,000 or more; and a life expectancy of two years or more. (Examples: furniture, pool table, television.)

E. Expendable Property - Property which has a unit value of less than $1,000 and/or supplies and materials which are immediately consumed in use or become incorporated in other property, thus losing their separate identities. (Examples: Radio and TV tubes, baseballs, food and equipment valued below $1,000.)

F. Cash Basis of Accounting - That system where only those transactions involving cash are recorded in the books of account.

100307 Petty Cash. A petty cash fund may be established when authorized by the installation commander. See paragraph 030201.

100308 Property and Equipment. Any property or equipment that is purchased with non-appropriated funds will be expensed at the time of purchase. Two types of property/equipment can be purchased, nonexpendable and expendable. However, for control purposes, only nonexpendable items need be accounted for on a property equipment inventory record unless otherwise directed.

100309 Non-Expendanle Property Inventory. An annual physical inventory will be required of all non-expendable property owned. Quantities counted must be reconciled with quantities which appear on the stock records and the dollar value listed on the property/equipment inventory records. Discrepancies between the physical inventory and the property records will be investigated and reported to NAFI management on a timely manner. Adjustments will not be made until approved by the installation commander or a designated individual.

100310 Reporting Requirements. Activities will be advised of the applicable reports and reporting requirements by their program manager.

APPENDIX A

ACCOUNTING PROCEDURES FOR ARMY NONAPPROPRIATED FUND INSTRUMENTALITIES

This appendix of the DoD Financial Management Regulation is for use by all nonappropriated fund accounting offices which use systems developed by the Department of Army. The appendix contains policies and procedures specific to those systems. The accounting policies and procedures contained in this appendix where formerly published in AR 215-5, that document is now obsolete. General or non-system specific policies and procedures are included in the core regulation and have been excluded from this appendix. For example, the requirement that nonappropriated fund instrumentalities (NAFIs) conform to generally accepted accounting principles is not system specific and applies to all DoD NAFIs. Therefore, it is included in the core regulation and excluded from this appendix.

This appendix supersedes all previously published policies and procedures. Therefore, in the event of conflicting instructions, the policies and procedures in the regulation itself should be followed.

CHAPTER 1

GENERAL INFORMATION

A0101 PURPOSE. This appendix prescribes a uniform system of accounting for Army NAFIs that is like a commercial system. It has standard financial statement formats to allow the operating results of NAFIs to be compared with each other and can be adapted to all NAFIs authorized by AR 215-1. This appendix applies to both manual and automated NAF accounting systems. The Nonappropriated Fund Information Standard System (NAFISS) is the only automated system authorized for Army NAF accounting outside USAREUR. NAFISS consists of seven subsystems: Mutual Data (MD), General Ledger (GL), Accounts Payable (AP), Accounts Receivable (AR), Inventory/ Stock Record (SR), Fixed Assets (FA), and Budget (BG). The MD, GL, AP, FA, and BG subsystems are mandatory for using NAFISS. The AR and SR subsystems are optional. MicroCADs is the standard NAF accounting system for USAREUR and consist of the following subsystems: General Ledger, Accounts Receivable, Accounts Payable, Fixed Assets, and Budget. All subsystems in MicroCADs are mandatory.

A0102 REFERENCES. Required and related publications and prescribed and referenced forms are listed in Attachment 1.

A0103 RESPONSIBILITIES.

A010301 Installation Commanders. Installation commanders will:

A. Fulfill the responsibilities required in A0201.

B. Make sure that adequate internal controls are set up to preserve the integrity of each fund.

C. Determine disposition of assets of dissolved CAOs (per A0207).

D. Appoint an official as point of contact between fund managers and the servicing CAO when there is no local finance and accounting officer.

A010302 Defense Accounting Office. The Defense Accounting Office (DAO) will be responsible for control of the CAO except the consolidated CAO at Red River Army Depot.

A010303 Central Accounting Office. The central accounting office will do the accounting and supply those services needed to support its serviced NAFIs (see A0204).

A010304 As the representative of both the command and the DAO, the central accounting officer will perform those functions listed in A020201

A010305 Fund Managers. Fund managers of serviced NAFIs will:

A. Administer their own funds, except for formal accounting and reporting functions. They may consult with the CAO in interpreting their financial statements; however, fund managers will be solely responsible for actions taken based on interpretation of financial data supplied by the CAO.

B. Provide the CAO with the value of each month's ending inventory and conduct physical inventories as required.

C. Requisition purchases of merchandise and supplies.

D. Approve the establishment of change funds and petty cash funds. (See A040109 and A040111.)

CHAPTER 2

THE CENTRAL ACCOUNTING OFFICE

A0201 ESTABLISHMENT OF A CENTRAL ACCOUNTING OFFICE.

A020101 Central Accounting Office. Each installation, community, or region will have a central accounting office (CAO) to do the accounting for all of its NAFIs. The CAO will give timely, standard accounting and reporting services. The CAO will service each NAFI unless an exception to policy is granted.

A020102 Organization and Funding. The CAO will be set up as a division of the DAO and funded and accounted for as part of the DAO except the consolidated CAO at Red River Army Depot. This CAO is a division of the NAF Directorate, DFAS-IN.

A020103 Services Provided. The CAO provides services that are normally provided by a commercial accounting office.

A020104 DAO. The DAO or designee will appoint a central accounting officer to account for the funds of the serviced activities and for funds entrusted to the CAO. The central accounting officer may be-

A. A GS-510 accountant paid from appropriated funds (APF).

B. A commissioned or warrant officer.

C. A NAF-510 NAF accountant.

A020105 Appropriated Fund Support.

A. Authorized APF Support. Appropriated fund support in addition to the salary of the central accounting officer is authorized under AR 215-1. The support can only be provided in the form of appropriated fund employees, appropriated funded supplies and materials, or through a contract issued by the appropriated fund procurement office. Allowable appropriated fund support is calculated as follows: Total NAF CAO costs (excluding the central accounting officer position and NAF data automation costs), APF support-40%, NAF support-60%. If the CAO has GS employees other than the central accounting officer, 60% of the value of these GS salaries must be subtracted from the total allowable support. The 60% will be prorated among all NAFIs based on how total CAO costs are prorated, if they are prorated. APF support may be given to the extent funds and appropriated-fund civilian or military positions are available for positions specifically authorized.

B. ADP Cost. The CAO is authorized appropriated fund support for 65 percent of the CAO Automated Data Processing (ADP) cost. Refer to AR 215-1, app C, for details.

A020106 Additional 510-Series Accountants. If the total staff of the CAO is five or more, additional 510-series accountants will be needed to assist the central accounting officer. If the CAO services up to 149 departments, at least one more accountant is needed. At least one more 510-series accountant is needed when 150 to 224 departments are serviced. For each added increment of 75 departments (or fraction thereof), at least one more 510-series accountant is needed. A "department" in this formula is defined as the lowest level of accountability within a NAFI for which a separate income statement is produced. (This does not include unit funds.) The complexity of the serviced NAFI operations should be considered when applying this formula. APF positions for additional accountants will be established when the duties and responsibilities are authorized APF support by AR 215-1. Otherwise the positions will be staffed with NAF personnel. The extra accountants should occupy the following positions in the CAO:

A. First accountant-Assistant Central Accounting Officer.

B. Second accountant-Chief, Accounting and Control Branch.

C. Other accountants-Accounting and Control Branch Accountants or Chief, Pay and Examination Branch or Disbursing Branch.

A020107 Emergency Checking Account. When the installation is served by the consolidated CAO, an emergency checking account may be set up for an installation by the CAO. The disbursing agent should be the DAO. If there is no DAO, the installation commander may appoint a disbursing agent. The emergency checking account (GLAC 113) will be set up with a CAO check. (See A040108 for account restrictions.)

A0202 CAO AND NAFI ADMINISTRATION In the general administration of CAOs and NAFIs, responsibilities involve specific tasks. Later chapters further detail such procedures for various types of funds. The basic administrative tasks are outlined below-

A020201 Central Accounting Officer Duties. The central accounting officer will:

A. Sign checks in payment of valid obligations of serviced funds after verifying bank account balances are sufficient for payment. The CAO can delegate check signing authority to an alternate.

B. On request from the NAFI and/or program manager, perform budget variance analysis and provide results to fund managers.

C. Prepare reports related to or included with the financial statements, coordinating data with fund and/or program managers.

D. Develop a fair method for prorating the CAO operating cost to serviced NAFIs.

E. Submit all requests for fund equity adjustments through command channels to DFAS-HQ-A for approval. Also insure financial statements are footnoted to show any approved adjustments.

F. Ensure all routine interfund transfers and authorized debts between funds are liquidated within 30 days of the transactions unless interfund transfers including loans of more than 30 days are authorized by AR 215-1.

G. Evaluate change fund and petty cash fund balances not less than once a year to determine if amounts appear to be either excessive or inadequate and advise fund managers to authorize increases or decreases in balances as appropriate.

H. Meet with NAFI management at least monthly to discuss the financial reports and/or to give technical advice when the CAO is located on the installation served.

I. Prepare the CAO annual budget to include providing accounting and other costs data for inclusion in the appropriated fund budgets.

J. Direct day-to-day operations of the CAO. This is usually carried out through subordinate accountants, accounting technicians, and clerical personnel.

K. Advise subordinates on classification of transactions.

L. Plan and schedule accounting operations and computer processing.

M. Prepare requests to higher headquarters to change accounting policy or systems.

N. Advise the NAFI fund and/or program managers on the financial aspects of operations on their request.

O. Perform the following personnel management functions as a supervisor:

1. Schedule and approve leave.

2. Establish per-formance standards and appraise actual performance.

3. Counsel subordinates.

4. Initiate proposals for disciplinary action, as required.

5. Maintain production records.

6. Review position descriptions of subordinates for currency and accuracy.

7. Initiate or participate in the review and improvement of work methods and internal organization structure to achieve optimum results.

P. Ensure the CAO and serviced NAFIs comply with DFAS accounting policies and procedures and apply generally accepted accounting principles on a consistent basis.

Q. Perform a financial analysis of each activity's financial statement using tools and techniques discussed in chapter 11. The results of the financial analysis should be incorporated into a written narrative analysis and included with the financial statements once each quarter. However, management analysis is the responsibility of the NAFI manager. (See AR 215-1).

R. Ensure accounting functions are performed efficiently and at the lowest cost to serviced NAFIs.

S. Make disbursements only as permitted in chapter 5.

T. When notified of a change of NAFI managers, request that-

1. Reconciliations of all assets, inventories, and liabilities are prepared, reviewed by both the outgoing and incoming NAFI managers. Both NAFI managers will verify the validity of the reconciliations and the financial statements. (See Figure 2-1)

2. Notification of the transfer be sent to all banks, security dealers and/or investment companies, insurance companies, and payroll offices as deemed appropriate.

3. Incoming and outgoing NAFI managers each receive a copy of the certification of fund transfer, the related financial statements, and all recommendations and command responses.

4. Transfer of accountability is performed at end of month if possible. If performed during the month, prior month financial statements will be used for the transfer.

A020202 Duties of CAO Personnel. Central accounting office personnel will:

A. Maintain all books of original entry (journals and registers), the general ledger, and related subsidiary ledgers.

B. Maintain fixed asset records.

C. Prepare all disbursement vouchers and checks after assuring availability of funds. (This includes payrolls and paychecks, if the CAO is not serviced by the Central NAF Payroll Office (CNPO).)

D. If not serviced by the CNPO, maintain individual earnings records and issue IRS Forms W-2 for employees of the CAO and serviced NAFIs; combine payroll data received from funds with CAO employee data; and prepare, summarize, and post to proper records the payroll for all employees. (Only one Federal employer's ID number will be used for all personnel paid by the CAO.) If serviced by the CNPO, the CAO serves as the point of contact between the NAFIs and the CNPO. (Installations without a CAO will designate, in writing, to all NAFI managers and the CNPO, the point of contact for the installation.) The CAO posts payroll costs to CAO and NAFI records, whether serviced by the CNPO or not.

E. Prepare required periodic financial reports (The CAO gives the fund

manager ratios and percentages and narrative analysis thereof. The CAO also gives variances in relation to established standards or approved budget goals upon request).

F. Prepare other information when required by management or higher authority. The CAO may provide technical advice, but will not prepare other NAFI budgets.

G. Prepare financial reports for all serviced funds and send them to NAFI managers for review. The deadline for completion of these statements is 6 workdays after the CAO receives the months' final documents from NAFI management. For the consolidated CAO at Red River Army Depot, the deadline is 8 workdays after receipt of the final documents. A major departure in NAFI performance from the previous periods should be discussed with the NAFI managers prior to report distribution.

H. Prepare an annual operating budget for the CAO and a schedule that shows the estimated amounts to be assessed each serviced NAFI. The CAO also prepares comparative financial statements of the CAO operations. The CAO analyzes costs in relation to prior year costs and projected (budgetary) costs.

I. Reconcile the bank accounts of serviced NAFIs monthly. Review daily account balances shown on monthly bank statements to ensure that insurance and collateral are sufficient.

J. Compute the cost of operating the CAO for each NAFI and collect monies due.

K. Maintain DA Forms 1991 (Stock Record Cards), when NAFI management determines it is feasible and cost effective.

L. Arrange for an independent inventory observer to observe the required fixed and resalable merchandise inventories. The consolidated CAO at Red River will request that the installation NAFI management arrange the inventory for those NAFIs it serves.

M. Perform monthly reconciliation of unpaid Government liabilities with corresponding records of receivables from installation NAFIs on the books of the DAO Accounting Division.

N. Review transmittal letters and attached documents for completeness and accuracy. Review daily activity reports to ensure accuracy and receipt of proper supporting documentation.

O. Obtain daily cash deposit data from the local depository bank and makes fund transfers to the central bank. CAOs may use alternative methods to determine deposit data and account balances available for transfer to the central bank. When the accounting is not performed on the installation, the CAO may delegate the function, in writing, to NAFI personnel on site.

P. Notify NAFI managers of missing or delayed fund deposit documentation.

Q. Review and analyze banking charges annually to determine if services are needed and charges are reasonable. Request the assistance of the NAFI Financial Management Division and provide review results to the NAFI manager for appropriate action.

R. Prepare reports concerning local bank deposits per AR 215-1.

A020203 NAFI Manager Tasks. NAFI managers-

A. Make bank transfers of funds when authorized in writing by the CAO to do so. NAFI managers do not sign checks.

B. Collect monies and make bank deposits, and furnish the CAO with all required documentation of cash receipts and deposits. (See chap 4 for requirements.)

C. Take month-end physical resale merchandise inventories and send documents to the CAO within 2 working days, to arrive by the third work day of the following month.

D. Take action to collect dishonored checks and delinquent accounts receivable.

E. Maintain change funds and ensure that checks are cashed only for members or other authorized persons.

F. Ensure invoices mailed by vendors are sent directly to the CAO, except invoices for NAF insurance programs described in AR 215-1.

G. Furnish the CAO with minutes of council meetings, where a council exists. They furnish approved budget and other information to the CAO, as required, for accounting and reporting purposes.

H. Maintain petty cash funds and ensure vouchers are prepared to support all disbursements from such funds. Petty cash must be replenished at the end of each month. Negative submissions are required.

I. Submit a formal written request for any cash advance, including for travel and tour events, to the CAO. (This request will show the amount of the advance. It will include an agreed-upon time period (e.g., 24, 72 hrs) for submission of proper receipts and documents.)

J. Send daily activity reports, purchase orders, receiving reports, delivery tickets, and other required supporting documents to the CAO. Sequentially numbered daily transmittal letters will be used. All documents will be sent within 2 working days of receipt or issue. The CAO must receive the documents by the third work day after receipt or issue. The consolidated CAO at Red River Army Depot will receive these documents by the fifth work day after receipt or issue.

A0203 DOCUMENT CONTROL.

A020301 Source Documents. NAFIs will send all source documents to the CAO within two working days after receipt or issue but the CAOs must receive them by the third work day after receipt or issue. The consolidated CAO at Red River Army Depot must receive documents by the fifth work day after receipt or issue. CAOs will date-stamp all documents to track those that were received late.

A020302 Electronic Media. If electronic media is used to transmit DARs to the CAO, original documents do not have to be sent to the CAO unless the CAO ask for the documents. However, the original documents must be kept on file for three years after close of the fiscal year.

A0204 ACCOUNTING POLICY FOR A CAO. Total CAO operating costs will be prorated to serviced funds based on percentage of workload for each fund. The expense and liability will be recorded on the serviced funds' books at the end of each month and receivables and income will be recorded on the CAO's books. The CAO will not charge itself for maintaining accounting records. The portion to be charged to each serviced fund will be based on the number of documents processed for that fund, relative time spent on that fund, or by another equitable proration method. Volume of sales and number of personnel employed by a fund are not considered workload factors for this purpose. Costs that can be directly traced to a particular fund will be charged to that fund.

A0205 FINANCIAL STATEMENTS AND SCHEDULES OF OPERATING EXPENSES. CAOs will prepare an income statement each month. The statement will--

A020501 Summarize the results of financial operations and financial condition of the CAO, to aid CAO management in the control and planning functions.

A020502 Provide each serviced NAFI with a detailed statement of the total operating expenses allocated to the NAFIs.

A020503 Serve as a document to support the reimbursement to the CAO from serviced NAFIs.

A0206 CAO COST PERCENTAGE. The CAO cost percentage measures NAF CAO expenses as a percentage of the total revenue of

serviced NAFIs. The CAO cost percentage is heavily influenced by the work environment. Some of the factors affecting it are labor costs, changes in NAFI revenue, and the complexity of the serviced NAFIs. The CAO cost percentage is an important indicator, but it doesn't measure quality of CAO services. The DFAS-established CAO gross cost goal is not to exceed 2.0% of total NAFI revenue. Gross CAO costs include all NAF expenses including the salary and benefits of Central Accounting Officers paid from NAF.

A0207 DISSOLVING A CAO. A CAO will be dissolved when the installation is inactivated or abandoned or the NAF entities can be more effectively serviced by a CAO at another installation. Approval to dissolve a CAO must be requested from DFAS-IN-AN. When a CAO is dissolved, all NAF purchased assets will be transferred to the Consolidated DFAS NAF CAO at net book value. APF purchased assets will be transferred to the local DAO.

CHAPTER 3

THE NAF ACCOUNTING CLASSIFICATION CODE SYSTEM

A0301 SCOPE OF THE SYSTEM

A030101 Uniform System. A uniform system for coding transactions has been developed to insure consistency in financial management procedures as well as flexibility in application to either manual or mechanized accounting records in the NAF area.

A030102 Accounting Classification Code. The NAF accounting classification code is a 12-position code. This code shows the major command, the installation, the NAFI, the program code, the location, the department, and the general ledger account related to the transaction. It is made up of six parts, in the following order:

A. A two-position Command and Installation code.

B. A one-position NAFI code.

C. A two-position program code.

D. A two-position location code.

E. A two-position department code.

F. A three-digit general ledger account code (GLAC).

A030103 Master Chart of Accounts. This chapter has the master chart of accounts to be used by commands having the following types of NAFIs: resale and revenue-producing; military general welfare and recreation; supplemental mission services; and civilian employees general welfare and recreation. Each NAFI should select those accounts applicable to it's operations. Requests for additions to the chart of accounts should be submitted through command channels to DFAS-HQ-A.

A0302 MAJOR COMMAND AND INSTALLATION CODE. This two-position alphabetic code shows the command and installation, military community, or other area within the command. AR 215-1 lists the standard codes.

A0303 NAFI CODE. This one-position code shows the NAFI. AR 215-1 lists the NAFI codes.

A0304 PROGRAM CODES. The program code is a two-position code that immediately follows the NAFI code. (For NAFISS input, use ""00" instead of the program code. See the NAFISS user's manuals for the detailed instructions). Program codes show the various business activities within a NAFI. AR 215-1 lists Standard program codes.

A0305 LOCATION CODES. The location code is a two-position code that immediately follows the program code. Facilities/annexes within a program code will be named by a unique location code. The location codes are assigned locally.

A0306 DEPARTMENT CODES. The department code is a two-position code that immediately follows the location code. This code shows the activities of a NAFI for which income and expenses are recorded and reported on the NAFI Income Statement and links the income or expense transactions to the proper department. Department codes are restricted for use. Requests for additional department codes will be sent to the proponent for AR 215-1 for approval. An information copy of the request will be sent to DFAS-IN. AR 215-1 lists standard department codes.

A0307 GLACs. The GLAC is a three digit numeric code that immediately follows the department code. The GLAC shows the general ledger account. The GLACs are listed below in numerical sequence. For their descriptions, see Attachment 2 in this appendix.

Current Assets
Cash
101-US Cash.
102-Foreign Currency Cash.
103-US Payroll Cash.
104-Foreign Currency Payroll Cash.
105-Cash Change Fund.
106-Foreign Currency Conversion Fund.
107-US Petty Cash.
108-Foreign Currency Petty Cash.
109-Bingo Petty Cash.
110-Commercial Credit Card Compensating Balance.
111-Local Bank Compensating Balance.
112-Foreign Currency Change Fund.
113-Emergency Local Checking.

Investments
115-NAF Centralized Investment Program.
116-Savings Account.
117-Marketable Securities.

Receivables
119-Advance Receivable.
120-ARM Income Receivable.
121-Member Receivables.
123-Concessionaire Receivables.
124-Returned Checks Receivable.
125-AAFES Receivable.
126-Loans Receivable.
127-Claims Receivable.
128-Deposits Receivable.
129-Guest Ledger Receivables.
130-Accrued Interest Receivable.
131-Grants Receivable.
132-Dividends Receivable.
133-Reserve Component Dividends Receivable.
134-Allowance for Doubtful Accounts.
135-Inter NAFI Receivables-Inside MACOM.
136-Inter NAFI Receivables-Outside MACOM.
138-Layaway Receivables.
139-Commercial Credit Card Receivable.
140-Miscellaneous Other Receivables.

Inventories
141-Warehouse/Storeroom Inventory.
142-Sales Outlet Merchandise Inventory.
143-Inventory In Transit.
144-Work in Progress Inventory.

Prepaid Expenses
151-Prepaid Supplies and Equipment.
152-Prepaid Taxes and Licenses.
153-Prepaid Insurance.
154-Prepaid Maintenance and Repair.
155-Prepaid Tableware, Kitchenware, Linens, and Uniforms.
156-Prepaid Bingo Prizes.
157-Prepaid Rent.
159-Prepaid Items In Transit.
160-Miscellaneous Other Prepaid Expenses.

Fixed Assets
161-Buildings.
162-Accumulated Depreciation-Buildings.
163-Furniture, Fixtures, and Equipment.
164-Accumulated Depreciation-Furniture, Fixtures, and Equipment.
165-Vehicles, Aircraft, and Boats.
166-Accumulated Depreciation-Vehicles, Aircraft, and Boats.
167-Breeding Livestock.
168-Accumulated Depreciation-Breeding Livestock.
169-Building Improvements.
170-Accumulated Depreciation-Building Improvements.
171-Land Improvements.
172-Accumulated Depreciation-Land Improvements.
175-Government Titled Buildings and Improvements.
176-Accumulated Depr-Government Titled Buildings and Improvements.
177-Other Government Titled Fixed Assets.
178-Accumulated Depreciation-Other Government Titled Fixed Assets.
179-Building and Improvement Construction Costs.
180-Fixed Assets In Transit.

Other Assets
185-Long-term Loans Receivable.
186-Artifacts.
187-Fixed Assets Sinking Fund.
188-Employee Separation Allowance Sinking Fund.
189-ARM Trust Allocation.
190-Transient Lodging Sinking Fund.
193-Central Accounting Office Loan Receivable.
195-Payroll Deposit Receivable.
196-Construction Advances.

199-Miscellaneous Other Assets.

Current Liabilities
Payables
201-Accounts Payable.
202-Deposits Payable.
203-Loans Payable.
204-Installment Contracts Payable.
205-Grants Payable.
206-Dividends Payable.
207-Reserve Component Dividends Payable.
208-Vending Machine Revenue Sharing Payable.
209-Unclaimed Wages Payable.
210-Federal Withholding Taxes Payable.
211-State Withholding Taxes Payable.
212-Local Withholding Taxes Payable.
213-FICA Taxes Payable.
214-Employee Group Health and Life Insurance Premiums Payable.
215-Employee Group Retirement Insurance Premiums Payable.
216-Employee Supplemental Insurance Premiums Payable.
217-Employee Delinquent Tax Levy Withholdings Payable.
218-Employee Savings Bond Deductions Payable.
219-Employee Charitable Deductions Payable.
220-Employee Savings Allotment Deductions Payable.
221-Employee Union Dues Deductions Payable.
222-Employee Meals Deductions Payable.
224-Foreign Withholding Taxes Payable.
225-Foreign Unemployment Insurance Taxes Payable.
226-Foreign Medical Insurance Taxes Payable.
227-Foreign Welfare and Pension Taxes Payable.
228-Manual Pay Reimbursements Payable.
229-401k Deductions Payable.
230-Tips Payable.
231-Inter NAFI Payables-Within MACOM.
232-Inter NAFI Payables-Outside MACOM.
233-US Unemployment Insurance Payable.
234-ARM Distribution Payable.
235-Demand Deposits Payable.
236-Claims Payable.
237-Construction Contracts Payable.
238-Billeting Fund Surcharge Payable.
239-Thrift Savings Plan Deductions Payable.
240-Miscellaneous Other Payables.

Accruals
241-Interest Payable.
242-Salaries and Wages Payable.
243-Annual Leave Payable.
244-Payroll Taxes Payable.
245-Employee Bonuses Payable.
246-Other Employee Benefits Payable.
247-US Employee Compensatory Time Payable.
248-Foreign National Employee Compensatory Time Payable.
250-Bingo Cash Jackpot Payable.
251-Bingo Merchandise Jackpot Payable.
256-Audit Expense Payable.
257-Maintenance Expense Payable.
260-Miscellaneous Other Accruals.

Unearned income
261-Special Event Advance Ticket Sales.
262-Dues and Assessments Advance Payments.
263-Advance Payments on Account.
267-Miscellaneous Other Unearned Income.

Long-term Liabilities
268-Long-term Loans Payable.
270-US Employee Allowances Payable.
271-Foreign National Employee Allowances Payable.
272-Reserve For Claims.
275-Miscellaneous Other Long-term Liabilities.
289-Location Clearing Account.

Equity
291-Contributed Capital.
292-Retained Earnings.

Sales
301-Cash Sales.
302-Credit Sales.
303-Layaway Sales.
304-Sales Returns and Allowances.
305-Customer Discounts.
306-Employee Discounts.

Cost of Goods Sold
401-Purchases.
402-Warehouse/Storeroom Requisitions.
403-Transfers from Other Funds.
404-Transfers from Other Locations

Departments.
411-Purchase Returns and Allowances.
412-Warehouse/Storeroom Issues.
413-Transfers To Other Funds.
414-Transfers to Other Locations/Departments.
416-Other Inventory Reductions.
432-Cost of Goods Sold, Inventory Overages.
452-Cost of Goods Sold, Promotions Expense.
453-Cost of Goods Sold, Customer Rejected Goods.
454-Cost of Goods Sold, Resale Merchandise SBO.
455-Cost of Goods Sold, Warehouse/Storeroom SBO.
456-Cost of Goods Sold, Inventory Shortage.

Other Operating Income
501-Service/Recreation Activity Income.
502-Concessionaire Commission Income.
503-Special Events Income.
504-Rental and Usage Fees Income.
505-TV and Radio Rights Income.
506-Program and Brochure Income.
507-Guaranteed Participation Income.
509-Dues and Assessment Income.
511-Cash Overage Income.
512-Inventory Overage Income.
515-Vendor Reimbursement Income.
516-Forfeited Layaway Sales Income.
517-Late Charge Assessment Income.
518-POV Registration Fee Income.
519-Operator License Fee Income.
520-Reregistration Fee Income.
521-Nonoperational Vehicle Fee Income.
522-Weapons Registration Fee Income.
523-Returned Check Service Charge Income.
524-ARM Profit Distribution.
525-ARM Expense Reimbursement.
527-Service Charge Income.
528-Warehouse Price Variance Income.
529-Fishing Income.
530-Hunting Income.
531-Greens Fee Income.
532-Driving Range Income.
533-Golf Cart Income.
534-Instruction Fee Income.
535-Lane Fees Income.
536-Shoe Rental Income.
537-Local Telephone Income.
538-Recyclable Material Income.
539-Amusement Machine Income (Non-Concessionaire).
541-Commercial Travel Office Commission Income.
542-APF Contract Income.
543-USDA Income.
545-AAFES Dividend Income.
546-Insurance Premium Income.
547-Income From Allocation of Expenses.
548-Coupon and Special Offer Discounts.
549-AAFES Other Income.
550-Consignment Income.
551-Communications Services Income.
553-Commercial Sponsorship Income.
554-Food Purchase Rebate.
555-Garnishment Processing Revenue.
599-Miscellaneous Other Operating Income.

Labor
601-Salaries and Wages-US Employees.
602-Salaries and Wages-Foreign National Employees.
603-Annual Leave-US Employees.
604-Annual Leave-Foreign National Employees.
605-Sick Leave-US Employees.
606-Sick Leave-Foreign National Employees.
607-Workers' Compensation Insurance-US Employees.
608-Workers' Compensation Insurance-Foreign National Employees.
609-Retroactive Wage Increases-US Employees.
610-Retroactive Wage Increases-Foreign National Employees.
611-Employer's Share of FICA.
612-Employer's Share of Employee Group Health and Life Ins Plans.
613-Employer's Share of Employee Retirement Plans.
614-Foreign Unemployment Insurance Taxes.
615-Foreign Medical Insurance Taxes.
616-Foreign Welfare and Pension Taxes.
617-US Employee Bonuses.
618-Foreign National Employee Bonuses.
619-Foreign National Employee Separation Pay.
620-US Unemployment Insurance Expense.
621-US Employee Compensatory Time Expense.
622-Foreign National Employee Compensatory Time Expense.
623-Home Leave Expense.
624-Other Benefits-US Employees.
625-Other Benefits-Foreign National

Employees.
626-Employer Share of 401k Expense.
627-Employer Share of TSP Expense.

Other Operating Expenses
651-Manager's Expense.
652-Promotions Expense.
653-Customer Rejected Goods Expense.
654-Resale Merchandise Spoilage, Breakage, and Obsolescence Expense.
655-Warehouse/Storeroom Spoilage, Breakage, and Obsolescence Expense.
656-Inventory Shortage Expense.
657-Facilities Maintenance and Repair Expense.
658-Equipment Maintenance and Repair Expense.
659-Vehicle Maintenance and Repair Expense.
660-Training Expense.
661-Bad Debt Expense.
662-Discount Lost Expense.
663-Bank Service Charge Expense.
664-Vehicle Operating Expense.
665-Printing Expense.
666-Vehicle License Plate Expense.
667-Vehicle Decal Expense.
669-Door Prize and Promotion Expense.
670-Sports Activities Expense.
671-Awards and Trophies Expense.
672-Sports Officials Expense.
673-Recruiting Expense.
674-Scouting Expense.
675-Training Table Expense.
676-Visiting Team Billeting and Meals Expense.
677-Program and Brochure Expense.
678-Volunteer Service Expense.
679-Condolences/Memorials
680-Warehouse Price Variance Expense.
681-Commissions Paid Expense.
682-Civilian Personnel Services Expense.
683-Administrative Support Branch Expense.
684-Central Procurement Office Expense.
685-Central Accounting Office Expense.
686-Contractual Services Expense.
688-Common Service Fund Expense.
689-Payroll Service Expense.
690-Data Processing Expense.
691-CDS/YA Meals and Snack Expense.
692-Training Travel Expense.
693-Claims Expense.
694-Studies and Analysis Expense.
695-Annuity Expense.
696-Grant Expense.
697-Dividend Expense.
698-Vending Machine Income Sharing Expense.
699-Major Construction Expense.
726-Supplies Expense.
727-Laundry and Dry Cleaning Expense.
728-Ice Expense.
729-Utilities Expense.
730-Communications Expense.
731-Freight Expense.
732-Travel Expense.
733-Insurance Premiums Expense.
734-Building and Contents Insurance Expense.
735-Advertising Expense.
736-Taxes and Licenses Expense.
737-Tort Claims Expense.
738-Audit Expense.
739-Cash Shortage Expense.
740-Late Payment Interest Expense.
741-Deposits Lost Expense.
742-Furniture and Equipment Expense.
743-Commercial Credit Care Expense.
744-General Entertainment Expense.
745-Special Events Entertainment Expense.
746-Rental Expense.
747-Flowers and Decorations Expense.
748-Official Hosting and Representation Expense.
749-Tableware, Kitchenware, Linen, and Uniforms Expense.
750-Bingo Prizes Expense.
751-Collection Agency Expense.
752-Investment Expense.
753-ARM Distribution Expense.
754-PCS Expense.
755-Interest Expense.
756-Consignment Ticket Expense.
757-Commercial Communication Expense.
758-Army Billeting Fund Surcharge Expense.
759-Cable/Pay TV Expense.
799-Miscellaneous Operating Expense.

Other Income
801-Interest Income.
803-Gain on Disposal of Other Fund-Owned Property.
806-Nonoperating Sources of Revenue.
807-Contributions From Charatable Sources.
808-NAF to APF Conversion Income.
825-Miscellaneous Other Income.

Other Expenses
826-Interest Expense.
827-Loss or Gain on Disposal of Fixed Assets.
828-Loss or Gain on Foreign Currency Transactions.
830-Isolated Unit Dividend Expense.
831-Reserve Component Dividend Expense.
832-Loss on Close of Business Locations.
833-APF to NAF Conversion Expense.
850-Miscellaneous Other Expenses.

Depreciation Expenses
851-Buildings Depreciation Expense.
852-Building Improvements Depreciation Expense.
853-Furniture, Fixtures, and Equipment Depreciation Expense.
854-Vehicles, Aircraft, and Boats Depreciation Expense.
855-Land Improvements Depreciation Expense.
856-Breeding Livestock Depreciation Expense.
857-Other Government Titled Fixed Assets Depreciation Expense.
858-Government Titled Buildings and Improvements Depreciation Expense.

Extraordinary Items
891-Extraordinary Expense.
892-Extraordinary Income.

Income and Expense Summary
900-Income and Expense Summary.

Asset, liability, and equity accounts (GLACs 101-292) normally have a department code of "00". In NAFISS GLACs 151, 155, 156, and 900 will always have a department code of G1. GLAC 141 will always have a department code of W1. GLACs 142, 143, and 144 will have the applicable department code assigned.

CHAPTER 4

ASSETS

A0401 CASH AND INVESTMENTS

A040101 Cash Receipts.

A. Safeguarding and Depositing. Cash receipts will be safeguarded and deposited by the NAFI in accordance with AR 215-1. The bank deposit slip, properly identified with the NAFI and activity, will be prepared in triplicate. A copy will be kept by the activity preparing it; the bank will keep a copy; and a bank-receipted copy will be sent to the CAO. The copy sent to the CAO will normally be attached to the daily activity report (DAR), but local conditions or procedures may make it necessary for the deposit slip to be separated and sent to the CAO ahead of the DAR. CAO will send deposits from the local bank to the Central Bank through Electronic Funds Transfer (EFT) on a regular basis except when delegated to on-site NAFI personnel as outlined in A020202. O.

B. Receipt Voucher. DA Form 1992 (Nonappropriated Fund Receipt Voucher) or other sequentially numbered receipt document will be used to receipt for cash when the transaction is not recorded in cash registers or on sales slips. A record will be made of the person and section to whom all books of DA Forms 1992 are issued. The original of completed forms will be given to the person from whom the collection was made; the duplicate attached to the DAR and sent to the CAO; and the triplicate will remain in the book in numerical sequence. The person making the collection will sign the receipt; the signature must appear on all copies. If a receipt is spoiled, mark "VOID" across the face of all copies. Attach the original and duplicate to the DAR. The CAO will maintain records to ensure that all receipts are received and accounted for.

C. Incoming Mail. Someone in the control section will open all incoming mail in the CAO. When checks are received, DA Forms 1992 will be prepared. The checks will be stamped "FOR DEPOSIT ONLY" on the back, immediately. The duplicate DA Form 1992 should go to the person remitting the check, however, unless requested by the remitter, it will not be mailed to him or her. It will remain in the book with the triplicate. The original will be attached to the DAR. A deposit will be made as soon as possible. Normally the CAO will not receive cash, but if it happens, a deposit should be made as soon as possible. Where large volumes of checks are received daily at the CAO, instruments other than the DA 1992 may be used as long as strong internal controls are in place and there is a record of all ckecks received.

D. Daily Cashier's Record. DA Forms 4082 (Daily Cashier's Record) will be prepared by all departments of the fund. Register readings and change fund controls will be in accordance with 215-1. Cash register tapes and copies of all receipt vouchers, sales slips, guest checks, cash collection sheets, and other documents will be attached to the DA Form 4082 as supporting documentation. Sales slips should be segregated for posting of charges to members' accounts.

E. Vending or Amusement Machine Collections. DA Form 4083-R (Vending or Amusement Machine Collections) will be prepared in duplicate each time cash is removed from fund-controlled vending or amusement machines. It will be signed by the person representing the command plus the fund or vendor representative. The original DA Form 4083-R will be turned in with the cash and eventually attached to the daily activity report going to the CAO. The duplicate of the form will be sent directly to the CAO by the fund manager or the person designated by the fund manager. The CAO will check it against the original coming with the DAR. The CAO will maintain a control log to assure receipt of all DA Forms 4083-R. A blank copy of DA Form 4083-R is located at the back of this publication for reproduction.

A040102 Consolidated Daily Activity Report.

A. Daily Activity Report. The consolidated daily activity report is a summary of all the cashiers' and other operating reports of each department by location, DA Form 4082 and bank deposit slips prepared in each activity for the day will be sent to the CAO with the consolidated daily activity report. Discrepancies between the consolidated daily activity report and the supporting documentation will be resolved before submission to the CAO. All NAFIs, locations or departments will prepare a consolidated daily activity report for each day of operation. However, if the weekly volume of business is $500 or less, activity reports may be prepared weekly rather than daily. Even if activity reports are sent weekly, a report is required on the last business day of each month. If no business has occurred since the last report, a negative report will be submitted. All deposits made during the week will be consolidated on the weekly activity report.

B. Content of Report. There is no DA prescribed format for the daily activity report. However, it must contain at least the following information: date of report, day(s) covered by the report, location code, program code, all revenue received in the period covered, cash overages and shortages, name and signature of person preparing form, and name and signature of person verifying the data.

A040103 Foreign Currency Transactions. Transactions in foreign currency will be recorded at the equivalent dollar rate. The rate of exchange to the US Dollar will be shown on the document evidencing the transaction. A subsidiary ledger will be kept in the foreign currency so that there is a running balance of the amount of foreign currency on hand. This is usually done in the disbursing section. Local procedures for a theater of operations, including rates of exchange, are established by the theater command. The procedures prescribed are generally applicable to NAF and must be followed. Gain or loss on use of foreign currency will be determined and recorded at the end of each month. Amounts such as the changes in the dollar value of foreign currency will be determined and recorded at the end of each month. Amounts such as the changes in the dollar value of foreign currency petty cash funds need be changed only at the end of the fiscal year unless significant. Foreign currency petty cash and change funds should be authorized and accountable as an amount of the foreign currency, e.g., the foreign currency petty cash fund should be stated as 100,000 units of foreign currency; not $100 worth of foreign currency. The CAO can then adjust the dollar value when necessary on journal voucher.

A040104 Checking accounts.

A. Separate Checking Account. Each NAFI must have a separate checking account. Under no circumstances will cash of one NAFI be used to pay obligations of another. The CAO will not sign a check in excess of the checking account balance.

B. Monthly Bank Statements. The bank will be requested to mail or deliver monthly bank statements directly to the CAO. The CAO will reconcile each bank statement to the accounting records monthly. Use of DA Form 5353-R (Bank Reconciliation Worksheet) is optional. The CAO will also check the bank statement for any electronic transfers of funds they weren't aware of. Unreconciled discrepancies of $1 or less may be adjusted without further research.

C. Checks Outstanding. When checks are outstanding for 4 months after the issue date, a follow-up will be required. A stop payment order will be issued for all checks outstanding over 6 months unless the bank has a stale date policy, the check has a stale date printed on it, or the service charge for a stop payment order is more than the check amount.

D. Bank Account Signatory. The person appointed as a bank account signatory will sign the forms prescribed by the bank and send them to the bank.

E. Cash In Bank-Payroll.

1. Unclaimed Checks. Payroll checks that have been unclaimed for one month past issue date will be canceled. If the check was by the CNPO, it will be sent to that office for proper cancellation. A liability (GLAC 209) will be established for a period of 5 months. The contra debit will be to GLAC 101 or 102. At the end of the 6-month period, the amount will be transferred from GLAC 209 to GLAC 825.

2. Outstanding Checks. When checks are outstanding for 6 months after the issue date, a stop payment order will be issued. The offsetting increase in payroll cash will be credited to GLAC 825. The stop payment order need not be made if either-

a. The servicing bank has a stale date policy: or

b. The service charge is greater than the check amount. In the case of the CNPO check, the amount will be reimbursed to the participating NAFI.

F. Signing Checks. The only people authorized to sign checks or withdraw funds from the IMWRF bank account are authorized personnel within the CAO and personnel outside the CAO who are authorized in writing by the CAO to do so. Dual signatures are required when separation of duties is not possible and when the amount of the check exceeds the signer's fidelity bond limit.

A040105 Blank Check Stock.

A. Prenumbered and Storage. Checks will be sequentially prenumbered by the printer and imprinted with the words "an instrumentality of the United States". Blank check stock will be inventoried upon receipt, stored in a locked, fire-resistant safe with a combination three-tumbler lock, and issued for each day's business using a signed register. The safe must not be easily movable or accessible to check writing personnel.

B. Stock Pile. Blank check stock on hand should never fall below a 90-day supply. A separate record is required for each bank account. The CAO may designate someone to perform the duties of keeping the records and controlling the blank check stock, but it cannot be one of the check writers or signers.

1. The CAO or designee will sign on receipt of new stock from the bank or printer; the check writer will sign for blank stock issued; and the CAO or designee will sign for any blank stock returned by the check writer. The form must be completed and signed at the time the checks are received, issued, or returned.

2. The following is an alternate method which is useful when a CAO has several bank accounts:

a. A form similar to a stock record will be maintained for each bank account.

b. Another form is prepared listing all checks issued at the beginning of the day. The person receiving the blank checks will sign the form acknowledging receipt.

c. At the end of the day, the unused checks will be noted on another issue form and the person designated by the CAO will sign the form acknowledging receipt. The checks will be returned to stock. The number of checks used will be posted to the stock record at least weekly and at the end of the month.

A040106 Check Signing Equipment. There are three components to check-signing equipment: a signature plate, a key to the machine, and the machine itself.

A. The signature plate must be in the custody of the signatory. When not in use, the plates will be stored in a container with a lock.

B. The key to the machine must be in the possession of the signatory. A designated representative will be authorized to sign checks during the signatory's absence. When the signatory is to be absent, the designee is given

the lock and machine keys and signature plate for which he signs a receipt.

C. A duplicate machine key and the key or combination to the container holding the plates will be placed in a sealed envelope and stored in a safe that does not contain the plates.

D. A log will be maintained to record machine usage. Whenever the machine is operated, the signatory or authorized operator will enter the beginning and ending readings, date, and their initials on the log.

E. When a change of signatory occurs, destroy the signature plates with the destruction witnessed by two other persons. A certificate of destruction will be prepared and signed by the two witnesses and the successor signatory.

A040107 Disbursements.

A. Each of the following steps in the disbursement procedure will be done by a different person:

1. Authorization of payments.

2. Preparation of checks.

3. Signing of checks.

4. Reconciliation of bank accounts.

5. Blank check storage and reconciliation.

B. Spoiled checks will be made non-negotiable by cutting off the signature block and writing "VOID" across the face of the check. Voided checks will be filed in the canceled check file.

C. Checks will be signed by authorized signatories. Blank checks will not be signed before preparation.

D. Alternate signatories should be appointed so that checks can be signed on a timely basis.

E. The normal method of delivery of checks is by mail, however, they are frequently picked up in person. The person delivering checks must ensure that the person picking up a check is the payee or has been designated to pick up the check.

A040108 Emergency Checking Account. This type of checking account may be set up by installations served by the consolidated CAO, according to A020107. These accounts will be set up at the Central Bank, separate from the main checking account. The account will be recorded under GLAC 113-Emergency Checking Account. Any such accounts will be subject to the following restrictions:

A. The disbursing officer will maintain adequate internal control procedures for cash. (See AR 215-1, chap 11.)

B. The account will be limited to emergency use only. (Examples are last minute changes of entertainment groups that require one check be voided and a replacement issued, club cash door prize drawings, and unforeseen petty cash replenishment requirements.) Discrepancies and evidence of misuse of a special account should be reported to the installation commander at once.

C. The account balance will not exceed $5,000 per NAFI. The amount of the cash advances to the NAFI will be reviewed quarterly by the CAO to ensure cash is not in excess of emergency needs. Additional cash requirements should be submitted through command channels to DFAS for approval.

D. The local installation DAO disbursing agent will maintain control and signature authority over the account.

E. The fund manager will supply the DAO disbursing agent the proper supporting documents. Within 48 hours of the transaction,

the disbursing agent will transmit the supporting documents to the CAO.

F. The account will be replenished by mail deposit or wire transfer, as required. Suspenses and cash replenishment requirements will be accomplished by the CAO and the serviced installation by the end of each month. Funds will be transferred from the main checking account to replenish the emergency account.

G. Bank statements will be mailed directly from the bank to the servicing CAO for reconciliation.

A040109 Change Funds. These funds will be used to make change and cash checks. Cash received from operation may be used to replenish the fund at the end of the day as long as daily income is deposited in total and all checks cashed from these funds are deposited daily. In no case will the custodian exchange dollars for foreign currency.

A040110 Foreign Currency Conversion Funds. These funds will be used to convert dollars to foreign currency as a service to members and customers. The fund will not be used to convert foreign currency to dollars. The dollars collected will be deposited daily or when the fund is replenished and a check issued by the CAO to purchase or obtain foreign currency. The deposit slips should be kept and presented to the CAO when the fund is replenished. Conversion fund rates will be based on the monthly conversion rate established by the theater commander. As a minimum, reimbursement should be requested on the last business day of the month.

A040111 Petty Cash Funds. Petty cash is used for handling minor disbursements including commissary purchases and voluntary child care expenses. A fixed amount, designated as petty cash, is advanced to an appointed individual. Payments are made by the appointed individual and a petty cash voucher is completed to support each transaction. Periodically, a summary is prepared and sent to the CAO. The petty cash fund must be cleared out at the end of each accounting month. The CAO issues a check payable to the petty cash fund custodian to reimburse the petty cash fund and the vouchers are charged to the appropriate expense accounts. The following policies and procedures apply to petty cash:

A. The NAFI fund manager will appoint individuals to act as petty cash agents. Authorization document will specify by name who is the petty cash fund custodian. Each appointment will be covered by position bond.

B. The amount of a petty cash fund will not exceed one month's requirements.

C. Any one transaction will not exceed $500. Transactions will not be fragmented to circumvent this limitation. Violations will require commanders approval prior to replinishment of the petty cash fund by the CAO.

D. If cash is given as bingo prizes, a separate petty cash fund will be used for bingo.

E. In foreign locations, an activity may have one petty cash fund in the local foreign currency as well as one in dollars. If an activity gives cash bingo prizes both in dollars and foreign currency, two bingo petty cash funds should be established.

F. There is no limit on the number of petty cash funds a NAFI or Location Code may be authorized, but any one petty cash agent will have as a maximum one non-bingo fund in dollars, one non-bingo fund in foreign currency, one bingo fund in dollars, and one bingo fund in foreign currency.

G. Petty cash funds will not be used for cashing checks, paying salaries and wages, travel payments, or travel advances. Occasional reimbursement for local mileage expense or purchases of gasoline for use in NAFI or privately owned vehicles while on NAFI business is authorized. Local travel payments must be supported by a local travel voucher, DD 1164.

H. Each petty cash fund will be reimbursed at least monthly at the end of the month.

I. The CAO will expedite replenishment of petty cash funds.

J. DA Form 1994 (Petty Cash Voucher) will be used to evidence each petty cash transaction. They will be numbered sequentially and controlled by maintaining a record showing to whom they were issued. Original DA Forms 1994, including those voided, will be accounted for by the person responsible and sent to the CAO when seeking reimbursement. The IMWRF manager or designated representative will sign the approval block of DA Form 1993 prior to forwarding to the CAO for replenishment. When the disbursement is made from the petty cash fund, all receipts and other supporting papers will be stamped "PAID" by the petty cash fund agent. DA Form 1993 (Petty Cash Summary Voucher) will be used to summarize the DA Forms 1994 and serve as a cover voucher when seeking reimbursement from the CAO. The DA Form 1993 is an envelope form and the applicable DA Forms 1994 and supporting documents will be enclosed in the DA Form 1993.

K. Normally, NAFIs are not charged sales taxes, however, in some cases it is more expedient to pay the tax than apply for exemption. Sales taxes up to $10 on a transaction may be paid from petty cash provided the petty cash agent includes a statement that attempts were made to gain exemption.

L. Use of petty cash for making purchases through money orders or COD is prohibited since this is a circumvention of normal procurement procedures. Petty cash funds are to be used for payment of incidental expenses for which payment by check is not feasible.

A040112 Customer Refunds. NAFI activities may issue cash refunds directly from the cash drawer. Refunds of more than $50 will normally be made by check, but the local command may decide the maximum amount the various NAFI activities can refund to customers. Refunds for charge sales will be made as a credit to the charge account. Refunds for credit card sales will be made by credit memo. Cash and check sales may be refunded without a holding period. Proof of original sale/purchase must accompany any request for refund.

A040113 Securities and Investments.

A. ADA Form 4084-R (Investment Register) will be maintained as a subsidiary record to GLACs 115, 116, 117, and 187. This record will be reconciled to the control account each month. DA Form 4084-R is located at the back of this volume and will be reproduced locally on 8½ by 11-inch paper.

B. Adjustments are required to show gain or loss to the value of securities at time of sale. This is done by a debit or credit to the control account for the change in value; an offsetting credit or debit is made to miscellaneous income or expense account. If required, a statement may be prepared at year end, comparing current market value with cost.

A0402 RECEIVABLES.

A040201 Subsidiary Records. The CAO will keep subsidiary records for each member, customer, concessionaire, or other person or activity that owes the NAFI. Aging of accounts receivable will be done and given to the NAFI fund manager.

A040202 Billeting. The CAO will not keep detailed accounts receivable subsidiary records for billeting operations if-

A. Billeting gives a copy of all daily check-in and check-out folios to the CAO including voided folios.

B. The folios are prenumbered.

C. At month end, Billeting gives the CAO a list by folio number of all guests still in the facility and the amount due from each guest.

D. The CAO will post the total of daily room charges and cash collections from the daily activity reports. All unpaid guest charges will be recorded in GLAC 129, Guest Ledger Receivables. Do not transfer the amount of unpaid charges after the customer checks out of the billeting facility to GLAC 121, Member Receivables.

E. At month end the CAO will account for all folio numbers and reconcile the general ledger account balance with the Billeting list of accounts receivable.

F. This paragraph applies to Billeting Operations using the Housing Operations Management System (HOMES). If Billeting uses HOMES, the CAO will not keep the detailed accounts receivable subsidiary or receive copies of daily check-in and check-out folios. The CAO will receive the HOMES reports identified below to substantiate Billeting transactions recorded on the DAR.

1. The CAO will record room charge income on a daily basis. The CAO will receive the following HOMES reports on a daily basis from Billeting to support the room charge income recorded on the DAR: Night Audit Room Postings, Room Postings, Telephone Postings, and Miscellaneous Postings. The total by department from the Night Audit Room Postings and Room Postings reports will be recorded in GLAC 501. The total telephone charges for each department from the Telephone Postings report will be recorded in GLAC 504 or 537. Billeting must identify the GLAC for the items listed on the Miscellaneous Postings report if the total for each department.

2. The CAO will record customer credit card payments as a debit to GLAC 139 and a credit to GLAC 129, if the credit slips are redeemed by the credit card company. These payments are shown on the HOMES Invoice Maintenance Report. The CAO will receive a copy of this report on a daily basis to support the amount recorded in GLAC 139 on the DAR. Billeting must identify the credit card payments on this report. This report also shows adjustments to amounts due from guests who have checked out with an unpaid balance. Billeting must also identify these adjustments and the GLACs they are to be recorded in.

3. The HOMES Pay Postings report lists all cash received from in-house guests. The CAO will receive a copy of this report on a daily basis to support the amount recorded in GLAC 101 on the DAR. The total amount of payments on this report will be credited to GLAC 129. The HOMES Accounts Receivable Payments report lists the amounts received from guests who checked out with an unpaid balance. This report also includes the payments received from credit card companies. Billeting must identify which payments apply to GLACs 129 and 139, respectively.

4. The HOMES Refund Postings report lists all cash refunds. The CAO will receive a copy of this report on a daily basis to support the DAR.

5. The HOMES Guest Ledger Report is the detailed subsidiary ledger for in-house guests. This report is produced on a daily basis and shows the charges, payments, and outstanding balance for each guest. Separate totals are shown at the end of the report for guests with debit and credit balances. The CAO will receive the report produced for the last day of the month to substantiate the balance in GLAC 129. The total of the credit balances on this report will be recorded as unearned income, debit GLAC 129 and credit GLAC 263. This entry will be reversed at the beginning of the next month.

6. The HOMES Accounts Receivable Balances report is produced on request and shows the amounts due from customers who checked out with an unpaid balance. This report includes the amounts due from credit card companies. The CAO will receive a copy of this report for the last day of the month to substantiate the balance in GLACs 129 and 139.

7. The HOMES Aged Trial Balance Report is produced on request and is the aging schedule for amounts due from customers

who checked out with an unpaid balance. This report also ages the amounts due from credit card companies. The CAO will receive this report for the last day of the month and use it to complete Financial Statement Supporting Schedule.

A040203 Uncollectible Accounts. A receivable (GLACs 121-140) may be considered uncollectible when there is little chance of collecting it. Accounts for which no collection has been made in the past year will be considered uncollectible. If a receivable is deemed to be collectable, but collection will be delayed, the CAO should document the collection process and justification for not writing off a valid receivable. Receivables from other federal government entities will not be written off unless there is no chance of collecting the balance. The fact that an account is considered uncollectible does not prevent continued collection efforts by the fund manager. The CAO will write off monthly all accounts on which no collection has been made in the past year and let the NAFI fund manager and installation commander know of them. This action does not prevent Financial Management Division (FMD) from continuing efforts to collect delinquent accounts. A fund manager may choose the direct write-off method or the allowance method of accounting for uncollectible accounts. If the method is changed, the approval of the installation commander or equivalent is required.

A. Under the direct write-off method, accounts receivable considered uncollectible will be written off by debiting GLAC 661 and crediting the applicable receivable account.

B. Under the allowance method, an estimated bad debt amount is recorded as a debit to GLAC 661 and a credit to GLAC 134 each month. When a specific account is written off, debit GLAC 134 and credit the applicable receivable account. The following procedures will be used to establish and continue allowances for doubtful accounts:

1. To establish an allowance, find the average of the actual bad debt expenses each year for the past three years. Divide this by twelve to arrive at a monthly figure. Record this amount each month during the fiscal year as a debit to GLAC 661 and a credit to GLAC 134.

2. After the initial year, use prior year records (at least three years) to arrive at an estimated amount that should be recorded for the year. Divide this by twelve to arrive at the amount to record in the allowance account at the end of month (debit GLAC 661 and credit GLAC 134).

3. Alternate methods may be used to arrive at the allowance entry, however, it must be able to stand up to scrutiny. Most intermediate accounting text books and accounting handbooks give various methods of computation.

C. IMWRFs may take part in the Air Force's commercial debt collection contract. FMD will provide the necessary information for accounting entries on a DAR to the CAO. No accounting entries are required when the receivables are transferred to the contractor. The contractor will keep a 25% commission and forward the remainder to the installation. The following entry will be used when FMD receives the monthly check from the contractor, which includes interest income and unidentified payments and specifies the amount the contractor kept for his commission.

DR 101-US Cash
DR 751-Collection Agent Expense
  CR 12X-Various Receivables
  CR 801-Interest Income
  CR 825-Miscellaneous Other Income
To record monthly check received from contractor. Contractor's register of collection and deposit ticket serve as supporting documentation.

D. The above instructions do not preclude the CAO from writing off receivables which are over 1 year old. If the contractor makes collection on accounts previously written

off, the CAO will reverse the entry used to write off the receivable.

E. For billeting funds using the HOMES system, the general ledger write-off entry cannot be recorded by the CAO until the accounts are deleted from the HOMES system by the billeting fund personnel. The billeting fund should report account deletions through the HOMES system on a daily activity report and attach a copy of the CAO write-off letter verifying which accounts were written off so that the CAO can record the write-off entry in the same accounting month the accounts are deleted from the HOMES system.

A040204 IRS Tax Refund Offset Program. Army NAFIs may participate in the U.S. Treasury Department's income tax refund offset program. AMWRF/CFSC will purchase the receivables from NAFIs at a discounted rate and try to collect from the IRS. The following are accounting entries to record the purchase of uncollectible accounts receivable by AMWRF/CFSC. When a letter of acceptance is received by IMWRF, FMD will notify the CAO. The supporting document for the accounting entries is the letter of acceptance from CFSC.

A. Accounting entries for IMWRF.

DR 661-Bad Debt Expense or
DR 134-Allowance for Doubtful Accounts
DR 136-Inter NAFI Receivable
CR 12X-(Various Receivables)
To establish receivable for sale of uncollectible accounts receivables to AMWRF/CFSC and expense bad debts.

1. When CAO is notified that cash was transferred to the IMWRF's account, record the following entry. Letter of acceptance will specify date of cash transfer.

DR 101-US Cash
CR 136-Inter NAFI Receivables
To record receipt of cash from sale of uncollectible receivables.

2. In cases where the receivables were previously written off, record the following entry.

DR 136-Inter NAFI Receivables
CR 661-Bad Debt Expense
To establish receivable for sale of uncollectible receivables to AMWRF/CFSC. Accounts were previously written off.

B. Accounting entries for AMWRF.

DR 799-Miscellaneous Operating Expenses
CR 232-Inter NAFI Payables
To record purchase of receivable (at cost) and establish liability to IMWRF.

DR 232-Inter NAFI Payables
CR 101-Cash
To record payment to IMWRF for receivable.

1. When the debtor responds to notification of pending action by submitting a partial payment.

DR 101-Cash
CR 599-Miscellaneous Operating Income
To record receipt of partial payment on uncollectible receivable purchased from IMWRF.

2. When IRS collected offset against refund.

DR 101-Cash
CR 599-Miscellaneous Operating Income
To record receipt of IRS offset.

3. When IRS subsequently approves spousal claim.

DR 599 - Miscellaneous Income
CR 101 - US Cash
To reduce income previously reported as a result of IRS offset and establish liability to DFAS for amount IRS withheld for injured spousal claim.

DR 201 - Accounts Payable
CR 101 - US Cash

To record payment to DFAS for amount IRS withheld for spousal claim.

A040205 Dishonored (Returned) Checks. Arrangements will be made with the bank to have dishonored checks returned directly to the CAO. Upon receipt of returned checks, they will be photocopied (front and back), suspenses will be established, the original checks will be forwarded to the fund manager by transmittal, journal entries will be made, and subsidiary ledgers will be posted. The fund manager or his designee(s) will take collection action. The subsidiary ledger for dishonored checks will be reconciled each month with GLAC 124. The policy and procedures about uncollectible accounts apply to dishonored checks. When served by the consolidated CAO at Red River, checks may be returned by the bank directly to the fund manager with a debit memorandum furnished the CAO. This could expediate recovery from the drawer of the dishonored check. CAO will maintain a subsidiary by name, amount, and date of bank debit.

A040206 Claims Receivable.

A. Destruction or loss of capitalized assets due to fire, theft, or other causes for which an insurance claim is submitted will be recorded by removing the asset and its accumulated depreciation, from accounting records and recording its book value as claims receivable (GLAC 127). When the insurance claim is settled, the receivable will be removed and the difference, if any, will be recorded as an insurance claim gain or loss.

B. Loss of cash for which an insurance claim is submitted will be recorded by a debit to GLAC 127, and a credit to GLAC 101 for the amount of the loss. If a deductible is involved, the amount will be charged to insurance losses and the debit to GLAC 127 reduced. When the insurance claim is settled, the receivable will be removed and the difference, if any, recorded as an insurance claim loss.

C. Loss of merchandise for which an insurance claim is submitted will be recorded as a debit to GLAC 127 and a credit to purchases. This will remove the inventory from the cost of goods sold section. If a deductible is involved, the amount will be charged to insurance losses and the debit to GLAC 127 reduced. When the insurance claim is settled, the receivable will be removed and the difference, if any, recorded as an insurance claim loss or gain.

D. Normally, insurance claims for expensed items, e.g., supplies, will not be recorded as receivables. If significant, the expense will be reversed and debited to GLAC 127. If a deductible is involved, the amount will be charged to insurance losses and the debit to GLAC 127 reduced. When the insurance claim is settled, the receivable will be removed and the difference, if any, recorded as an insurance claim loss or gain.

A040207 Accounting For Credit Card Transactions. The CAO is responsible for verifying credit card sales drafts and summary tickets with the DAR, computing the discount rate, keeping a detailed subsidiary for each credit card company, reconciling the payment check with the DAR and a suspensed copy of the summary ticket, and recording credit card transactions.

A. CAOs will make the following entries if commercial credit card expense is recorded at the end of the month:

1. After verifying the sales drafts and summary tickets with the DAR, the CAO will make the following entry:

DR 139 - Commercial Credit Card Receivable
CR 302 - Credit sales or applicable 500 series

2. For credit issued for return of merchandise, the CAO will make the following entry:

DR 304-Sales Returns and Allowances or applicable 500 series GLAC
CR 139-Commercial Credit Card Receivable

3. After receiving the reimbursement check from the credit card company or deposit slip from the NAFI, the CAO will make the following entry:

DR 101-US Cash

DR 743-Commercial Credit Card Expense
CR 139-Commercial Credit Card Receivables

4. After receiving sales drafts rejected by the credit card company, the CAO will make the following entry:

DR 122-Customer Receivables
CR 139-Commercial Credit Card Receivables

5. If the NAFI resubmits sales drafts and the credit card company accepts them, the CAO will make the following entry:

DR 139-Commercial Credit Card Receivables
CR 122-Customer Receivables

6. If the NAFI can not collect from the customer after credit card company rejects credit, the CAO will make the following entry:

DR 661 - Bad Debt Expense
CR 122 - Customer Receivables

7. After receiving a copy of the monthly report of the telephone calls made to the credit card company for credit approvals, the CAO will calculate the amount of reimbursement due from the credit card company and make the following entry:

DR 140 - Miscellaneous Other Receivables
CR 730 - Communications Expense

8. To record the reimbursement, the CAO will make the following entry:

DR 101 - US Cash
CR 140 - Miscellaneous Other Receivables

9. CAOs will record credit card expense for the balance in GLAC 139 at the end of the month as follows:

DR 743 - Commercial Credit Card Expense
CR 139 - Commercial Credit Card Receivables

This entry will be reversed the following month.

B. CAOs will make the following entries for credit card receivables if commercial credit card expense is recorded at the time of charge sale:

1. At time of sale:

DR 139-Commercial Credit Card Receivables
DR 743-Commercial Credit Card Expense
CR 302-Credit Sales or applicable 500 series GLAC

2. After receiving the reimbursement check from the credit card company or deposit slip from the NAFI, the CAO will make the following entry:

DR 101-US Cash Account
CR 139-Commercial Credit Card Receivables

3. To record credit issued for return of merchandise-

DR 304-Sales Return and Allowances or applicable 500 series GLAC
CR 139-Commercial Credit Card Receivables
CR. 743-Commercial Credit Card Expense

4. When credit card company rejects a charge sale:

DR. 122-Customer Receivables
CR. 139-Commercial Credit Card Receivables
CR. 743-Commercial Credit Card ense

5. If the NAFI resubmits sales drafts and the credit card company accepts, the CAO will make the following entry:

DR 139 - Commercial Credit Card Receivables
DR 743 - Commercial Credit Card Expense
CR 122 - Customer Receivables

6. If the NAFI can not collect from the customer after credit card company rejects credit, the CAO will make the following entry:

DR 661 - Bad Debt Expense
CR 122 - Customer Receivables

7. After receiving a copy of the monthly report of the telephone calls made to the credit card company for credit approvals, the CAO will calculate the amount of reimbursement due from the credit card company and make the following entry:

DR 140 - Miscellaneous Other Receivables
CR 730 - Communications Expense

To record the reimbursement, the CAO will make the following entry:

DR 101 - US Cash
CR 140 - Miscellaneous Other Receivables

A040208 Delinquent Accounts Receivable. Accounts receivable become delinquent 30 days after billing. NAFIs should take action to collect accounts receivable within the 30 day time frame or shortly after. Delinquent fees may be assessed on the 31st day (the first day the accounts receivable is delinquent). Refer to AR 215-1 for guidance on delinquent fees. Delinquent fees should be recorded as NAFI administration income under GLAC 517-Late Charge Assessment Income.

A0403 MERCHANDISE INVENTORY AND PREPAID ITEMS

A040301 General. In this section, the word storeroom is not used; merchandise is either in a warehouse or in a sales department. Generally, merchandise is controlled in one of two ways:

A. Perpetual Records. By maintaining a perpetual record of each item (stock records). Periodically a physical inventory is taken and the stock records are adjusted to agree with the physical inventory. This method is used for warehouses with limited access to the stock and in certain retail outlets, e.g., golf pro shops. One person is responsible for the merchandise even though other persons (his or her subordinates) may have access to the merchandise. In this chapter, the term warehouse implies that stock records are maintained. If stock records are maintained, the procedures for warehouses will apply even if a retail sales department.

B. Sales Accountability. By control of the items based on sales accountability. The sales accountability method works on the principal that periodic physical inventories make it possible to anticipate the dollar amount of sales that should be recorded and make it possible to fix accountability for differences between anticipated and actual sales as to department, period of time, and personnel.

A040302 Policy.

A. Inventory Stock Records. DA Form 1991 or an approved mechanized system will be used to maintain warehouse perpetual inventory stock records.

B. Maintenance of Stock Records. Stock Records will be kept by NAFI administrative personnel or by the CAO, whichever is found to be the most cost effective by the NAFI fund manager. Warehouse personnel will not keep stock records, but this does not prevent them from keeping bin cards. If NAFI administrative personnel keep the stock records, they will enter the end-of-month inventory (quantities on hand) from stock records or a physical inventory on a listing from an approved automated system. The completed inventory count is sent to the CAO. If the CAO maintains the stock records, CAO personnel will use the listing produced by an authorized mechanized system. A copy of the listing will be sent to the NAFI fund manager for approval. The CAO will not prepare financial statements until automated listings are approved and provided by the NAFI fund manager.

C. Physical Inventories. Physical inventories are required as of the last business day of each month for merchandise in sales outlets under sales accountability, i.e., when stock records are not kept. Normally, shortages and overages cannot be ascertained since perpetual inventory records are not kept.

D. Required Semi-annually. Physical resale inventories are required semi-annually as

of the last business day of March and September for merchandise on which stock records are maintained. Shortages and overages will be recorded in accounting records separately, i.e., a net amount will not be recorded. The overages and shortages must also be posted to the stock records. If the net difference is 5 percent of the total stock record merchandise value or exceeds $2,500, physical inventories of the merchandise being maintained on stock records must be taken as of the last business day of each month until the difference is within the prescribed parameters. (See AR 215-1 concerning investigation requirements for losses of $500 or more.)

E. NAFISS. For those installations using NAFISS, the inventory stock record subsystems will provide mechanized forms for inventory control. Installations using a manual inventory control system will use DA Form 1759 to record the physical inventories required by this regulation.

F. Forms for Issuance. DD Form 1149 (Requisition, Invoice, and Shipping Document), DA Form 3161 (Request for Issue or Turn-in), DA Form 4080 (Transfer Between Activities), or a similar form which includes basically the same information as these forms will be used to issue inventory from the warehouse.

G. Procurement From Government. When requisitions are submitted to appropriated fund activities and other NAFIs, the form prescribed by the issuing organization will be used as a procurement instrument unless otherwise prescribed in AR 215-4.

H. Receiving Report. A legible copy of the procurement instrument (if form design includes receiving functions) or DD Form 250 will normally be used as a receiving report. For items that are delivered several times a month under blanket purchase agreements, e.g., bread, milk, eggs, and fresh vegetables, a copy of the vendor's delivery ticket may be used as a receiving report, however, copies of invoices will not be used as receiving reports. All receiving reports must be signed by an authorized person whose speciman signature is on file in the CAO.

I. Transfers. DA Form 4080 will be used to record transfers between departments. When blank DA Forms 4080 are received by a NAFI, the NAFI should number them sequentially. A record will be made of the person and section to whom all blank DA Forms 4080 are issued. Only an original will be prepared. Photocopies will be made if additional copies are required. The original should be sent to the CAO. The CAO will keep a control log or a suitable alternative method to determine if all DA Forms 4080 are received. Common uses for the DA Forms 4080 are:

1. Merchandise purchased for resale is used in a department for samples or display and cannot be sold afterwards.

2. Items issued to one department are used by another, e.g., lemons issued to the dining room are used in the bar.

3. Items for resale in one location code are needed by another location code as supplies, e.g., tools on sale in the Arts and Crafts Resale Store are purchased by the officers club swimming pool.

4. Items are returned to the warehouse.

5. Supplies are purchased by the post restaurant NAFI from the NCO club at cost.

6. Transfer of labor costs.

J. Record At Cost. Merchandise will be recorded in accounting records at cost. Cost is the purchase price less trade and cash discounts. Discounts lost and excise taxes paid will not be included in the cost of merchandise. They will be recorded in GLACs 662 and 736, respectively. Freight, drayage, insurance, and handling charges will be included in the cost of merchandise if they can be identified to specific items. If they cannot be identified to specific items they will be recorded in GLAC 731.

K. Method. Use the moving average method or the first-in, first-out method to arrive at unit prices.

L. Use Of Fair Market Value. When the fair market value of merchandise, as determined by an independent appraisal, is materially less than its cost, the merchandise may be devalued upon the approval of the installation commander. All devaluations will be expenses of the current period; they will not be treated as fund equity adjustments. The loss will be charged to GLAC 654 or 655.

M. Reconciliation. The CAO must ensure that the balance in GLACs 141, 142, 143, and 144 on the balance sheet equal the ending inventories on the income statements.

A040303 Physical Inventories.

A. NAFI personnel will conduct required physical inventories of merchandise per table 4-2. See A040303E for information concerning using the Gross Profit method as an alternative to monthly inventory. A person or persons selected by the CAO will observe the physical inventory at least annually. Special physical inventories of the warehouse are exempted from this requirement. One of the semi-annual physical inventories will be observed. Since it is frequently impractical to perform physical inventories of all of the departments of a NAFI and the warehouse at one time, physical inventories may be scheduled and conducted by location code. Physical inventories of location codes with similar missions should be conducted at the same time, e.g., all club activities at one time. The observer(s) will come from the duty roster maintained by the installation adjutant when possible.

B. In coordination with the NAFI manager, the installation CAO schedules the annual physical inventories and briefs the independent observers. (See fig 4-1.) The activity maintaining the stock records reconciles the physical inventory to the stock records and makes necessary adjustments to the stock records. If the stock records are kept by NAFI personnel, differences will be reported to the CAO. The CAO will adjust the accounting records.

C. Approximately 60 days before a physical inventory must be observed, the CAO will arrange for the observers. If a request for observers goes to the installation adjutant, the desired ranks of the observers should be specified.

D. Following are the policies and procedures about physical inventories of merchandise. Briefings for observers will include these policies and procedures.

1. The organization keeping the stock records will prepare the inventory lists. These lists will be given to the inventory team who will conduct the physical count.

2. Inventory lists will be prepared in the same sequence in which the merchandise is stored or arranged for display, or in stock record number sequence.

3. Cutoff dates for sales, issues, returns, adjustments, and transfers between departments must be established so that inventory lists will accurately reflect items of inventory.

a. Merchandise delivered during the inventory will not be counted unless the purchase and payable or payment have been or will be recorded in the general ledger as of the inventory cutoff date.

b. Merchandise sold during the inventory will be included in the inventory count, unless the related sale and receivable or cash received have been or will be recorded in the general ledger as of the inventory cutoff date.

c. Inventories will be conducted separately for each department.

d. Inven-tories of merchandise held on consignment and returnable containers will be prepared and

conducted separately from department owned merchandise. Inventory lists will be prepared for each owner of the goods.

4. Team members will work in pairs. One person will inspect and count the items; the other will enter the count on the list.

5. Team members should make identification by stock number, if possible.

6. The inventory team will verify that the merchandise is usable/salable.

7. When the physical count of the warehouse is completed, it will be reconciled with the stock records. Differences between the physical count and the stock records will be brought to the attention of the inventory team and the warehouse supervisor. Attempts will be made to locate the missing merchandise.

8. Necessary adjustments will be made to the stock records and the accounting records.

9. All observers must sign the briefing statement and furnish a report to the CAO concerning how the inventory was performed. (See fig. 4-2.)

10. The observers will not be released until the inventory is satisfactorily completed.

11. An accurate physical inventory is extremely important. It is imperative that all concerned be aware of this importance.

E. NAFIs may use the gross profit method of inventory valuation instead of monthly inventories at some sales outlets.

1. To use the gross profit method, the sales outlet must be able to demonstrate a consistent gross profit percentage over the previous 12 months. If the sales outlet resales like items on a continuous basis, the location can take a wall-to-wall physical inventory at the end of each quarter and estimate the ending inventory for the other two months in the quarter. The estimate is based on the dollar value of merchandise receipts, sales and the gross profit percentage. The NAFI can continue to use this method in the following quarter as long as the actual inventory valuation at the end of the quarter does not deviate more than three percent from the estimate using the gross profit method.

2. To use the gross profit method of inventory valuation, you must first determine the cost of goods percentage of sales. To do this, subtract the gross profit percentage from one (that is, 1.00 less .42 gross profit = .58 or 58% cost of goods sold). Once you determine the cost of goods percentage, multiply the sales figure by the cost of goods percentage to determine the estimated cost of the goods which were sold during the period (that is, sales of $517 x 58% = $300 cost of goods sold). To arrive at an estimated ending inventory, subtract the estimated cost of goods sold ($300) from the cost of goods available for sale (beginning inventory plus purchases, plus/minus adjustments).

A040304 Prepaid Expenses.

A. Prepaid Supplies. When Prepaid Supplies and Equipment, Prepaid Tableware, Kitchenware, Linens, and Uniforms, and Prepaid Bingo Prizes are kept, they will be accounted for on stock records in the same manner as merchandise. In the normal course of operations, payments are made in advance for a number of expenses which are to be used in later months. The prepayment of rent, insurance premiums, and interest are such expenses. These items will be expensed in the month actually used or consumed. The accounting principle of materiality should be considered before employing the prepaid concept. Supplies and equipment which do not fit the criteria for fixed asset depreciation may be expensed over the time period they provide benefit to the NAFI. However, the expensing may not exceed 12 months.

B. Prepaid Expense and Amortization Record. This subsidiary record will be maintained to aid proration of expenses for supplies, maintenance, insurance (RIMP),

licenses, taxes, or other expenses requiring advance payments. Charges will be computed and prorated over each month of the period covered by the advance payment. Supplies will be expensed based on usage and reported by the fund manager. The unexpired portion will be reconciled to the correct G/L control account. The amortization amounts each month will be the basis for adjustments made on the worksheet.

A0404 FIXED ASSETS

A040401 General. Fixed asset accounting records substantiate the fixed assets and accumulated depreciation accounts on the balance sheet, serve as accountability records, and are utilized in computing depreciation. As there are no tax considerations, the purpose of depreciation of NAFI-owned property is to charge operations with the cost of a fixed asset over its estimated useful life. AR 215-1 contains policy on NAFI property and fixed assets.

A040402 Policies and Definitions.

A. Fixed Assets. Nonappropriated fund fixed assets are defined as tangible properties purchased by or donated to a NAFI that have an expected life of two or more years and cost $1000 or more. Examples are land improvements, buildings, building alterations, renovations, and improvements; furniture, fixtures, and equipment; vehicles, aircraft, and boats; and breeding livestock. Unless otherwise stated below, fixed assets are recorded at cost plus any expenditures necessary to place those assets into readiness for use, i.e., installation, freight, testing, legal fees to establish title, and any other costs of putting the asset in the condition and location for use. Purchase discounts should be applied to reduce the costs, however, interest charges should not be capitalized.

B. Quantity Purchases. Like items purchased in a quantity in excess of one at a total cost of $1000 or more, regardless of unit cost but meeting other criteria for fixed assets, may be treated as fixed assets at the discretion of the fund manager. This decision is made at the time the capital purchase and minor construction (CPMC) budget is prepared or revised; not at the time of purchase.

C. Repairs and Maintenance. Expenditures for repairs and maintenance which do not prolong the useful life of property beyond that anticipated when it was purchased or constructed should be charged as expenses at the time they take place. Expenditures of $2,500 or more which prolong the useful life of property two years or more beyond that anticipated when it was purchased or constructed should be capitalized. Attachments or alterations which increase the usefulness of a building or change it in some way, even though not increasing its life, should be capitalized and depreciated over the estimated remaining useful life of the building. The decision of whether to capitalize is made at the time the capital budget is prepared or revised; not at the time of purchase.

D. Self-Construction. If fixed assets are built or manufactured by the NAFI, all costs incurred, including labor, should be capitalized. Since this situation occurs infrequently, CAOs who need help in this area should contact the proponent of this regulation, in writing, through command channels.

E. Trade-In. When property is traded-in at time of purchase, the new asset will be recorded at the amount of the monetary consideration paid plus the book value of the old asset. Set up a liability for the amount to be paid to the vendor. The acquisition cost and accumulated depreciation of the asset relinquished will be removed from the record.

F. Basket Purchases. If assets are purchased in groups (frequently called a basket purchase) without costs of individual assets being known, the total purchase cost must be allocated among the individual assets on the basis of their respective fair values.

G. Donated Fixed Assets. Fixed assets acquired by donation, i.e., at no cost to the NAFI, will be recorded in the appropriate fixed asset account with a contra credit to GLAC 291-

Contributed Capital, at current estimated value. Costs incurred in the acceptance of the asset, e.g., installation costs, transportation expenses, legal fees, should be capitalized but should not be recorded in GLAC 291. It is the responsibility of the fund manager to furnish the current estimated value. The fixed assets will be depreciated over the expected useful life per table 4-1.

H. Property Control Records. Use of DA Form 4078 (Property Control and Depreciation Record) and DA Form 4079 (Depreciation Expense Control (Furniture, Fixtures, and Equipment)) are mandatory unless the Fixed Asset subsystem of NAFISS or other approved mechanized system is in use. If an approved mechanized system is in use, the mechanized system will be the property control records. Each fixed asset must be recorded on a property control record, manual or mechanized. Fixed assets will remain on property control records, whether fully depreciated or not, until disposition is made by the fund manager. Special property records may also be maintained, if desired by the fund manager, for items considered sensitive by the fund manager that would not otherwise be recorded on property control records. Unless the fund manager has notified the CAO in writing of any general policies in this area, items will be added or deleted only at the specific request of the fund manager or his designee. At least monthly, the CAO will furnish the fund manager a list of the recorded items described above so that he or she is aware of items that are being carried on property control records not recorded in an asset account. The fund manager can add to or delete from this list as he or she desires. These items are not subject to the physical inventories described in this chapter. These items are recorded in NAFISS as subledger code "E".

I. Depreciation. Use of the straight-line method of depreciation is mandatory except for aircraft. Salvage value will not be considered, i.e., the total cost of the asset will be depreciated. Depreciation of fixed assets will begin the month after receipt and continue through the month of 100 percent depreciation. When a fixed asset that is not fully depreciated is removed from property control records, a full month's depreciation will be recorded. Depreciation expense should be recorded in the using department code.

J. Government-Titled Fixed Assets. An unusual aspect of NAF accounting is that some assets, particularly buildings, are purchased using NAF and the NAFI has exclusive use, but title rests with the government. Special asset accounts (GLACs 175 and 177) and special Accumulated Depreciation accounts (GLACs 176 and 178) have been prescribed for recording these assets.

K. Fixed Assets In Transit. On occasion, title to fixed assets may pass to the NAFI and payment made before the NAFI has physical possession of the property. Typically, this happens when property destined for a NAFI overseas is delivered to an Army port for over water transportation by government means. The CAO makes payment based on the receipt at the port and records it in the Fixed Assets in Transit account. When the NAFI actually receives the property, the cost will be removed from the Fixed Assets in Transit account and placed in the appropriate fixed assets account.

L. Building and Improvement Construction Costs. Most construction contracts allow for progress payments during the construction period. As payments are made they will be recorded in the Building and Improvement Construction Costs account (GLAC 179). When the construction project is completed and ready for occupancy or accepted and occupied by the NAFI, the amount previously recorded will be reversed from the Building and Improvement Construction Costs account and recorded in the appropriate fixed asset account. Depreciation will begin the following month. There are no specific procedures nor forms prescribed for evidencing that the NAFI has occupied a new building or facility therefore the CAO must coordinate closely with the fund manager any time that progress payments are being made. Final payment cannot be used as criteria as payment is sometimes held back.

M. Appropriated Fund Property. The CAO is not responsible for property records for property purchased using appropriated funds.

N. Major Construction. The Army Morale, Welfare, and Recreation Fund (AMWRF) will pay for all major construction, projects costing over $500,000, less any amounts funded locally. AR 215-1 describes the funding programs for NAF construction. The AMWRF will pay the district engineer or civilian contractor directly as invoices are received and as authorized by the contracting officer. The IMWRF will be notified of the project cost upon project completion.

1. When the AMWRF withdraws funds from the IMWRF for major construction projects, the AMWRF will send a message specifying the amount of the withdrawal. The entry necessary at the time the cash is withdrawn from the IMWRF is a DR to GLAC 196-Construction Advances for the amount the IMWRF pledged to the project, and CR to GLAC 187-Fixed Asset Sinking Fund.

2. When construction is completed, the AMWRF will notify the IMWRF of the amount paid for the project. The CAO will debit the proper fixed asset GLAC for the amount of the project. The credit will be to GLAC 196 for the amount previously debited to this account for the project and GLAC 291 for the remainder. Depreciation will begin the month after the contracting officers representative or the engineers determine that the facility is ready for "beneficial occupancy" or the month after the facility is put in to use, whichever occurs first. If the final cost of the project is not known at this time, base the monthly depreciation on the best estimate of cost and adjust later if necessary.

O. Fixed Assets At Closing Installations.

1. Fixed assets which were not transferred to another installation will be expensed to remove the remaining book value from the books. If the assets were in usable condition and in use at the time of closure, the assets will be removed from the books and the net book value will be debited to GLAC 832-Loss on Close of a Business Location. If the assets were not in use, record the loss to GLAC 827-Loss on Disposal of Fixed Assets because the loss is not attributable to the closure.

2. When assets with a net book value are transferred:

a. Remove the asset account and corresponding depreciation account from the books. Record the net book value as a debit to GLAC 291-Contributed Capital. The loosing CAO will provide the gaining CAO with the net book value of the tranfereed fixed assets.

b. The gaining installation will bebit the applicable fixed asset account with the net book value and credit GLAC 291. The gaining Fund CAO will load the fixed assets on the books at the net book value and continue depreciation over the estimated remaining useful life.

A040403 Transactions. The various fixed asset accounting transactions can be grouped into acquisition, administration, disposition, and depreciation. Physical inventories take a significant amount of the CAO's time and may produce many accounting transactions.

A. Acquisition. Receiving reports are prepared by NAFI personnel evidencing acquisition of fixed assets. If all data required for maintenance of property control records is not included with the receiving report, the CAO will request it from the NAFI manager.

B. Administration. Documentation must be prepared by the fund manager whenever any data on the subsidiary records is changed even though no general ledger entries are required, e.g., fixed assets are transferred from one location to another. Transfers between NAFIs should be handled as donations by the receiving fund and as dispositions by the donating fund.

C. Disposition. Documents are prepared by the fund manager upon disposition of fixed assets. Disposal means that the fund

manager has physical control of the item and disposes of it in accordance with AR 215-1. A "write-off" of a fixed asset means that the NAFI manager does not have physical control of the item, i.e., a shortage. Entries for dispositions will be made on journal vouchers. The only documentation needed by the CAO to "write-off" an asset is evidence that the property is missing.

1. Transfer to Defense Reutilization and Marketing Office (DRMO). When property is transferred to the DRMO, it will be evidenced on the form required by the DRMO (usually DD Form 1348 (DOD Single Line Requisition System Document)). The NAFI manager will furnish the CAO a copy of the document which will be used to support the entry. Any remaining book value will be charged to GLAC 827-Loss or Gain on Disposal of Fixed Assets. Any cash proceeds from disposal received at a later date will be recorded in GLAC 827 if the fixed asset can be identified; if not, the proceeds will be recorded in GLAC 825-Miscellaneous Other Income.

2. Write-off. The fund manager should report shortages of fixed assets to the CAO, in writing, upon discovery. Properly completed physical inventory documentation is considered notification in writing. As soon as notified, the CAO will remove shortages from the property control records, however, this does not constitute relief from property accountability. Relief can only be granted as specified in AR 215-1, therefore the CAO will report the shortages to the NAFI Manager's commander by letter. The letter should be hand-carried where possible and acknowledgement of receipt should be obtained. The letter to the Commander will also have the accounting entries made to remove ("write-off") the shortages from the property control records. A copy of the letter will be sent to the NAFI manager. If the property is found later, the item will be put back on property control records, the accounting entries previously made will be reversed, and an adjusting entry will be made to bring depreciation up to date.

3. Sale. When property is sold by the NAFI, cash or accounts receivable will be debited; the appropriate accumulated depreciation debited; the appropriate fixed asset account credited; and gain or loss on disposal of fixed asset debited or credited, as applicable. The NAFI manager must give the CAO the documents. If NAFI-purchased or owned property is transferred to the Government and later sold, proceeds from the sale go to the Government; not the NAFI. See AR 215-1.

4. Trade-in. When old property is traded-in at time of purchase, the fund custodian will send documentary evidence. The old asset will be removed from property control records and the new asset recorded as described above.

Table 4-1, Depreciation Periods

Description	Life Expectancy
Buildings	15-40 years
Building Improvements	10-30 years
Furniture, Fixtures, and Equipment	2-10 years
Vehicles, Aircraft, and Boats	2-7 years
Land Improvements	15-25 years

D. Depreciation. Depreciation is a systematic method of charging operations with the cost of a fixedasset over its estimated useful life. Estimates of the useful life of assets are seldom accurate since obsolescence or other factors may abbreviate or elongate its usefulness. Because of the uncertainty, the guideline lives in Table 4-1 will be used. Since salvage values are almost impossible to predict and restrictions are placed on disposal of military property, salvage values will be ignored in depreciation computations for NAFI-owned fixed assets. Although there are several depreciation methods in general use, Army NAFIs will use only the straight-line method except that aircraft may be depreciated based on hours flown (see below). Under the straight-line method, the cost of the fixed asset is spread in equal periodic portions over its estimated useful life. Monthly depreciation is calculated simply by dividing the total depreciable value of the fixed asset by the estimated months of life. An asset will not be depreciated in the month in which it is placed in use nor will a partial month's depreciation be recorded when disposition is made. If the fund manager desires, aircraft may be depreciated based on hours flown. The estimated flying-hours the aircraft is expected to last are divided into the cost to arrive at a depreciation per hour. Each month the fund manager must report to the CAO the number of hours flown so that depreciation may be calculated and recorded. This must be done manually. NAFISS supports only straight-line depreciation.

E. Adjustments. Generally accepted accounting principles dictate that once an accounting principle is adopted it should not be changed in accounting for events and transactions of a similar type. Further, consistency facilitates analysis and understanding of comparative accounting data. If it is determined that a change in the estimated life of an asset is proper, the necessary adjustment to depreciation must be posted to the expense account; not Retained Earnings. By the same token, a large loss on the disposal or write-off of a fixed asset will be posted to the Loss on Disposal of Fixed Assets account; not Retained Earnings.

F. Fully Depreciated Fixed Assets. Fully depreciated fixed assets purchased prior to FY 89 which had an acquisition cost of less than $1,000 may be removed from the accounting records.

Table 4-2, Types and Frequencies of Physical Inventories

Type	Description	Frequency	Comments
Saleable merchandise, in any warehouse or storeroom.	This is a single account for saleable merchandise held in a warehouse or storeroom.	Monthly by fund employees or NAFI employees. Annually, observed by independent observation team.	Variances between inventory and stock records will be researched, costed, and documented by the inventory team.
Resale merchandise in sales outlets.	These accounts are for resale merchandise in sales outlets. Separate accounts are maintained by activity codes. Sales outlets include bars, snack bars, package stores, and restaurants.	Monthly in sales outlets. Inventories will be conducted by NAFI employees under the direct supervision of the fund custodian or a designated representative. Annually, observed by an independent observation team.	Same as above.
Supplies	Supplies purchased in large quantities are maintained in a warehouse or storeroom until issued to using activities. This includes consumable supplies used in operations that are not normally for resale (china, glassware, silverware, linen, utensils).	Monthly by NAFI employees. Annually, observed by an independent inventory team.	Supplies issued but not consumed will be controlled by management review even though they were expensed at time of issue. Variances will be documented as above and reconciled by the inventory team.
Fixed assets	Includes furniture, fixtures, and equipment; vehicles and flying club aircraft	Annually. The inventory must be taken at the location level. The initial inventory will be taken by an inventory team appointed by the NAFI managers. The next year it will be taken by an inventory team appointed by the NAFI managers under the observation of independent observation team(s). Independent observation team members will observe the inventory every other year thereafter.	A memorandum will be prepared to support any difference between the physical inventory and the property control record. Shortages will be investigated per AR 215-1.
Expensed equipment (hand receipt/annex number).	All expensed equipment issued by DA Form 2062.	Annually, by DA Form 2062 holders. Also, upon change of DA Form 2062 holders.	A joint inventory is required when there is a change of DA Form 2062 holders.
Sensitive items (Note 3).	All items classified as sensitive.	Annually, by NAFI personnel.	A joint inventory is required when there is a transfer of responsibility.
Transfer of accountability.	All categories described above.	On each change of NAFI manager. Can be done by an independent inventory team.	Variances will be documented as described above. Certificate of transfer will be executed between relieving and successor fund managers. (See AR 215-1)

Notes:

1. Those NAF entities that have had only small dollar value of inventory adjustments over a representative period may request an exception to the monthly inventory requirement. Send request through command channels to the Defense Finance and Accounting Service-Indianapolis Center, ATTN: DFAS-IN-AN, 8899 East 56th Street, Indianapolis, IN 46249-1056. The request must be supported by a schedule showing percentages of adjustments, overages, and shortages relating to the value of the inventory. Before approving any request, DFAS will coordinate with the U.S. Army Community and Family Support Center or the Army and Air Force Civilian Welfare Fund, as appropriate.

2. If inventory stock records are kept, the monthly physical inventory requirment is changed to semi-annually, however, if there is a variance between the semi-annual physical inventory and the stock records in excess of 5 percent or $2,500 of the inventory value, the requirement for a physical inventory will revert to monthly until the cause is determined and corrective action taken.

3. Does not apply to bar and food sensitive items.

A040404 Physical Inventories.

A. Annual Physical Inventory. A physical inventory of all NAFI-owned fixed assets will be conducted at least annually, per table 4-2. Since it is frequently impractical to perform a physical inventory of all of the fixed assets of a NAFI at one time, physical inventories may be scheduled and conducted by Location Code. Recommend that inventories of location codes with similar missions be conducted at the same time, e.g., all club activities at one time; all bowling activities at one time. A person or persons selected by the CAO will observe the inventory per table 4-2. The observer(s) will come from one or more of the following sources:

1. The CAO, including employees maintaining fixed asset records, if on site.

2. The duty roster maintained by the installation adjutant.

B. Scheduling of Annual Inventories. When the CAO is on site, he/she schedules the annual inventories, briefs the persons performing the inventory, briefs the independent observers, and furnishes a listing of the assets (without quantities) to the persons performing the inventory. If the installation is served by the consolidated CAO, the local installation will schedule the inventory and conduct the briefing. When the inventory is completed, the CAO reconciles the inventory to the property control records, and makes necessary adjustments to the property control records and other accounting records. The NAFI manager, the persons conducting the inventory, and the observer(s) sign a statement that the inventory has been properly conducted and that it is correct (see fig 4-3). The CAO will inform the commander, by letter of the results of the inventory (shortages, overages, accounting entries made, or that there were no discrepancies). The letter will be hand delivered, when practical, and an acknowledgement of receipt obtained. The commander will determine any actions to be taken regarding possible investigations.

C. Coordination With NAFI Manager. Approximately 60 days prior to a scheduled fixed asset inventory, the CAO will coordinate with the NAFI manager for appointment of the inventory team. The appointment should be in writing and signed by the NAFI manager and the Central Accounting Officer. The CAO will also arrange for the observer(s). If a request for observer(s) goes to the installation adjutant, the desired rank(s) of the observer(s) should be specified. The use of CAO employees as observers must be carefully considered. While the person who maintains the fixed asset records may be well qualified to act as an observer, the CAO must ensure that he or she can perform the observation objectively. If there is any objection from the NAFI manager, CAO personnel should not be used.

D. Policies and Procedures. The following are policies and procedures for physical inventories of fixed assets. These items will be included in briefings for the inventory team and the observers.

1. Work in pairs. One person will inspect and count the items; the other will enter the count on the list.

2. Make identification by asset number and/or serial number, if possible.

3. Any borrowed, loaned, rented, disposed of, or otherwise missing items will be recorded as shortages unless proper documentation is present.

4. The inventory team will verify that each item is permanently numbered and the number is not disfigured. Also they must verify that the item is well maintained. The listing should be annotated to indicate any items not in use, i.e., in store room or warehouse.

5. When the physical count is completed, the CAO will reconcile it with the property control records. Differences will be brought to the attention of the inventory team and the NAFI manager and reasonable attempts will be made to locate the missing property.

6. Necessary adjust-ments will be made to the property control records by the CAO as soon as the reconciliation is finished and the NAFI manager and inventory team have had a chance to check for shortages, unless written authority is received from the commander not to do so.

7. All members of the team must sign the briefing statement and the inventory statement.

8. The inventory team will not be released until the inventory is satisfactorily completed.

E. The following will also be included in the briefing:

1. The importance of an accurate physical inventory will be stressed during the briefing.

2. The use of the listing, their arrangement, and the use of location and department codes.

3. The physical presence of some items may be difficult to confirm or ascertain, e.g., building improvements and land improvements.

A040405 Fixed Asset Sinking Fund. NAIFs may use a Fixed Asset Sinking Fund to set aside funds for purchase/replacement of fixed assets in accordance with guidance by MACOMs and/or CFSC. Amounts may be debited to GLAC 187 monthly.

A040406 Disposal of Fixed Assets.

A. Items that have been fully depreciated will remain in the accounts until disposed of. On disposal, the asset account will be credited for the full amount of the asset's capitalized value. Debit the allowance for depreciation account for the depreciated amount of the asset. Items disposed of (through sale, donation, or retirement) that are not fully depreciated will be written off as follows:

1. Sale.

DR Cash or Receivables (amount received).
DR Allowance for Depreciation (amount depreciated).
CR Applicable Asset Account (original amount capitalized).
and
DR or CR Loss or Gain on Disposal of Fixed Assets (difference).

2. Donation, Retirement, or Destruction.

DR Allowance for Depreciation (amount depreciated).
DR Loss on Disposal of Fixed Assets (difference).
CR applicable Fixed Asset Account (original amount capitalized).

B. CAOs will record losses or gains that result from disposal of fixed assets in department code G1 of the location using the asset.

A040407 Lost Assets. After an inventory is validated, fixed asset records will be adjusted to delete lost assets. The loss is reported to the NAFI council and commander. Write-off will not be delayed pending council and commander review. A write-off of a fixed asset does not constitute a relief from property accountability under AR 215-1. The following accounting entries should apply:

A. When insurance recovery or pecuniary liability is expected-

DR GLAC 127-Claims Receivable
DR Allowance for Depreciation
CR Applicable Fixed Asset Account
To record a claim for the net book value of the asset and write-off the acquisition cost of the asset and accumulated depreciation.

B. When insurance settlement or other restitution is made-

DR GLAC 101-US Cash Account
CR GLAC 127-Claims Receivable
and

DR or CR GLAC 827-Loss or Gain on Disposal of Fixed Asset

C. When loss is not expected to be recovered-

DR GLAC 827-Loss or Gain on Disposal of Fixed Asset
DR Allowance for Depreciation
CR Applicable Fixed Asset Account
To write-off lost fixed asset and record a loss equal to the net book value.

A040431 Closing a Business Location. All costs associated with closing a segment of the NAFI's business, or the entire NAFI, will be recorded in GLAC 832, Loss on Close of Business Location, to include losses on disposal of buildings, improvements, and furniture, fixtures, and equipment. GLAC 832 should be recorded in the administrative department code (G1) of the location that applies to the facility being closed. To record it in IMWRF administration would not show the cost in the proper program code. The notes to the financial statements for the period encompassing the closure should identify the operation that has been discontinued.

CHAPTER 5

LIABILITIES AND FUND EQUITY

A0501 LIABILITY FOR NAF RESOURCES

A050101 Fund Manager Responsibility. The sole responsibility for managing the resources of a NAFI including cash, rests with the fund manager, or the governing council, as applicable. Therefore, the CAO will disburse or use a NAFI's resources only with the approval of the fund manager or as authorized in this regulation.

A050102 Authority For Payment. Receipt of all the following documents, properly prepared and authenticated, is authority for payment.

A. Procurement Instrument. This may be a purchase order, a contract, a blanket purchase agreement, or other contractual document issued in accordance with AR 215-4.

B. Receiving Report. A receiving report or other signed documentary evidence that the goods or services have been received by the NAFI.

C. Vendor Invoice. An invoice or claim from the vendor requesting payment. This may be an invoice issued for a specific delivery or a statement showing deliveries over a month, week, or other period.

A050103 Absence of a Purchase Order. In the absence of a purchase order, the CAO will forward all documents received to the fund manager for proper disposition. AR 215-4 contains procedures for ratification of unauthorized commitments. Payment will not be made until the commitment has been ratified by issuance of a purchase order or contract. If the goods or services have already been received and cannot be returned (contract is not voidable), the contracting officer will recommend to the installation commander ratification or nonratification of the unauthorized commitment. In that case, the fund manager must obtain approval from the installation commander and certify in writing that the goods or services represented by the invoice were actually received and that payment is approved.

A050104 Purchases From Another NAFI. Purchase of goods or services from another NAFI will be supported by a request for the goods or services and a signed document showing receipt. DD Form 1149 or similar form will suffice.

A050105 Purchases from Government. Purchase of goods or services from the Government (bills from appropriated funds) will not normally be supported by a procurement instrument, however, a receiving report or other signed evidence of receipt must be present to support the payment.

A050106 Payments to NAF Personnel. NAF personnel will be paid only when the proper personnel documents are received. A TA report authenticated by the NAFI manager or his or her appointed representative must be given to the CAO or servicing payroll office.

A050107 Payee. Checks will not be made payable to "cash" or "bearer". Checks for operating cash such as check cashing, petty cash, foreign currency exchange, and change funds will be made payable to the name of the person appointed by the fund manager followed by the purpose, e.g., "John Doe (Annex 1 Petty Cash)".

A050108 Payee Bankrupt or Insolvent. When bankruptcy/insolvency of a payee is involved, payment will not be made from NAF without coordination with DFAS. Further, all potential bankruptcy claims will be submitted to DFAS. Bankruptcy procedures in AR 37-103 apply to all NAFIs covered by this regulation.

A0502 PURCHASE ORDERS AND VENDOR INVOICES

A050201 Acquisition Procedures. AR 215-4 contains acquisition procedures for Army NAFIs.

A050202 Log Maintenance. The CAO will maintain a log by NAFI and purchase order number. All purchase order numbers must be accounted for at month end.

A050203 Daily Receipts. Purchase orders for daily deliveries may be made on a monthly or annual basis. A copy of all blanket purchase agreements (BPA) will be sent to the CAO to document purchases. The CAO will keep a log, indexed by fund, to control the numerical sequence. The call record along with the matching delivery tickets and vendor's invoice are required documentation to support payment. However, payment will not be delayed pending receipt of the call record. Delivery orders issued on DA Form 4067-R (Army NAF Purchase Request) against GSA or DA contracts or agreements will also be controlled each month by fund and recorded in a control log.

A050204 Stock Record Cards. If NAFIs are maintaining manual DA Form 1991 (Stock Record Card), the CAO will send a copy of the invoice on a transmittal letter to the NAFI immediately upon receipt. The invoices will be used to update the NAFI's DA Forms 1991. If the NAFI requires copies of invoices for pricing stock or other purposes, the CAO will furnish a copy immediately upon receipt.

A050205 Copies of Facsimiles. Sequentially numbered electronic telephone message facsimile hard copy (i.e., TELEX) may be used in lieu of a purchase order when the electronic telephone message facsimile is the customary method of procurement. It is common to use this method when obtaining confirmed hotel or transportation reservations. A copy of the sequentially prenumbered receipt voucher will serve as the receiving report when the customer has paid for the reservation confirmation. The copy of the receipt voucher will be forwarded to the CAO and will reference the TELEX or electronic sequentially numbered message.

A0503 RECEIVING REPORTS

A050301 Preparation. A receiving report will be prepared in accordance with AR 215-4 for receipt of merchandise purchased or services performed. Enough information will be shown on the receiving report to verify vendors' invoices for payment. The receiving report will be sent to the CAO.

A050302 Payment Without the Original. CAOs may use electronically sent copies of receiving reports or notice of receipt as supporting documents for payments, original signatures are not required. CAOs must have receiving reports for the first and last payments when the same amount is paid to one vendor at fixed intervals for continuing services such as rent, equipment maintenance, or janitorial services. Payments for the intervening periods may be made without a receiving report. CAOs may require receiving reports for the intervening periods if they question the contract or have reason to believe the services are not being supplied. If CAOs choose to use this procedure, they must impress on the receiving activity to immediately inform them of any changes in the contract.

A050303 Net of Discounts. CAOs will record accounts payable net of discounts. Discounts are to be taken on the gross amount of the invoice if goods are supplied FOB destination. If the goods are supplied FOB other and a separate freight charge is shown, the CAO will take the discount on the cost of goods only. The FOB delivery terms are shown on the purchase order. CAOs will record discounts lost in GLAC 662.

A0504 SERVICE CONTRACT PAYMENTS (See A100702.)

A0505 DA FORM 5313-R (NONAPPROPRIATED FUND PAYABLE/DISBURSEMENT VOUCHER). DA Form 5313-R or a locally developed form which includes the information on DA Form 5313-R will be used to support the establishment of all accounts payable and DA Form 5313-1-R will be used to support disbursements made for other

than petty cash. DA Forms 5313-R and 5313-1-R will be sequentially numbered by IMWRF management upon issue. DA Forms 5313-R and 5313-1-R will be locally reproduced on 8½ x 11 inch paper. Petty cash vouchers may be recorded on these forms, if desired. Vouchers will not be marked "paid" until a check is issued. Purchase orders with original signatures, invoices, and receiving reports will be attached to the voucher. All purchase orders and supporting documents will be stamped "paid" when the check is issued. DA Form 5313-1-R and payment checks are usually made out to the official name of the vendor. Some vendors may ask that the checks be made out and mailed to an office that does not have the same name. This is allowed as long as the payment voucher and invoice clearly show the contract number.

A0506 ELECTRONIC FUNDS TRANSFER (EFT). The servicing payroll office automatically moves funds to its local depositary from each serviced NAFI's account at the Central Bank for the NAFI's payroll. RIMP and unemployment compensation premiums are also automatically transferred from the NAFI's account at the Central Bank to the Army Central Insurance Fund.

A0507 PAYING DEBTS OWED THE US GOVERNMENT. The CAO will give priority to payment of NAF liabilities to the US Government. The CAO will coordinate with the Accounting Division of the DAO at least monthly to ensure settlement of all liabilities with the US Government as soon as possible. All personnel working in the CAO should be periodically reminded of this policy. All debts owed to appropriated fund activities are considered debts owed to the US Government. Debts to the Government are normally created from commissary and self-service supply center purchases, billings for utilities, and assorted services provided to the NAFI on a reimbursable basis. Debts owed to the Government will be paid immediately upon receipt of all documentation. The practice of paying debts owed to the Government as much as 30 days after receipt of the required documentation is prohibited.

A0508 FUND EQUITY. Fund equity (net worth) is the excess of total assets over liabilities. The retained earnings section of the Balance Sheet reports the beginning balance (prior month ending balance), plus current month income (loss) activity, and plus/minus adjustments.

A050801 General Ledger Accounts.

A. Contributed Capital. GLAC 291-Contributed Capital, reflects the amount of capital from sources outside the NAFI.

B. Retained Earnings. GLAC 292-Retained Earnings, reflects the amount of retained earnings. Retained earnings includes the beginning balance (prior month ending balance), plus current month income (loss) activity, and plus/minus adjustments.

A050802 Retained Earnings Adjustments. Retained earnings adjustments are extremely rare and require explanation in footnotes to the financial statements. Adjustments to the retained earnings account require DFAS approval.

CHAPTER 6

INCOME

A0601 GENERAL. Income is any inflow or receipt of resources earned by the NAFI. NAFIs usually receive income from the sale of goods or supplying a service. This chapter also has accounting policy for two other sources of income; concessionaire operations and Slot Machine Profits.

A0602 CONCESSIONAIRE INCOME. Certain activities may be operated under contract with a civilian concessionaire. The limits on sales and services by the funds apply fully to concessionaire operations. NAFIs will follow AR 215-1 and AR 215-4 when activities are operated under contract with a civilian concessionaire. AR 215-7 covers Army post restaurant activities operated under contract with a concessionaire. Concessionaire income will be recorded under the NAFI administrative department unless there is a clear relationship between the revenue and a specific location within the NAFI. When a particular location had a part in generating the revenue, the revenue will be recorded under that location.

A0603 CONCESSION ACCOUNTING. When a department of a NAFI operates (either wholly or in part) on a concession basis, the fees received from the concessionaire will be included in the applicable department codes under GLAC 502 - Concessionaire Commission Income. That portion from direct operations (other than concessionaire) will be recorded in other applicable GLACs (i.e., Service/ Recreation Activities income, etc.) and department codes. If the commission fee from the concessionaire is not received by the end of the month to which it pertains, an Accounts Receivable-Concessionaires should be established for the estimated amount receivable.

A0604 ARMY RECREATION MACHINE (ARM) PROFITS. Accountants will make the following accounting entries to record income to the NAFI from the program. Debit 101-US Cash Account and Credit 525-ARM Expense Reimbursement to record the cash provided to the NAFI to reimburse expenses for supporting slot machines. Record in the location housing the slot machines, using department code G1. Debit 189-ARM Allocations and Credit 524-ARM Income to accrue the NAFIs share of the program income, based on the budget projections given to the NAFI by USACFSC. Record in the NAFI administrative location, using department code G1. After receiving notice from USACFSC of actual income earned, make an entry to adjust GLACs 189 and 524 to the amount of the actual income. Debit 187-Fixed Asset Sinking Fund and Credit 189-ARM Allocations to record the receipt of cash, check, or notice of bank transfer for approved capital expenditure projects. Transfer amounts to GLAC 101 at the time of payment for purchase of fixed assets.

A0605 TICKET SALES. Record the entire proceeds from ticket sales as income and record the cost of the ticket as an expense. The difference between the proceeds and the cost of the ticket is the profit, or mark up, on the sale. When a customer makes a partial payment, record the payment in GLAC 202-Deposits Payable. Clear GLAC 202 when full payment is received.

A0606 INCOME FROM RECYCLING MATERIALS. When the recycling program is run by the installation engineer, the NAFI may receive some revenue from the program. Record the income received under program code RP in GLAC 538-Recyclable Material Income. If the NAFI operates the recycling program for the installation, record the income and expenses of the program in program code TT-Recycling. Record the income in GLAC 501-Service/Recreation Income.

A0607 CONTRIBUTIONS FROM CHARITABLE SOURCES. When NAFIs receive cash contributions from the Combined Federal Campaign (CFC) or other charitable

organizations, record the contributions as a credit to GLAC 807-Contributions From Charitable Sources and a debit to Cash. For non-cash items that meet the criteria for fixed assets, see A040402G, for accounting procedures. For items that do not meet the criteria for fixed assets, record to the appropriate asset or expense account with an offsetting entry to GLAC 807.

A0608 NON-OPERATING SOURCES OF REVENUE. Non-operating Sources of Revenue are established to record the receipt of non-operating revenue by the NAFI (e.g., cash distributions, allocations, and dividends). The revenue will be recorded under the NAFI administration cost center, unless specifically designated for a particular department.

A0609 COUPONS. To assess the impact coupons have on operating activity programs, record the face value of coupons as sales or fees and charges, as appropriate. Cashiers will record the total value of the sale including coupons received. Record the total amount of redeemed coupons on the daily cashiers report.

A0610 TOKEN ACCOUNTABILITY. Tokens are counted, reported, and controlled the same as cash when used by a NAFI. When tokens are sold, record the sale as unearned revenue. When tokens are redeemed, record an entry to reverse the entry which was made when they were sold. When a series of tokens is changed, move the amount of unredeemed tokens to miscellaneous income, under the administration cost center. If a shortage occurs, record the amount as a charge to miscellaneous expense.

A0611 INTEREST INCOME. When interest is earned, record it at the NAFI administration cost center.

A0612 OPERATING SUBSIDIES. When subsidies are received from foreign governments, record all applicable expenses in full to the applicable cost center and record the subsidy as nonoperating income in the same cost center.

A0613 LAYAWAY SALES. When merchandise is sold on layaway, the sale will be recorded at that time. The merchandise will be segregated from other resale merchandise and should be considered sold. Therefore, the cost of goods sold entry should occur at the same time the sale is recorded. The following entry will be recorded at the time of the sale:

DR GLAC 101 - US Cash	$ 10	
DR GLAC 138 - Layaway Receivables	$490	
CR GLAC 303 - Layaway Sales		$500

To record the sale of merchandise on layaway.

If the layaway sale is later canceled, the merchandise should be returned to inventory and the previous entry reversed.

CHAPTER 7

EXPENSES

A0701 GENERAL. Expenses are the cost of goods, services, and facilities used in the production of revenue. Expenses are deducted from revenue in determining net income.

A0702 TRAVEL AND TRANSPORTATION. NAF personnel traveling under official orders citing appropriated funds will be processed by the servicing DAO. NAF personnel traveling under official orders citing NAF will be processed by the CAO as follows:

A070201 Advances. Advances will be requested using DD Form 1351 (Travel Voucher). The NAFI authorizing the travel will prepare DD Form 1351 and submit it to the CAO, with a request for check issuance at least 5 working days before the scheduled date of departure. Two copies of the document authorizing the travel (travel order) will accompany the DD Form 1351. The CAO will review the traveler's DD Form 1588 (Record of Travel Payments) to ensure that the traveler has not previously received an advance for the travel. The NAF CAO may compute the travel advance, or delegate this responsibility to the DAO. If the CAO delegates the advance computation, the CAO will then send the DD Form 1351 to the travel section of the servicing DAO via transmittal letter. The DAO will compute the amount to be advanced and return the DD Form 1351 to the CAO for payment. Advances should not be paid prior to 5 calendar days before the scheduled departure date.

A070202 Travel Settlement Vouchers. When travel is complete, DD Form 1351-2 (Travel Voucher or Subvoucher) must be submitted to the CAO, even if no advance was made. Travel vouchers involving an advance must be submitted for settlement within 15 days after the travel is completed. All other travel vouchers must be submitted for settlement within 30 days after the travel is completed. The CAO will send the DD Form 1351-2 to the travel section of the servicing DAO via transmittal letter; the DAO will compute the settlement, complete DD Form 1351-2, and return it to the CAO. If the settlement amount is more than the advance, the CAO will make payment to the traveler. If the advance was more than the settlement amount, the CAO will notify the NAFI that authorized the travel to collect the excess advance from the traveler. If the advance is not collected from the traveler after notification, it may be collected from the traveler's pay. (See AR 215-3)

A070203 Record of Travel Payments. All temporary duty travel and permanent change of station travel and transportation costs is recorded on DD Form 1588. The CAO serving the traveler will maintain the DD Form 1588 in alphabetical order. When a travel advance is paid, the CAO will annotate the traveler's DD Form 1588 for the payment. The accounting copy of the travel voucher will be annotated with a suspense date of 15 days after the scheduled return date. The advance suspense file will be reviewed daily to insure that all advances are settled.

A070204 Accounting Entries.

A. When an advance is paid:
DB GLAC 119 - Advances Receivable
CR GLAC 101 - US Cash.

B. In the month the travel occurs, debit the estimated cost of the travel to the expense account and credit the Miscellaneous accrual account.

C. When the travel is settled:

1. Reverse prior entry to expense and accrual.

2. If advance was not previously paid, debit the appropriate expense account for the total cost of the travel and credit Accounts Payable. Process check payment to traveler.

3. If advance was previously paid, debit the appropriate expense account for the total cost of the travel and credit Advance Receivable for an amount not to exceed the traveler's entitlement. If the advance was less than entitlement, credit Accounts Payable for the difference. If advance was greater than entitlement, the uncleared advance amount remains in Advances Receivable until cleared through receipt of cash from the traveler or by payroll deduction as applicable.

A0703 ACCOUNTING FOR VOLUNTEER CHILD CARE EXPENSES. Volunteer expenses for child care may be reimbursed by the using activity (see AR 215-1). Three methods of payment are possible, depending on the activity and volunteer preferences; petty cash disbursement, inter-department expense transfer (NAFI departments) and prepayment deposit (non-NAFI activities). Accounting entries are as follows:

A070301 Petty Cash Vouchers. Upon settlement of petty cash vouchers (when volunteers are directly reimbursed for private child care costs). DR 678-Volunteer Service and CR 101-Cash.

A070302 Cost Transfer. Upon receipt of Child Development Center (CDC) sign-in sheet for NAFI departments, enter a cost transfer. Any disagreements between the CDC and NAFI department concerning the amount of the cost transfer will be resolved by the CDC and/or Financial Management Division. DR 678 (for the using department) and CR 678 (for the CDC).

A070303 Receipt Of Cash. When cash is received from non-NAFI activities for prepayment of CDC charges (The CAO must keep a subsidiary ledger to account for the prepayment). DR 101-Cash and CR 202-Deposits Payable.

A070304 Income. Upon receipt of sign-in sheets from CDC for non-NAFI activities showing that the services were provided. DR 202-Deposits Payable and CR 501-Service/Recreation Activity Income.

A0704 INSURANCE PREMIUMS FOR FAMILY CHILD CARE PROVIDERS. The Army Risk Management Insurance Program (RIMP) extends insurance coverage at a nominal fee for home providers of child care. The premiums collected for this coverage are forwarded to CFSC. The NAFI does not record the amount collected from the home providers as income and the amount paid to CFSC is not recorded as an expense. The collections and payments are recorded as payables without impacting the income statement. Accounting entries are as follows:

A070401 Premiums. When the NAFI collects the premiums from the child care providers.

DR 101 - US Cash
CR 202 - Deposits Payable

A070402 Recording. When the RIMP bill including NAFI insurance premiums, as well as child care providers insurance premiums, is received.

DR 733 - Insurance Premiums Expense
CR 201 - Accounts Payable
DR 202 - Deposits Payable
CR 201 - Accounts Payable

A070403 Payment. When the RIMP bill is paid,

DR 201 - Accounts Payable
CR 101 - US Cash.

A0705 BILLETING FUND SURCHARGE.

A070501 Collection Of Surcharge. The Department of the Army Billeting Fund (ABF) will collect a 5 percent surcharge on installation Billeting 501-Service/Recreation Activity Income. The CAO must calculate and record the 5 percent surcharge amount in GLAC 758-Army Billeting Fund Surcharge Expense. The entry in GLAC 758 will be made prior to the monthly closing of the accounting books. The CAO will also record the 5 percent as a liability in GLAC 238-Army Billeting Fund Surcharge Payable.

A070502 Transfer of Funds. The U.S. A (CFSC) account equal to the balance in GLAC 238 and transfer the funds to the ABFs' account. This transfer will occur quarterly on the last business day of the second month after the end of the quarter. CAOs should record the cash transfer on that date.

A0706 ENTERTAINMENT AND PROMOTION EXPENSE. Record the cost of entertainment or promotion in the cost center receiving the benefit.

CHAPTER 8

NONAPPROPRIATED FUNDS CENTRAL PAYROLL SYSTEM

A0801 GENERAL

A080101 Pay and Leave Policy. The basic policies in AR 215-3 governing the pay and leave accounting for NAF employees will be followed.

A080102 Scope. This chapter concerns all CAOs that have transferred pay and leave services for NAF employees to the Nonappropriated Funds Central Payroll System (NAFCPS); Human Resources Offices (HRO) providing personnel services to CAOs and NAFIs; and NAFI managers and supervisors who are involved in the pay and leave input or output of the NAFCPS. All Army NAFIs within CONUS, Alaska, Hawaii, Japan, Korea, Panama, Puerto Rico and Europe will be serviced by the NAFCPS.

A0802 PAYROLL RESPONSIBILITIES

A080201 Servicing Payroll Offices. There are two servicing payroll offices. The CONUS Central NAF Payroll Office (CNPO) operates under the functional control of Defense Finance and Accounting Service-Indianapolis Center. The USAREUR Nonappropriated Funds Central Payroll Division (NAFCPD) operates under the functional control of NAF Finance and Accounting Operations, 266th Theater Finance Command.

A080202 Duties of Servicing Payroll Office. The servicing payroll office processes payrolls. It will:

A. Make timely payment to all employees assigned to it for pay and leave accounting.

B. Issue employee earnings and leave statements. DA Form 5352 (Nonappropriated Funds Earnings and Leave Statement) (from CNPO) and DA Form 5352-1 (Nonappropriated Funds Earnings and Leave Statement) (from NAFCPD). DA Forms 5352 and DA Forms 5352-1 can be obtained from the US Army Publications Distribution Center.

C. Provide various disbursement services such as mailing of paychecks, savings bonds, and savings allotment checks based on the instruction of employees, HROs, and NAFI managers.

D. Prepare and maintain all pay and leave records and reports.

E. Report errors detected in personnel or payroll action documents, DA Form 4850 (Nonappropriated Funds Time and Attendance Report) or DA Form 4850-1-R (Nonappropriated Funds Time and Attendance Supplement Report) to the proper office.

F. Ensure that documents needed to make payment to employees have been received before payment is made.

G. Cooperate fully with all serviced offices in the primary mission of pay and leave accounting.

H. Answer all inquiries from serviced offices regarding pay and leave when information is not included in data normally provided by the servicing payroll office.

I. Process tax levies or court orders against wages earned.

J. Withhold Federal, State, and local taxes and remit them to the proper government agencies.

K. Withhold employee deductions for NAF employee benefit programs and remit them, along with employer's contribution, to HQDA in accordance with AR 215-3.

L. Record amounts of unclaimed payroll checks returned from CAOs in accordance with A0806.

A080203 CAO Duties. The servicing CAO will:

A. Receive DA Forms 4850 and 4850-1-R from the NAFIs. Once all forms for the installation are collected, they will be mailed to the servicing payroll office. Installations outside of CONUS, except Hawaii, may transmit their records by AUTODIN, after verification with original payroll data, then mail the original DA Forms 4850 and 4850-1-R immediately after AUTODIN transmission. This function will be handled by the NAFI fund managers at installations serviced by a regional CAO.

B. Receive payroll checks (USAREUR excluded), payroll listings, and preprinted DA Forms 4850 from the servicing payroll office for distribution to the NAFI managers or, CAO employees, and other NAF employees at the installation. For Korea, the CNPO computes the pay and transmits net pay issue records via AUTODIN to the CAO for local check preparation.

C. Make proper G/L accounting entries upon receipt of payroll listings and checks from servicing payroll office.

D. Return unclaimed/undeliverable payroll checks to servicing payroll office in accordance with A0806.

A080204 HRO Duties. The servicing HRO will:

A. Prepare all personnel or payroll action documents and submit them to the servicing payroll office.

B. Submit all changes to the employee's Master Employee Record. Examples are a change of address, a new IRS Form W-4, a new allotment or a change to an existing allotment, and other acceptable forms (A080403).

C. Review payroll reports returned from the CAO per A080702.

D. Comply with AR 215-3, other regulations, personnel and pay manuals, and directives from HQDA on pay, leave, and personnel of NAFIs.

A080205 NAFI Duties. The serviced NAFIs will:

A. Provide the CAO with correct documents, as required, to support payment and leave accounting for employees.

B. Insure that prescribed procedures for DA Forms 4850 and 4850-1-R preparation and reporting are followed.

C. Collect and deposit overpayments not recoverable from payroll deduction, as requested by the servicing payroll office, and advise the CAO when collection has been made.

D. Collect and deposit fees paid to employees on jury duty.

E. Make required corrections related to pay and leave, in coordination with the servicing payroll office.

F. Interpret and administer regulations on entitlement to pay and leave.

G. Return undeliverable payroll checks to CAO or servicing payroll office for disposition.

A0803 ESTABLISHMENT OF PAY PERIOD. Pay periods are established on a biweekly basis and end on every other Wednesday.

A0804 PERSONNEL OR PAYROLL ACTION DOCUMENTS.

A080401 Maintenance of Payroll Files. The payroll copy of all personnel or payroll action documents will be maintained by the servicing payroll office.

A080402 Document Transmittal.

A. The HRO of the serviced installation will promptly transmit to the

servicing payroll office all personnel or payroll action documents required to maintain individual pay and leave records. The transmittal memorandum/form will be prepared in triplicate. The original and one copy will be sent to the servicing payroll office. One copy will be kept at the servicing HRO.

1. Payroll copies of personnel or payroll action documents to be processed by CNPO must be mailed with a transmittal memorandum, Subject: Personnel/ Payroll Actions Transmittal Number ___ within 1 workday of the day they are authenticated. For installations serviced by CNPO transmittal memorandum and payroll documents will be sent to the Central NAF Payroll Office, PO Box 75, Texarkana, TX 75504-0075.

2. Payroll copies of personnel or payroll action documents to be processed by NAFCPD must be mailed with USAREUR Form AE 1097-R. For installations serviced by NAFCPD transmittal form and payroll documents will be sent to the APO mailing address, CDR, 266th TFC, NAF Payroll Division, Unit #29001-07, APO AE 09007-0137 or the German mailing address, NAF FIN & ACCTG OPNS, 266th TFC, ATTN: NAF Payroll Division, POSTFACH 10-5704, 6900 Heidelberg, Germany.

B. Pay actions will not be processed during the current pay period for employees whose personnel or payroll action documents are not received at the CNPO by noon on Wednesday the last day of the pay period. In USAREUR, pay actions will not be processed during the current pay period for employees whose personnel or payroll action documents are not received in the servicing payroll office by noon on Thursday following the end of the pay period. Their pay or adjustment to pay will be deferred and included in the check for the first full pay period after receipt of the documents.

C. Sample transmittal memorandum is shown in Figure 8-1.

D. Transmittal memorandums will be sequentially numbered, preceded by the two-letter installation code and followed by the two-digit calendar year (Examples: RR-1-93, RR-2-93, RR-3-93). The transmittal will be date-stamped on receipt at the servicing payroll office. When received, documents will be compared with the list on the transmittal memorandum and reviewed for completeness. Receipt will be acknowledged by signing and returning the duplicate copy. Documents that do not comply with AR 215-3 and other instructions will be returned to the serviced installation for proper completion.

A080403 Documents Submitted to the Servicing Payroll Office. The following is a list of forms that will be accepted by the servicing payroll office to establish, change, or terminate an employee's records.

A. DA Form 3434, Notification of Personnel Action

B. DA Form 3473, Application for USANAF Plan and/or Group Insurance Plans

C. EBB Form 401(k), US Army NAF Employee 401(k) Savings Plan Investment and Disposition Authorization

D. IRS Form W-4, Employee's Withholding Allowance Certificate (Individual State, county, city, or local withholding forms may be accepted.)

E. IRS Form W-5, Earned Income Credit Advance Payment Certificate

F. SBD 1192, Authorization for Purchase and Request for Change-US Series EE Savings Bonds

G. SF 1187, Request for Payroll Deductions for Labor Organization Dues

H. SF 1188, Cancellation of Payroll Deductions for Labor Organization Dues

I. SF 1190, Foreign Allowance Application, Grant, and Report

J. SF 1199A, Direct Deposit Sign-up Form

K. TSP-1, Thrift Savings Plan Election Form

L. Memorandum for:, To be used by the employee to send the HRO information not provided on other acceptable forms. Example: Change of address for an employee not participating in the US Army NAF Employee Benefits System.

A080404 Document Omission. The HRO is responsible for ensuring all personnel or payroll action documents are properly documented and submitted to the servicing payroll office in a timely manner. If an action is not included in the pay cycle, the NAFI manager or HRO will determine the reasons for the omission and take necessary corrective action to include it in the next pay cycle.

A0805 PROCEDURES FOR SUBMISSION OF TIME AND ATTENDANCE FORMS

A080501 Time and Attendance Forms. The time, attendance, and leave of each NAF employee is maintained on DA Form 4850 and DA Form 4850-1-R.

A080502 Maintenance of DA Forms 4850 and 4850-1-R.

A. Each NAFI manager will obtain blank DA Forms 4850 through the post publications office. In USAREUR, the blank DA Forms 4850 will be obtained from the local CAO. Each NAFI manager will keep enough DA Forms 4850 on hand for at least one full pay period. Preprinted DA Forms 4850 will be produced each pay period by the servicing payroll office for employees in a pay status. These will be sent to the CAO for distribution to the NAFIs for future use. DA Forms 4850 for the first three pay periods (two pay periods in USAREUR) of employment must be prepared by hand. For new-hires, the HRO will complete the bottom line of the DA Forms 4850 for the three pay periods (two pay periods in USAREUR) and attach the forms to copy 6 of the DA Form 3434 (Notification of Personnel Action- NAF Employee), to be sent to the NAFI manager.

B. Each NAFI manager, supervisor, or appointed timekeeper will maintain the DA Forms 4850. The original copy will be forwarded to CAO. Copy two will be held for adjustments or lost forms. Copy three will be retained for a file copy.

C. DA Form 4850-1-R will be locally reproduced on 8-1/2 by 11-inch paper. A copy for local reproduction purposes is located at the back of this volume. Each NAFI manager, supervisor, or appointed timekeeper will maintain the DA Forms 4850-1-R. Each DA Form 4850-1-R will be attached to the corresponding DA Form 4850 for submission to servicing payroll office.

D. DA Forms 4850 and 4850-1-R will be grouped at NAFI level, a 1-digit number, or at NAFI-location level, a 3-digit number.

E. The NAFI manager, supervisor, or designee is responsible for the authentication of DA Forms 4850 and 4850-1-R. No employee or supervisor may sign his or her own DA Forms 4850 and 4850-1-R. No employee may sign his or her own supervisor's DA Form 4850 or 4850-1-R. Corresponding DA Forms 4850 and 4850-1-R will be signed by the same person.

F. The timekeepers will:

1. Prepare DA Form 4853-R (NAF Time and Attendance Transmittal Form) when submitting any documents to servicing payroll office.

2. At the end of each pay period, arrange DA Form 4850 and 4850-1-R in work center sequence and within each work center in social security number sequence.

3. Record the total number of DA Forms 4850 and 4850-1-R in the space provided on DA Form 4853-R (NAF Time and Attendance Transmittal Form). DA Form 4853-R will be locally reproduced on 8-1/2 by 11-inch

paper. A copy for local reproduction purposes is located at the back of this volume.

4. List individually all other documents submitted after the pay period ending date.

A080503 Submission of DA Forms 4850 and 4850-1-R.

A. Each NAFI manager, custodian, or supervisor will review the DA Forms 4850 and 4850-1-R for accuracy, completeness, correction of errors, proper initials on all corrections and proper signature, and submit them to the CAO. The CAO will mail the forms on Thursday following the end of the pay period on Wednesday. The forms will be packaged so that they will not be damaged or lost in transit. If the forms package weighs 11 ounces or less, mark it FIRST CLASS. If it weighs over 11 ounces, mark it PRIORITY. The word FIRST CLASS or PRIORITY should be large enough so that they can easily be read by postal employees. FIRST CLASS and PRIORITY applies to all domestic mail, including APO mail. USAREUR Mailing Instructions: The forms can be mailed via APO or German Bundespost. If Bundespost is used, mail forms either regular or express to the German address. Do not use registered mail and do not use government franked envelopes as this delays receipt. Forms mailed via APO must be addressed to the APO address. Time and attendance forms received by mail after 1500 hours on the Tuesday following the pay period ending on Wednesday will be checked for the postmark date. If the postmark date is later than Thursday after the pay period ending on Wednesday, a service fee will be charged for each DA Form 4850. The mailing addresses for the payroll offices are in A080402A.

B. The CAO has both the fiduciary responsibility for collection and mailing of the DA Forms 4850 and 4850-1-R and the authority to delegate these responsibilities to another central designee if the delegation will not impede the delivery of reports to the servicing payroll office. The keyword is CENTRAL, as the efficient processing of payroll at the servicing payroll offices is dependent upon having a central point of contact at each installation or community.

C. Each NAFI manager or supervisor will insure that a proper DA Form 4850 or 4850-1-R is submitted for each employee with hours to be reported. The servicing payroll office will process pay or leave for an employee only when an authenticated form is received containing hours worked or leave taken.

A080504 Adjustments to DA Form 4850 and DA Form 4850-1-R. Each NAFI manager or custodian will notify the servicing CAO of any adjustments required as soon as possible after the end of a pay period. Changes will be made on copies number two and three of DA Form 4850. Copy two of the DA Form 4850 will be signed by any person who has a proper DD Form 577 (Signature Card) on file at the servicing payroll office for that NAFI. Adjustments to DA Form 4850-1-R will be made on a new DA Form 4850-1-R. This form will be signed by any person who has a proper DD Form 577 on file for that NAFI in the servicing payroll office. If adjustment is only needed on DA Form 4850-1-R, the corresponding DA Form 4850 is not required to be sent to the payroll office. The servicing CAO will be responsible for sending adjustments to the payroll office. If the adjustments are not received by the payroll office in time to be incorporated into the current pay period, adjustments will be made in the next pay period. When the following errors are found on DA Form 4850 and DA Form 4850-1-R, the payroll clerk will process the time and attendance report and then request correction by the sender:

A. Questionable pay entitlement: Tour of duty does not agree with hours reported, tour of duty uncertain, or holiday worked or taken uncertain.

B. Corrections made on DA Form 4850 and DA Form 4850-1-R not initialed.

C. Scheduled hours as reflected on DA Form 3434 (Notification of Personnel Action) not accounted for on DA Form 4850 and DA Form 4850-1-R.

D. DA Form 4850 and DA Form 4850-1-R sent without signature.

E. Unauthorized signature on DA Form 4850 or DA Form 4850-1-R.

F. NAFI code reported on DA Form 4850 or DA Form 4850-1-R does not agree with DA Form 3434.

NOTE: The work center code in DA Form 4850 and DA Form 4850-1-R will be shown in the following sequence: NAFI code (Position 1), location code (Position 2-3), department code (Position 4-5), and constant "00" (Position 6-7). The standard NAFI number (SNN) in DA Form 3434 will be shown in the following sequence: Installation code (Position 1-2), NAFI code (Position 3), program code (Position 4- 5), location code (Position 6-7), and department code (Position 8-9).

A080505 DA Forms 4850 and 4850-1-R Correction Suspenses. For DA Forms 4850 and 4850-1-R returned for correction, there is a 21 day from date of return suspense for a first request. If corrections are not received, a second request will be forwarded to the CAO (or fund manager in the case of remote CAO) with a suspense date of 15 days from the date requested. Third requests are forwarded to the installation Defense Accounting Office.

A080506 Submission and Use of DA Form 577. Each person authorized to authenticate personnel/payroll action documents, time and attendance reporting documents (DA Forms 4850 and 4850-1-R) and/or Tips, Service Charges, and Meal Reporting documents (DA Form 5163-R) must complete a DD Form 577 (Signature Card) and send it to their servicing payroll office. A copy will be furnished to the servicing CAO. In addition to the name, grade, date, and signature the form must also have the installation name, fund and location codes and the individual's initials. (NOTE: The local commander may require department code also) DD Form 577 will be updated and sent when there are supervisory changes or changes of existing fund, location, or department (if required locally) codes. Payment will not be made on DA Form 4850, DA Form 4850-1-R, and DA Form 5163-R unless a DD Form 577 containing the authenticating official's signature is on file in the servicing payroll office.

A080507 Tips and Service Charges.

A. The Internal Revenue Service requires that employees report tip income on IRS Form 4070 (Employee's Report of Tips to Employer). A similar form can be used if it shows the employee name, social security number, employee address, employer name and address, date submitted to the employer, total tip income received, and the employee's signature.

1. A tip is a voluntary payment by a customer to an employee for services performed.

2. A tip is not subject to negotiation nor dictated by management policy.

3. The customer has a right to precisely determine the amount and recipient of the tip.

4. A tip may be either cash or charge.

B. Cash tips are cash that the employee receives directly from the customer. These tips must be reported to the NAFI manager on IRS Form 4070. The fund manager will complete DA Form 5163-R (Nonappropriated Funds Central Payroll System Tips, Service Charges and Meals Report). Cash tips will be reported under the heading "Reported Tips".

C. Charge tips are the amount the customer adds to a charge ticket to be paid to the employee as a tip. The liability for the tip payable will be established in GLAC 230. The tip will be billed to either the customer or credit card company depending on the type of accounts receivable system being used. There are two ways charge tips may be paid to an employee.

1. The employee may request payment directly. If payment is

requested, the fund manager will submit a request for payment to the CAO. The CAO may issue a local check for the amount of tips reported on the DAR for that employee. The accounting entry will be Debit GLAC 230 and Credit GLAC 101, US Cash Account. The tip payment is then a cash tip to the employee and procedures in (2) above apply.

2. The employee may request that charge tips be paid through the payroll office to be included with their regular payroll check. If this occurs the NAFI manager will provide the employee with a detailed list of tips charged. The employee will complete IRS Form 4070, or similar form and return the completed form to the NAFI manager for submission to CAO with DA Form 5163-R. Report these tips under the heading "Charge Tips".

D. The NAFI manager will complete DA Form 5163-R for each NAFI. They will submit the form to the CAO with other payroll documents the same pay period tips or service charges are earned. DA Form 5163-R will be reproduced locally on 8-1/2 by 11-inch paper. The tips must be reported under the proper heading: "Reported Tips" or "Charge Tips".

E. A service charge is a mandatory charge added to the customer's bill. The NAFI will record the amount in GLAC 527, Service Charge Income. The service charge may be distributed to the employee at the NAFI manager's discretion. If distributed, the service charge will be treated as additional wages and will be included in GLAC 601, Salaries and Wages. Service charges will be reported on DA Form 5163-R under the heading: "Service Charge."

F. Installations are authorized the option to participate in the tip offset system except those in the States of Alaska, California, Nevada, New Mexico and Washington. Under the tip offset system, a part of the employee's hourly wage is composed of tips. Installations will determine the tip offset rate in accordance with AR 215-3, chapter 3. The HRO will furnish the tip offset rate on DA Form 3434, Notification of Personnel Action, after the tip offset rate is provided by the NAFI. NAFCPS will compute tip offset based on DA Form 5163-R submitted by the installations. The service charge described in A080507E above will not be used in the tip offset calculation.

G. It is the responsibility of the NAFI to compute a tip allocation for those employees whose reported tips are less than 8 percent of applicable gross sales. Tip allocation amounts will be used for informational purposes only. Allocated tips are not subject to either FICA (OASDI and Medicare) or Federal withholding taxes. No G/L entries are required. The tip allocation will be reported on DA Form 5163-R in the "Tip Allocation" column.

A080508 Meals. Meals provided to employees that are to be deducted from pay will be reported on DA Form 5163-R.

A080509 Worker's Compensation. This compensation is provided for employees injured on the job. AR 215-1, chapter 13 prescribes the basic policies and procedures for Worker's Compensation.

A0806 CHECK AND BOND MAILING

A080601 Check Mailing.

A. A maximum of 3 workdays will be allowed for the processing and preparation of payrolls in the servicing payroll office.

B. The time between the end of the pay period and the distribution of checks by the servicing payroll office will be no more than 8 calendar days. The payday for NAF employees serviced by CNPO will be the second Wednesday following the end of the pay period. The payday for NAF employees serviced by NAFCPD will be the second Monday following the end of the pay period.

C. Individual employee payroll checks and Earnings and Leave Statements (ELS) will be mailed to the CAO for delivery on the second Wednesday following the close of each pay period. In USAREUR, payroll checks and

ELS will be mailed to any address the employee designates. Composite checks will be mailed directly to the designated financial organization. The ELS will be mailed to the CAO or designated contact point. Bulk delivery of checks drawn on payrolls to individual payees may be made to third parties for distribution to payees.

D. The NAFI managers will designate in writing the person to receive checks for distribution; that person will receipt for all checks received from the CAO or the servicing payroll office. It is the responsibility of the NAFI manager to establish procedures covering distribution of the checks after they are received from the CAO or the servicing payroll office. Proper internal controls will be provided by the NAFI manager to insure that the handling and distribution of the paychecks is separated from the authorizing and recording of the payments. Undeliverable checks will be returned to the CAO or the servicing payroll office with the reason for nondelivery in accordance with paragraph A040104.

E. The servicing CAO, point of contact, or NAFI managers will notify the servicing payroll office immediately when errors or omissions are found on the payroll checks, reports, preprinted DA Forms 4850, or ELS.

A080602 Savings Bond Mailing.

A. All Series EE US Savings Bonds will be mailed directly to employees, using the address shown on SBD 1192. The bonds will be mailed by the servicing Federal Reserve Bank. To change the bond mailing address, a new SBD 1192 must be submitted to the servicing payroll office.

B. After the Federal Reserve Bank mails bonds, they forward bond registration information to the payroll office. This product provides bond issuance information.

A080603 Nonreceipt or Loss of Bonds. If a bond is not received within a reasonable time, the employee should notify the servicing CAO, in writing. The CAO will then contact the servicing payroll office to begin the research process with the servicing Federal Reserve Bank.

A0807 OUTPUT REPORTS

A080701 Payroll Reports.

A. Reports are provided to the serviced installations to help the CAO, HRO, and NAFI or program managers manage their personnel and NAFI accounting.

B. Reports are produced and provided to the servicing payroll office to insure that the payroll is processed accurately.

C. Local managers are required to verify that persons paid and charged to their accounts are officially employed. This is done by using the payroll listings below. The servicing payroll office will provide the servicing CAO, HRO, and NAFI or program manager with copies of the following reports produced during pay cycles:

1. Personal Services Report, Biweekly (Figure 8-2)

2. Individual Leave Register, Biweekly (Figure 8-3)

3. Active Employee Address Listing, Upon Request (Figure 8-4)

4. Payroll Change Listing, Biweekly (Figure 8-5)

5. Notice of UA Employee Within-grade Increase Due, Biweekly (Figure 8-6)

6. NAF Centralized Payroll Data Report, Biweekly (Figure 8-7)

7. Transfer of Annual Leave Liability, Biweekly (Figure 8-8)

8. Compute Research Listing, Biweekly (Figure 8-9)

9. Panama Withholding and Educational Taxes, Biweekly (Panama Distribution Only) (Figure 8-10)

10. Caja de Seguro Social de Panama Feeder Report, Monthly (Panama Distribution Only) (Figure 8-11)

11. Quarterly Review of Hours Worked, Quarterly (Figure 8-12)

12. MWR Personnel Strength Report, Quarterly (Figure 8-13)

13. Annual Leave Forfeit Report, Annually (Figure 8-14)

14. NAFI Employees' Compensation and Benefits Program Report, at Fiscal Year End (Figure 8-15)

15. Employee Cross Reference Roster, Upon Request (Figure 8-16)

16. Tip Offset/Service Charge Report, Biweekly (Figure 8-17)

17. Quarterly Inactive Employee Report, Quarterly (Figure 8-18)

18. Compensatory Aging Schedule, Biweekly (Figure 8-20)

19. Annual Leave/ Compensatory Time Adjustment Report, Biweekly (Figure 8-21)

20. Compensatory Time Subsidiary Report, Biweekly (Figure 8-22)

21. Home Leave Report, Biweekly (Figure 8-23)

A080702 Brief Description of Reports.

A. Personal Services Report. This report is produced each pay period and shows the current pay for each employee. It is prepared on DA Form 5314, Personal Services (Comprehensive) Nonappropriated Fund Employees. DA Form 5314 is stocked at Red River Army Depot for use by CNPO and at Rodelheim, Germany for use by NAFCPD. Base pay, gross pay, and net pay are shown with the check number for each employee paid. If the net pay for a person is part of a composite check, the check number is replaced with "ORGN" and the financial organization code. Cash awards are posted separately, below the current pay line entry. The cash award check number is included. The current totals for each work center are shown after the last listed employee of each work center. The amount of each check must be compared to the amounts on this report by the NAFI manager or his representative.

B. Individual Leave Register. This report shows annual, sick, and military leave, and leave or absences without pay for each employee. It includes the department total in each leave category. This report will be used by the servicing HRO to adjust an employee's official service computation date when applicable. It also provides the authority, based upon each person's leave balance, for approving leave. Leave is shown in hours and dollars for the pay period. The current total is shown only in hours.

C. Active Employee Address Listing. This listing gives all address and mailing instructions on the employee's Master Employee Record (MER).

D. Payroll Change Listing. This is a listing of all changes made to employees' MERs during the pay period. It will be used primarily by the servicing HRO to verify that the changes made match documentation submitted by the HRO.

E. Notice of UA Employee Within-grade Increase Due. This report shows UA employees who are within 120 days or 16 weeks of being eligible for a within-grade increase. An employee will remain on this report until his within-grade increase is effective. The servicing HRO will prepare DA Form 4017 (Request for Personnel Action-Nonappropriated Fund Instrumentality) and send it to the employee's supervisor for approval. For the UA employee's within-grade increase to be granted,

item 34 on DA Form 4017 must contain a statement that "work is of an acceptable level of competence" and the form must be signed and dated by the supervisor. Upon receipt of the signed DA Form 4017, HRO will prepare a DA Form 3434 (Notification of Personnel Action). Approved DA Forms 3434 are forwarded by HRO to servicing payroll office for input by payroll clerk. The servicing HRO will insure that all regulatory requirements have been met before authorizing the within-grade increase. (See AR 215-3.)

F. NAF Centralized Payroll Data Report. This report shows the amount of pay and leave expenses that are incurred. It gives all the G/L entries that are required to update the accounting system, record payroll expenses, adjust the accrued annual leave liability, adjust payroll advance accounts, and establish service charge liability. The G/L entries are given at the proper level (department, location, or NAFI) for entry into the accounting system. G/L entries will be provided for installations using NAFISS or MICROCADS. The CAO should insure that the Personal Services Report agrees with this report.

G. Transfer of Annual Leave Liability. This report provides the annual leave liability when an employee's leave balance is transferred from one work center to another. It gives the following data: Social security number, employee's name, annual leave balance in hours, losing and gaining installation code, work center, hourly rate, and the dollar value of annual leave. The CAO and affected NAFI managers will use this report as a basis for transferring monies from the old work center to the new work center. The transfer of monies must be performed in the accounting period for which the name appears on this report. The accounting entries are as follows:

1. When the employee's name is on the report, the gaining NAFI will establish a receivable:

DR 140 - Miscellaneous Other Receivables
CR 243 - Annual Leave Payable

2. The losing NAFI establishes the liability as follows:

a. Transfer without a change in grade:

DR 243 - Annual Leave Payable
CR 240 - Miscellaneous Other Payables

b. Transfer with a downgrade:

DR 243 - Annual Leave Payable
CR 240 - Miscellaneous Other Payables
CR 825 - Miscelleanous Other Nonoperating Income

3. When the money is transferred, the gaining NAFI will make the following entry:

DR 101 - US Cash
CR 140 - Miscellaneous Other Receivables

4. The losing NAFI will make the following entry:

DR 240 - Miscellaneous Other Payables
CR 101 - US Cash

H. Compute Research Listing. This listing is produced when pay is computed and gives informational type messages to identify when internal, automatic action was taken by the computer. An "I" indicates an informational message.

I. Panama Withholding and Education Taxes. This report is used only by Panama. It shows the NAFI name, employee's name, cedula number (7- to 9-digit identification number given to each Panamanian citizen at birth), gross pay, withholding tax, regular pay, and education tax for Panamanian employees. There is a separate line for NAFI totals and a separate page for overall totals. This biweekly report is sent to the CAO in Defense Complex Panama.

J. Caja de Seguro Social de Panama Feeder Report. This report is used only by

Panama. It shows the NAFI name, work center, cedula number, social seguro number (7-digit identification number unique to each Panamanian citizen in the Caja de Seguro Social de Panama System), employee name, gross pay, and the employer contributions and employee deductions to the Panamanian government. This monthly report is sent to the CAO in Defense Complex Panama.

K. Quarterly Review of Hours Worked. This report shows biweekly base hours assigned, regular hours worked, overtime hours worked, and total hours worked for all NAF employees. This report will be used by HROs to review hours worked versus base hours assigned, per AR 215-3.

L. MWR Personnel Strength Report. The installation level of the MWR Personnel Strength Report is sent to the CAO quarterly. The MACOM level is sent to the MACOMs the first and third quarters of the FY for information purposes. The second and fourth quarters the servicing payroll offices send the MACOM and DA levels of the report to CFSC and AAFCWF (See Volume 13, Chapter 7).

M. Annual Leave Forfeit Report. This report is produced only after the close of the leave year. It shows all forfeited leave, by individual, for that year.

N. NAFI Employees Compensation and Benefits Program Report. This report shows the NAFI employee costs (payroll and benefits for US employees, employees overseas, and foreign nationals) and NAF benefit programs (retirement, medical and life insurance) for each MWR program group. An additional page is produced which summarizes each program group. This report is produced at the end of the fiscal year and is sent directly from the servicing payroll offices to CFSC and AAFCWF in accordance with DoD reporting requirements (See Volume 13, Chapter 7).

O. Employee Cross- Reference Roster. This listing is used as a cross-reference of employee information. It will show each employee's social security number, name, work center, type position code, grade and step, wage area code, first shift hourly rate, annual salary, type employment code, MWR category, installation code, intermittent days or weeks worked, base hours, retirement code, and life insurance and health benefits codes.

P. Tip Offset/Service Charge Report. This report will provide the work center code, employee social security number, employee name, tip offset rate, total tips, and service charges paid to the employee. Also total offset, which is derived by using the total hours in a tipped status times the tip offset rate.

Q. Quarterly Inactive Employee Report. This report will include the employee name, SSN, type of employment, and the date of the last pay period the employee worked for all inactive employees who did not work during that quarter. The purpose of this report is to inform the central accounting officer, NAFI managers, and civilian personnel officers (HRO), of inactive employees on the NAFCPS master file. The report will be reviewed and verified by the HRO in conjunction with the NAFI or program managers to determine the proper status of employees who have not worked for at least three months.

R. Compensatory Aging Schedule. This report includes the employee name, SSN, pay period number, compensatory hours, and the overtime rate, at which compensatory hours were worked for the 13 pay periods that compensatory balances are carried. The purpose of this report is to inform the CAO and NAFI manager of the compensatory time balance for each employee and the aging of that balance.

S. Annual Leave/ Compensatory Time Adjustment Report. This report will include the employee name, SSN, annual leave adjustment, compensatory time adjustment, and compensatory time converted to overtime adjustment. It shows adjustments made to GLAC 243 (Annual Leave Payable), GLAC 247 (US Employee Compensatory Time Payable), and GLAC 248 (Foreign National Employee Compensatory Time Payable for Panamanian Foreign Nationals).

T. Compensatory Time Subsidiary Report. This report will be used by the CAO as a subsidiary record for GLAC 247 and GLAC 248. It includes each employee's current compensatory time balance. In addition, it informs managers two pay periods in advance of employees who have compensatory time balances that are close to conversion to overtime.

U. Home Leave Report. This report is a management information tool. It contains the employee's name, social security number, home leave overseas entrance on duty date, home leave accrual date, home leave eligibility date, accrual rate, beginning of leave year home leave balance, accrued and taken year to date, accrued and taken current pay period, dollar value of home leave taken current pay period, current balance of home leave, current pay period leave without pay, and service year leave without pay.

A0808 TRANSFERRING PAYROLL CASH. One week following the end of each pay period the individual NAFIs must have cash in their bank checking account equal to the gross pay and the employer's share of fringe benefits based on the previous pay period. For CBP participants payroll cash will be transferred by electronic fund transfer (EFT). Installations having NAFIs that are not CBP participants will wire transfer the amount of the consolidated payroll cash for all NAFIs they service. Communities serviced by NAFCPD must have a bank account with the military banking facility.

A080801 EFT. CNPO pulls payroll costs directly from NAFI checking accounts at the central bank. The EFT will occur concurrently with the distribution of the paychecks from CNPO, normally on Wednesday preceding payday. NAFCPD automatically transfers payroll costs from NAFI checking accounts by the second Friday after the pay period ending on Wednesday.

A080802 Wire Transfer. Installations must instruct their servicing bank to wire transfer the payroll cash in time for it to reach the central bank during banking hours on the Wednesday prior to payday (Thursday if Wednesday is a bank holiday). The name of the central bank and the CNPO account number to be used will be published separately since they are subject to change.

A0809 PAYMENTS The servicing payroll office will send payroll checks to the CAO that services each installation. If an installation does not have a CAO or is serviced by a regional CAO, checks will be sent directly to the NAFIs. The NAFCPD will mail all individual payroll checks directly to the employee's designated address. The NAF Centralized Payroll Data Report will be sent to the servicing CAO.

A080901 The Servicing CAO Will (For Each NAFI):

DR 601 - US Salaries and Wages
DR 6XX - Various Payroll Expense Accounts
CR 101 - US Cash

A080902 Data for Entries. Data for the entries (payments) in A080901 above will be provided each pay period to the CAO. Those installations or NAFIs using NAFISS (MICROCADS in USAREUR) will receive punched cards or magnetic tape and a hard copy NAF Centralized Payroll Data Report.

A0810 SERVICE CHARGES. A service charge will be assessed in each pay period. These charges will be based on a predetermined rate multiplied by the number of employee records on the payroll master file (The rate will be published separately and changed as required). Payment of service charge will be combined with the transfer of payroll cash as described in A0808. Accounting entries will be:

DR 689 - Payroll Service Expense
CR 101 - US Cash

A0811 ANNUAL LEAVE

A081101 Liability. Annual leave liability will be maintained in the general ledgers of the individual NAFIs. The Individual Leave Register will be used as the subsidiary to GLAC 243 (Annual Leave Payable). GLAC 243 balance on the Individual Leave Register can be located on

the Fund Total page. Adjustments to GLAC 243 will be processed by the servicing payroll office. The Centralized Payroll Data Report will show the dollar amount of adjustment and NAFCPS will produce the punched card or magnetic tape record necessary to update the general ledger.

A081102 Advance Leave. When an employee has been granted advance annual leave and continues in a leave accruing status, the amount of leave accrued each pay period will reduce the amount of the advance leave balance.

A081103 Transfer to Ineligible Status. When an employee is transferred from an eligible leave status to an ineligible leave status, the policy is as follows:

A. At the time the employee is transferred, the payroll clerk servicing that installation will review the NAF Individual Leave Register to insure the employee does not have a negative annual leave balance.

B. If the employee has a negative annual leave balance, the payroll clerk will inform the employee's NAFI manager through the servicing HRO. The NAFI manager will make proper arrangements with the employee for a set amount to be deducted from the employee's biweekly pay until the negative balance is liquidated. The NAFI manager will advise the servicing payroll office, through the HRO, of collection arrangements. The servicing payroll office will then take required actions to collect the monies owed for the leave debt.

C. When an employee terminates employment with a negative annual leave balance, the annual leave debt will be deducted from the employee's base wages. If the wages are less than the debt, the servicing payroll office will advise the NAFI manager through the servicing HRO of the balance owed. The employee's NAFI manager must then collect the debt.

A0812 SICK LEAVE

A081201 The servicing CAO will enter the dollar value of sick leave taken (by department or location within each NAFI) by a debit to GLAC 605 and a credit to GLAC 601.

A081202 When an employee is transferred from a leave accruing status to a non-leave accruing status, the policy is as follows:

A. The payroll clerk will review the NAF Individual Leave Register to ensure the employee does not have a negative sick leave balance.

B. If the employee has a negative leave balance, the sick leave debt will be collected by offsetting the lump sum payment for annual leave due him. If the annual leave payment is less than the debt, the servicing payroll office will proceed as for annual leave in A081103B.

A081203 Termination with Negative Sick Leave Balance. When an employee has been granted advance sick leave and terminates employment with a negative sick leave balance, the leave debt will be collected by offsetting the lump sum payment for annual leave due him. If the annual leave payment is less than the debt, the remaining debt will be deducted from the employee's base wages. If wages are less than the debt, the servicing payroll office will advise the NAFI manager through the servicing HRO of the remaining balance owed. The employee's NAFI manager must then collect the debt.

A081204 Recording Advanced Sick Leave. Entries required to effect the proper G/L transactions for an authorized advance sick leave balance are as follows:

A. No entry is required while the employee is in a sick leave accruing status.

B. When the employee changes to a non-leave accruing status or terminates employment:

DR 140 - Miscellaneous Other Receivables
CR 605 - Sick Leave

C. To liquidate the receivable established in A081204B above:

DR 101 - US Cash
CR 140 - Miscellaneous Other Receivables

A0813 HOME LEAVE Home leave is automatically accrued and recorded to eligible employee records via NAFCPS in accordance with AR 215-3.

A081301 Accrual. Home leave may be accrued at the rate of 5, 10, or 15 days for 12 months service depending upon employee's eligibility and Home Leave Accrual Date. Unless adjusted by excess leave without pay, the Home Leave Accrual Date will be the same as the Overseas Entrance-on-duty Date. The balance of home leave carries over every year. There is no maximum accumulation.

A081302 Employee Terminates with Balance. If an employee terminates, the home leave balance is maintained in his terminated record, and if he/she returns to work with less than a 90-day break in service, the balance of home leave is restored for use. If employee transfers from overseas to the States and transfers back overseas AT ANY LATER DATE without more than a 90-day break in service, he/she will have the balance of home leave restored for use.

A081303. AWOP. For periods of absence without pay (AWOP) in excess of two workweeks within each 12 months of service abroad the system will automatically lengthen, at the rate of a day for a day, the period of time on which the individual will accrue home leave.

A081304 Reported in Whole Days. Home leave days taken will be reported on DA Form 4850-1-R in whole days only. Days of home leave taken in excess of days earned will automatically be cutback to annual leave by the NAFCPS. If the individual does not have annual leave sufficient to cover the excess home leave, the balance not covered will be cutback to leave without pay (LWOP).

A081305 GLAC Entries. For installations which have eligible individuals who have taken home leave during the current pay period the GLAC entries are:

DR 623 - Home Leave Expense
CR 601 - US Salaries and Wages

A0814 ACCRUALS

A081401 Payroll Expense. At the end of the month, the servicing CAO will accrue the payroll expense for the estimated gross amount of the unpaid payroll. Employer's share of benefits will be accrued individually. The estimate should be based on the previous pay period. Accounting entries are as follows:

DR 601 - US Salaries and Wages
DR 603 - US Annual Leave
DR 611 - Employers Share of FICA
DR 612 - Employers Share of Group Health and Life Insurance Plans
DR 613 - Employers Share of Retirement Plan
CR 214 - Life Insurance Premiums Payable
CR 215 - Retirement Payable
CR 242 - Salaries and Wages Payable
CR 243 - Annual Leave Payable
CR 244 - Payroll Taxes Payable

A081402 Reversal of Accrual. At the beginning of the next month, these entries will be reversed.

A0815 EMERGENCY PAYMENT PROCEDURES

A081501 Procedures. Cash payment procedures.

A. Determination of cash payment. Local payment to the employee may be made if his or her DA Form 4850 or 4850-1-R is missing, or hours were materially understated on DA Form 4850 or 4850-1-R.

B. Processing cash payment.

1. The CAO must call the servicing payroll office and state why the local payment is required. The nature and rarity of such emergencies require the approval of Chief, CNPO/NAFCPD, or his or her designee.

2. The Chief of the servicing payroll office will instruct the Inquiries

and Control Section to issue the CAO a control number for the approved local payment. The CAO will give the servicing payroll office the name of the installation, work center, the employee's name, his or her social security number, and hours worked. The CAO must provide the servicing payroll office with a DA Form 3434 and a properly authenticated time card before the pay can be computed. The payroll clerk will compute the amount to be paid based on actual hours worked. For new employees, the payroll clerk will base the computation on pay band, hourly rate and hours worked or grade, step, pay scale, and hours worked, as applicable. The CAO or NAFI manager will immediately send a letter to the servicing payroll office providing the information pertaining to the local payment (i.e., control number, pay period ending date, employee name, SSN and amount). The installation will be billed the service charge for the local payments. A CAO or NAFI manager will not disburse NAF funds for employee service without approval from the servicing payroll office. When a CAO or NAFI manager disburses NAF funds without proper approval, he or she is responsible for collection of those funds from the employee.

3. If an adjusted or missing DA Form 4850 or 4850-1-R is resubmitted after the employee has received a cash payment, the time on the second form is computed and added to the current pay. The previous cash payment is then deducted from the net pay.

4. If an employee was erroneously omitted from the current payroll, the servicing CAO, NAFI manager will determine why. The servicing CAO, NAFI manager will ensure that the next pay cycle includes the omitted pay data.

A081502 Payroll Contingency Procedures for Installations Serviced by the CNPO. If unforeseen circumstances prevent receipt of payroll checks at the local installations, the following contingency procedures will be used.

A. If checks are not received by 1400 hours on the second Tuesday following the end of the pay period, the installation CAO or point of contact will inform the CNPO. (DSN 829-3135 or commercial (903) 792-6484. CNPO will re-issue the payroll checks and earnings and leave statements (ELS). These will be mailed via an overnight delivery service to arrive at the installation on the following Wednesday. (Persons participating in the composite check program will not be included). If the original payroll checks and ELS are received, the CAO or point of contact will return them to CNPO.

B. The CNPO will supply a payroll listing by either AUTODIN or facsimile machine transmission, as preferred by the local installation. If AUTODIN is used, the installation must provide AUTODIN routing information.

C. If the payroll checks have not been received by 1200 hours on Wednesday, the CAO may prepare and issue the local NAF payroll checks. No service fee will be charged to installations when payroll checks are not received by the time local checks are prepared.

D. The CNPO will wire transfer the money to cover the locally produced checks. It will void the checks printed at the CNPO. All efforts should be made to prevent distribution of checks received from the CNPO, if they arrive.

A081503 Payroll Contingency Procedures for Individuals Serviced by NAFCPD. In USAREUR individual payroll checks are mailed directly to each employee's designated address. If an employee does not receive his/her payroll check within three days from the date of the NAF payday he/she may request payment by the servicing CAO. The following contingency procedures will be used.

A. CAOs are authorized to make local payroll payment if an employee does not receive a payroll check within three days of the NAF payday. The CAO will require the employee to sign AEUCF Form 316 certifying that if original check is subsequently received, the employee will return it, uncashed, to the CAO for forwarding to the NAFCPD.

B. Before making the local payment, the CAO must call NAFCPD for approval, explain circumstances and confirm that required AEUCF Form 316 has been signed by the employee requesting the local payment. CAOs are not authorized to make disbursement without NAFCPD approval. If the community CAO issues a replacement check and the original check is cashed, then the funds payroll account will be credited by the NAFCPD. The community CAO is then responsible for collection of those funds from the employee.

C. When requesting disbursement approval from NAFCPD, the CAO will provide the employee name, check number and amount of the missing check from the Payroll for Personnel Services Report. NAFCPD will verify this information and ensure the check has not been cashed. After verification, NAFCPD will issue the CAO a control number for the approved local payment.

D. Once the local payment is made, the CAD will immediately send a completed AEUCF Form 62 transmittal to NAFCPD with a copy of the signed AEUCF Form 316 attached.

E. NAFCPD will include the amount of the local payment in the monthly payroll reconciliation. If this reconciliation results in an amount due to the community, NAFCPD will forward a check to the community financial management division following the next monthly payroll reconciliation.

A0816 CONTINUANCE OF US ARMY NAF EMPLOYEE BENEFIT SYSTEM (EBS) DEDUCTIONS DURING LEAVE-WITHOUT-PAY (LWOP) STATUS Handle NAF EBS deductions for employees who choose to continue life insurance or health benefits coverage while in LWOP status as follows:

A081601 Employee Premium. The employee will remit premium to the servicing CAO on a monthly basis.

A081602 Employer Premium. The servicing CAO will collect the employer's share of these premiums from the employing NAFI.

A081603 Premium Remittance. The servicing CAO will prepare one check, combining the employee and employer portions of the premium. The check will be made payable to the servicing payroll office. The employee's name, work center, period of coverage, and complete coverage information (amount of life or health) should be clearly shown and attached to the check before it is sent to the servicing payroll office.

A0817 PAYMENTS TO EMPLOYEES.

A081701 Payments by CNPO. The CNPO is authorized two methods of payment to NAF employees. One method is for an employee to receive payment through deposit to a financial organization. The second method is for the check to be mailed to the CAO (or to the NAFI if there is no CAO) and hand delivered to the employee. There may be a combination of the two. When the second method is used, the same person that signed the time and attendance report will not distribute the check. The duties of making actual payment and accounting for time and attendance must be separated (see AR 37-103, paragraph 4-9.)

A081702 Payments by NAFCPD. The NAFCPD is authorized two methods of payment to NAF employees. One method is for the employee to receive payment through deposit to a financial organization. The second method is for the check to be mailed directly to the employee. These methods may be combined.

A0818 SECURITY

A081801 Maintenance of Reports. Reports must be protected and maintained under the provisions of the Privacy Act.

A081802 Retention and Destruction of Reports. Installation CAOs, HROs, and NAFI managers will see that AR 25-400-2 is followed in the handling of the payroll reports.

A081803 Checks. Checks remaining in an office overnight must be locked in a safe or vault.

A0819 RECOUPMENT OF OBLIGATIONS TO A NAFI

A081901 Employee Obligations to a NAFI. Certain obligations that an employee owes to a NAFI may be recouped by means of a biweekly payroll deduction.

A081902 Obligations That Are Not Due to Overpayments.

A. If the employee acknowledges the validity and amount of indebtedness and desires to repay by means of a payroll deduction, the NAFI manager will have the employee sign an authorization for payroll deduction. A memorandum may be used for this purpose. Total indebtedness should be paid within 26 pay periods. Basic statement should read:

> "I authorize $ (total dollar amount of indebtedness) be deducted from my paycheck as payment of my obligation to (name of NAFI). Please make biweekly deductions of $ (amount of biweekly payment) beginning with the first pay period following receipt of this statement."

B. Signed statement will be forwarded to the CAO so that accounts receivable can be established. Entry on the books of the NAFI will be a debit to GLAC 140 and a credit to the appropriate account pertaining to the type of indebtedness incurred. A copy of the statement should be retained for support of the accounts receivable entry. CAO then submits the original statement by transmittal letter to the servicing payroll office.

C. For each pay period that collections are made, the servicing payroll office will send a check to the NAFI for the amount of the biweekly collections with a listing of employee names and individual amounts. Upon receipt of check, GLAC 140 will be credited to reduce the accounts receivable. Documentation will be retained for support of subsidiary records.

A081903 Erroneous Overpayments. In overpayments resulting from payroll processing and administrative errors, servicing payroll office will notify the employee in writing of such overpayment. Notification will provide total amount of indebtedness, amount of biweekly repayment deductions, and dates of deductions. Deductions will not exceed 15 percent of net pay. Copies of notification will be furnished to CAO. In the event these overpayments are subsequently waived by the installation commander, the employing NAFI is liable for employee's indebtedness to third parties, and not servicing payroll office. Likewise, if an employee terminates prior to liquidation of a debt or obligation being repaid, the employing NAFI is liable for the unpaid amount.

A081904 General Disputes and Waivers. If an employee disputes a debt or obligation, or requests waiver of repayment, the installation commander will make the final decision based upon information made available by both the NAFI and the employee. The employee will be notified in writing of the determination and a copy of the notification will be forwarded to servicing payroll office for collection in accordance with procedures stated above. These involuntary deductions will not exceed 15 percent of net pay. (See AR 215-1 and AR 215-3, paragraph 3-2h.)

A081905 Retirement or Insurance Disputes and Waivers. If the overpayments or disputes discussed in A081903 or A081904 above involve retirement, or health or life insurance the Chief, Employee Benefits Branch, P.O. Box 107, Arlington, VA 22210-0107, not the installation commander, will make determinations regarding waivers.

A0820 ON-THE-SPOT AWARDS All locally paid awards must be reported to the servicing payroll office not later than the pay period following the period in which paid. Payments made in December are especially critical. Awards paid in December should be made prior to the last pay period of the calendar

year. To ensure the calculation of wages and taxes is included on the employee's Form W-2 for the proper tax year, any payment made after the last pay period of the calendar year should be scheduled with the servicing payroll office and reported on a priority basis. Upon receipt of DA Form 5167-R (Incentive Awards Nomination and Approval-Nonappropriated Funds) the CAO will:

A082001 Award Maximums. Ensure the gross amount (amount before retirement contribution, OASDI and Medicare, federal, state and local income tax deductions) does not exceed the $250 maximum per award. (See AR 215-3, paragraph 9-9 b.)

A. Cash Award. For a cash award, the gross amount is the amount of the award.

B. Savings Bond Award. For a savings bond award, the gross amount is the purchase price of the bond plus the applicable deductions. For employees who do not participate in the NAF Employee 401(k) Savings Plan or the Thrift Savings Plan (for employees covered by portability), the gross amount is determined by use of this formula:

$$\text{Gross Amount} = \frac{\text{Bond Purchase Price}}{\text{(100\% minus the sum total \% of deductions)}}$$

1. Example 1: Bond purchase price for a $200.00 bond is $100.00. The sum total of retirement contribution (2%), OASDI (6.2%), Medicare (1.45%), Federal tax (28%), State tax (0%), and local tax (0%) is (37.65%).

$$\text{Gross Amount} = \frac{\$100.00}{\text{(100\% minus 37.65\%)}}$$

$$= \frac{\$100.00}{62.35\%}$$

$$= \$160.38$$

As the gross amount of the bond award is less than $250, the award may be given.

2. Using the gross amount of the bond award, $160.38, the applicable deductions can now be calculated:

Retirement	$160.38 times 2.00%	= $ 3.20
OASDI	$160.38 times 6.20%	= $ 9.94
Medicare	$160.38 times 1.45%	= $ 2.33
Federal tax	$160.38 times 28.00%	= $44.91
		$60.38

3. Example 2: Bond purchase price for a $500.00 bond is $250.00. The sum total of retirement contribution (2%), OASDI (6.2%), Medicare (1.45%), Federal tax (28%), State tax (0%), and local tax (0%) is (37.65%).

$$\text{Gross Amount} = \frac{\$250.00}{\text{(100\% minus 37.65\%)}}$$

$$= \frac{\$250.00}{62.35\%}$$

$$= \$400.96$$

As the gross amount of this award exceeds the $250 maximum, the $500 bond award cannot be given.

C. Savings Bond Award for 401k/TSP Participants. For employees who do participate in the NAF Employee 401(k) Savings Plan or the Thrift Savings Plan, the calculation differs because the federal government does not tax these deductions. For these employees, the gross amount of a savings bond award is the purchase price of the bond plus the applicable deductions with the federal tax amount reduced for the 401(k) deduction. The gross amount is determined by use of this formula:

$$\text{Gross Amount} = \frac{\text{Bond Purchase Price}}{\text{(100\% minus the sum total \% of deductions)}}$$

1. Example 1: Bond purchase price for a $200.00 bond is $100.00. The sum total of 401(k) contribution percentage (3%), retirement contribution (2%), OASDI (6.2%), Medicare (1.45%), Federal tax (% must be

calculated as shown below), State tax (0%), and local tax (0%) is (xx.xx%).

Federal Tax % = [X minus XY] times 28%

X = Gross Amount
Y = Employee's 401(k) Percentage

= [X minus X (3%)] times 28%
= (.28X minus .0084X)
= (.28 minus .0084)X
= .2716X
= 27.16%

In this example the Federal Tax % calculated is 27.16%. As before, you now sum the percentage deductions: 3% + 2% + 6.2% + 1.45% + 27.16% = 39.81%

Gross Amount = $\frac{\$100.00}{(100\% \text{ minus } 39.81\%)}$

= $\frac{\$100.00}{60.19\%}$

= $166.14

As the gross amount of the bond award is less than $250, the award may be given.

2. Using the gross amount of the bond award, $166.14, the applicable deductions can now be calculated:

401(k)	$166.14 times 3.00% =	$ 4.99
Retirement	$166.14 times 2.00% =	$ 3.32
OASDI	$166.14 times 6.20% =	$10.30
Medicare	$166.14 times 1.45% =	$ 2.41
Federal tax	$166.14 times 27.16% =	$45.12
		$66.14

3. Example 2: Bond purchase price for a $500.00 bond is $250.00. The sum total of 401(k) contribution percentage (4%), retirement contribution (2%), OASDI (6.2), Medicare (1.45%), Federal tax % must be calculated as shown below), State tax (0%), and local tax (0%) is (xx.xx%).

Federal Tax % = [X minus XY] times 28%

X = Gross Amount
Y = Employee's 401(k) Percentage

= [X minus X (4%)] times 28%
= (.28X minus .0112X)
= (.28 minus .0112)X
= .2688X
= 28.88%

In this example the Federal Tax % calculated is 26.88%. As before, you now sum the percentage deductions: 4% + 2% + 6.2% + 1.45% + 26.88% = 40.53%

Gross Amount = $\frac{\$250.00}{(100\% \text{ minus } 40.53\%)}$

= $\frac{\$250.00}{59.47\%}$

= $420.38

As the gross amount of this award exceeds the $250 maximum, the $500 bond award cannot be given.

(NOTE: The OASDI and Medicare rates used in the examples above are those which were effective for 1994.)

A082002. Award Limits. Ensure that the employee will not have received awards in excess of $1000 in the inclusive prior 12-month period.

A082003 Type of Award. Determine if the award is for cash or a savings bond.

A. If the award is for cash, the CAO will:

1. Compute the applicable 401(k) contribution, retirement contribution, OASDI, Medicare, federal, state, and local tax deductions.

2. Issue a check locally for the net amount.

3. Prepare a memorandum showing the gross amount, 401(k) contribution,

retirement contribution, OASDI, Medicare, federal, state and local tax deduction amounts and the net amount of the award issued. Attach the DA Form 5167-R to the memorandum and mail to the servicing payroll office requesting the payroll records be adjusted to include the cash award.

B. If the award is for a savings bond, the CAO will:

1. Issue a check locally for the purchase price of the bond (net amount).

2. Prepare a memorandum showing the bond amount, the gross amount (purchase price plus applicable deductions), 401(k) contribution, retirement contributions, OASDI, Medicare, federal, state and local tax deduction amounts and the net amount of the bond. Attach the DA Form 5167-R to the memorandum and mail to the servicing payroll office requesting the payroll records be adjusted to include the bond award.

A082004 Use of Retirement Contributions in Award Calculations. Retirement should only be calculated when employee is participating in the retirement program. To determine if a retirement contribution should be calculated, the CAO should refer to his most recent Employee Cross-Reference Roster. If the employee has an 'R' recorded under the 'RET CDE' column, use the retirement % in the award calculation. For 401(k) or Thrift Savings Plan deductions refer to the employee's Personnel Folder.

A0821 AUTOMATIC WITHIN-GRADE INCREASES FOR PREVAILING RATE EMPLOYEES. Automatic within-grade increases for prevailing rate employees will be produced systemically in accordance with AR 215-3.

A0822 NOTICE OF UA EMPLOYEE WITHIN-GRADE INCREASE DUE. A Notice of UA Employee Within-grade Increase Due report will be produced biweekly. A regular scheduled employee's name will appear on the report beginning the first pay period he/she is within 120 days or 16 weeks of being eligible to receive a within-grade increase. The employee's name will continue to appear on the report until the within-grade increase is effective. It remains the responsibility of the UA employee's servicing HRO to initiate within-grade increases (See A080702E).

A0823 AUTOMATIC LEAVE CATEGORY CHANGES DA Form 3434's will automatically be produced for NF, UA and PR employees in regular full-time and regular part-time positions in accordance with accrual of annual leave restrictions cited in AR 215-3.

A0824 PORTABILITY OF ANNUAL LEAVE BENEFITS

A082401 Transfer of Leave Balances. Leave balances will be transferred when employees convert from NAF to Appropriated Fund (APF) or from APF to NAF status. However, there will be no transfer of funds. Therefore, the servicing CAO will make entries on the NAF accounting records to adjust the NAF liability for annual leave. NOTE: No adjustments are required for sick leave or home leave.

A082402 NAF to APF Conversion. When a former NAF employee converts to APF status, the servicing payroll office will send the servicing CAO a Record of Leave Data for the individual. The record will give the dollar value of annual leave to be removed from the annual leave liability account. The entry to record income recognized when the annual leave liability is dropped is shown below:

DR 243 - Annual Leave Payable
CR 808 - NAF to APF Conversion Income

A082403 APF to NAF Conversion. When a former APF employee converts to NAF status, the servicing CAO must depend on the local HRO or fund manager to inform them of the transfer. The servicing payroll office will establish the transferred employee's leave balance based on documents received from the local HRO. The servicing payroll office will generate an entry to debit GLAC 603 (Annual Leave Expense) and credit GLAC 243 (Annual Leave Payable) in the amount of the fund's

liability for the individual's leave balance. The servicing CAO will use the Individual Leave Register to identify the dollar amount of this entry. The entry to move the expense of establishing the employee's leave balance from an operating expense account to a non-operating expense account is shown below:

DR 833 - APF to NAF Conversion Expense
CR 603 - US Annual Leave

A0825 NAF 401(K) SAVINGS PLAN AND APF THRIFT SAVINGS PLAN

A082501 NAF 401(k) Savings Plan. The NAF 401(k) Savings Plan allows regular full-time and regular part-time employees to contribute a percentage (1 to 15%) of their gross wages to a tax deferred pension plan. The NAFI will match up to 3% of the employee's gross wages. The employer matching contribution will be recorded in GLAC 626 (Employer Share of 401(k) Expense). The expense will be calculated by the NAFCPS and electronically deducted from the central bank account along with other payroll expenses.

A082502 Thrift Savings Plan. For employees who transferred from APF to NAF status and continued participation in the Thrift Savings Plan (TSP), the matching employer contribution will be recorded in GLAC 627 (Employer Share of TSP Expense.)

A0826 NON-CASH AWARDS

A082601 Report to Servicing Payroll Office. When a NAFI provides a non-cash performance award to an employee, the CAO will report the award to the servicing payroll office so the dollar value of the award can be included on the employee's W-2 as taxable income.

A082602 Reporting and Accounting Procedures. Reporting and accounting procedures found in A0820 apply to non-cash awards. When non-cash awards are made, the NAFI incurs the cost of the item awarded plus the employee's share of payroll taxes related to the award. Refer to the savings bond examples in A082001B and C for details on calculating the cost of the award.

A. When a NAFI purchases merchandise, trips, or other items of value to be provided as performance awards at a later date, the accounting treatment should be as follows:

DR 160 - Miscellaneous Other Prepaid Expenses
CR 101 - US Cash

B. When the award is provided to the employee, the CAO will establish a receivable from the servicing payroll office as follows:

DR 140 - Miscellaneous Other Receivables
CR 160 - Miscellaneous Other Prepaid Expenses

C. If the non-cash award is purchased at the time it is presented, the entry is as follows:

DR 140 - Miscellaneous Other Receivables
CR 101 - US Cash

A082603 Calculation and Notification. The CAO must calculate the cost of the award and send the servicing payroll office a copy of the DA Form 5167-R (Incentive Awards Nomination and Approval-Nonappropriated Funds) along with a memorandum which includes the information specified by A082003.

A082604 Servicing Payroll Office Procedures. The servicing payroll office will:

A. Add the gross amount of the award to the employee's earnings and leave statement and withdraw this amount from the NAFI's bank account.

B. Issue a check to reimburse the NAFI for the purchase price of the non-cash item awarded.

A082605 Receipt of Reimbursement. Upon receipt of the check from the servicing payroll office, the CAO will clear out the debit balance in GLAC 140 as follows:

DR 101 - US Cash
CR 140 - Miscellaneous Other Receivables

A082606 Tokens of Appreciation. These procedures do not apply to low dollar value "tokens of appreciation". Low dollar items will not be reported to the servicing payroll office, nor are they taxable to the employee.

CHAPTER 9

UNIT FUNDS

A0901 GENERAL

A090101 Accounting and Reporting Procedures. This chapter has accounting and reporting procedures for unit funds and unit activities established and administered by installation commanders in accordance with AR 215-1. Installation commander includes, as applicable, the State Adjutant General (AG) for the Army National Guard, the Major, U.S. Army Reserve Command (MUSARC), or reserve component (division, troop command, or brigade) delegated as a major command by the State AG or MUSARC. Included are those funds integrated into the IMWRF, and those maintaining their own accounting records. Funds keeping their own records are:

A. Inmate morale support funds.

B. Stockade morale support funds.

C. Hospital prisoner morale funds.

D. Non-troop program Reserve units.

E. Reserve Component units.

F. Units designated as isolated units.

A090102 Reserve Components and Isolated Unit Funds. Procedures in AR 215-1 are not changed by provisions of this publication.

A090103 Installation Unit Activities. Separate unit funds are not authorized for installation/ base units; however, at MACOM direction, those units may receive monetary NAF support through IMWRF. Installation units receiving NAF support are referred to as "unit activities" and are accounted for within the IMWRF.

A0902 CONSOLIDATED UNIT FUND ACCOUNTING. Under AR 215-1, unit funds of two or more units of company, battery, battalion, brigade, or higher size, may be combined into one consolidated unit fund account. Accounting and reporting is required to be integrated with the functions of the IMWRF.

A0903 SOURCE OF FUNDS. Unit activities receive NAF support from the host IMWRF. NAF support to isolated and reserve component units is provided by the coordinating installation (usually the one nearest the unit). The coordinating installation will request reimbursement from FORSCOM for all CONUS reserve component units and isolated units, or USAPAC for units based in Puerto Rico and the Pacific.

A0904 UNIT MWR FUNDS. The accounting and reporting functions of installation unit activities will be integrated with the IMWRF functions. Isolated and reserve component unit funds will account for their funds in accordance with paragraph A0906.

A0905 ACCOUNTING FOR IMWRF UNIT ACTIVITIES. All installation unit activities will be accounted for using a locally assigned location code and the standard department code 5J under program code HD. Individual unit activity statements will be prepared by the IMWRF management, not the CAO.

A090501 Debit GLAC 6XX and Credit GLAC 201 is an example of entry to record the expense incurred by the IMWRF unit activity.

A090502 Debit GLAC 101 and Credit GLAC 5XX is an example of an entry to record the revenue received by the IMWRF for the unit activity.

A0906 ACCOUNTING FOR ISOLATED UNIT ACTIVITIES. Reserve or isolated units

authorized to keep their own accounting records will use the following:

A090601 The frame work of accounting records in this section is the single-entry or cash basis system. Single-entry bookkeeping is simple and economical. It should, under certain conditions, provide enough data to prepare financial statements. The cash basis of accounting records revenue and expenses when actually received and paid, without regard to the period to which they apply.

A090602 No other classification of accounting transaction is maintained except for property purchased with unit funds or property acquired by gift, transfer, or donation. These acquisitions require subsidiary records for control purposes.

A090603 The isolated unit fund dividend distribution from the DA MWRF will be paid through Forces Comand and be paid by a coordinating installation. The coordinating installation will pay the dividend directly to an approved isolated unit fund and be reimbursed by Forces Command. The entry to record the payment by the coordinating installation is DR GLAC 140 - Miscellaneous Other Receivables and CR GLAC 101 - US Cash. When the corrdinating installation receives reimbursement, the entry is DR GLAC 101 and CR GLAC 140.

A090604 When the isolated unit activity is funded as part of an IMWRF, the procedures in A0905 apply.

A0907 RECORDS AND FORMS. Basic records and forms will be established and maintained as prescribed in this section. Records of a unit fund will be kept to the minimum required to support the funds transactions.

A090701 DA Forms 2107 (Nonappropriated Fund Receipt and Disbursement Voucher) will be used to support all receipts and disbursements by unit funds. This general purpose voucher is prescribed to support all transactions except those processed through the petty cash fund. Refer to chapter 4 for procedures on petty cash expenditure.

A090702 DA Form 2107 will be numbered sequentially by calendar or fiscal year, i.e., 94-1, 94-2, etc. A single series of numbered vouchers will be used for all transactions within the calendar or fiscal year, whether the action is a receipt or a disbursement. For example, if the last voucher issued was No. 94-10 for an expenditure, and the next transaction to be recorded is a receipt of cash, the collection voucher will be numbered "94-11". Each DA Form 2107 prepared will be dated, numbered, and contain all data required to fully identify the transaction. The voucher will be signed by the fund manager. It will be supported by attached documents required to validate the transaction, such as vendor invoices, statements, bills, receipts, receiving reports, and other related documents.

A090703 Purchases made through petty cash disbursements will be processed according to procedures in chapter 4. A DA Form 2107 will be prepared when the petty cash fund is replenished.

A090704 When possible, all goods and services will be paid for at the time of purchase. Memorandum records will be maintained to insure that outstanding orders are properly suspensed. These memorandum files will prevent placing of orders in excess of the unit fund's available cash balances.

A090705 Other records will include a check book, bank deposit slips, bank statements, bank account reconciliations, statements of operation and fund equity, copies of audit reports, property receipts, and miscellaneous correspondence relating to unit fund administration.

A0908 CASH, PROPERTY, AND RECONCILIATION RECORD (CPRR). This DA Form 5627-R (Cash, Property and Reconciliation Record) is the primary official record of unit fund management and administration. DA Form 5627-R will be locally reproduced on 8 1/2 by 11 inch paper. All entries must be supported by an approved DA Form 2107.

A090801 Cash Receipts. Unit fund managers will be responsible for safeguarding cash receipts by promptly depositing them. Dividends received through the IMWRF and cash from sales of fund-owned property will be fully identified so that proper disposition may be made.

A090802 Cash Disbursements. All cash disbursements, except petty cash transactions, will be documented on a DA Form 2107. If a petty cash fund is established, the total authorized amount of the petty cash fund will be entered in the expenditure column of the DA Form 5627-R with a memo entry. Thereafter, only the amount of a fund replenishment to the original authorization will be recorded. When the petty cash fund is discontinued, the amount expended will be entered in the expenditure column, the balance will be deposited in the bank. The later will be shown as a memo entry in the receipts column of the DA Form 5627-R. Transactions affecting cash and property will be entered in both cash and property columns of the DA Form 5627-R.

A090803 Property Transactions. The following transactions will be entered in the DA Form 5627-R to maintain property control: (1) Cash purchases of property; (2) Cash sales of excess or worn out property; (3) Transfers and gifts from other units or other sources; and (4) Disposals to the property salvage officer. Property will be recorded on DA Form 4078. When cash is involved in the property transaction, entries will be made in both the cash column and the property column.

A090804 Reconciliations.

A. Reconcile the property records maintained on DA Forms 4078 with the balance shown in the property column of the DA Form 5627-R each quarter. The cost of all property items purchased with unit funds or otherwise acquired by the unit (excluding Government property) will be summarized from the DA Forms 4078. The amount will be balanced to the amount shown on the fund record.

B. Reconcile the bank statement to the fund cash account each month. This account is also maintained on the DA Form 5627-R. The bank statement balance, minus outstanding checks, plus deposits made after the bank statement cutoff, should always equal the balance column on the DA Form 5627-R.

A0909 PETTY CASH SYSTEM.

A090901 Petty cash procedures will be governed by chapter 4.

A090902 Prepare DA Form 2107 to support the issuance of a check to restore the petty cash fund to its original amount. Attach all supporting documents to the DA Form 2107. Enter the total of all subvouchers on the DA Form 2107. Post the same amount in the expenditures column of the DA Form 5627-R.

A090903 Reserve component units are not required to use petty cash procedures if they:

A. Receive income only from dividends; and

B. Spend those dividends during annual training. Attach all sales slips, receipts, and supporting documents to the DA Form 5627-R. These documents will be accepted as evidence of purchase.

A0910 REPORTING. Unit fund managers will keep a DA Form 5627-R. Record receipts and expenditures on a daily basis, as they occur. At the end of each month, total all columns and send an information copy to the servicing IMWRF. Reserve Component units do not need to send an information copy of the DA Form 5627-R to the servicing IMWRF. RC unit fund managers will send a copy of the DA Form 5627-R to the next major command headquarters each quarter. After review, it will be returned to the RC fund manager to be included in the unit's files.

A091001 Certificate of Transfer. Fund managers will prepare a certificate of transfer as shown in figure 2-1. Both the current manager

and the successor will sign the certificate. It will be filed with the current financial statement.

A091002 The outgoing fund manager will also notify the servicing bank of the change of fund managers. A letter resembling the following will be sent to the bank: "I have this date transferred the unit fund of Company A, 4th Infantry, to John Doe, 1st Lieutenant, Infantry, who will, until replaced, have authority to draw on the fund deposited in your bank. His signature appears below." The letter will be signed by the current fund manager and his or her successor.

CHAPTER 10

FINANCIAL REPORTING REQUIREMENTS

A1001 GENERAL

A100101 Information Requirements. Only one information requirement bearing a reports control symbol is prescribed in this chapter; the Nonappropriated Fund Financial Reporting (RCS CSCOA-24).

A100102 Reporting and Submission. Reporting frequency and submission address are prescribed in table 10-1. Additional information is contained in AR 215-1.

A100103 CAO Signature. The CAO will sign all financial statements required in table 10-1. Signatory authority will not be delegated.

A100104 Must Report. Since these are financial reports, there can be no negative reports.

A100105 Reporting Schedules. All financial statements must be submitted per table 10-1.

A. NAFI management should receive the final monthly financial statements as follows:

1. Installation CAOs must provide the final monthly financial statements to NAFI management by the 6th workday after receipt of all documents from the NAFI.

2. The consolidated CAO at Red River Army Depot must provide the final monthly financial statements to NAFI management by the 8th workday after receipt of all documents.

B. Local management may request other supporting schedules and management information or more frequent statements; however, managers should assess the need for such data in relation to the cost.

A100106 Official Cutoff Date. The official cutoff date for the monthly accounting cycle is the last calendar day of the month. However, DFAS may select a date from December 26 through December 31 for cutting off December NAFI financial statements. Transactions subsequent to the cutoff date must be included in the January NAFI financial statements.

A1002 NONAPPROPRIATED FUND FINANCIAL REPORTING (RCS CSCOA-24). This requirement is for an income statement and balance sheet.

A1003 NAFI BANK BALANCES

A100301 Reporting Uninsured Balances. Agencies designated in b below will prepare DA Form 3830-R (NAFI Bank Balances) twice a year showing the total balance in NAF accounts in each bank used by fund managers under their jurisdiction (exempt report, AR 335-15). DA Form 3830-R will be prepared as of March 31 and September 30 and sent to the Commander, U.S. Army Community and Family Support Center, ATTN: CFSC-RM-B, Alexandria, VA 22331-0508, not later than April 15 and October 15. CFSC will review the reports, make necessary adjustments in collateral allocations, and advise installation commanders and other agencies of the adjustments by completing column g of the report.

Table 10-1, Disposition of Reports

Situation	Due Date	Disposition
Funds supported by NAFISS and MICROCADS (except Post Restaurants and CWF)	Monthly. 30 days following the end of the month reported.	Send CFSC interface tape produced by job AVFR77/AVFJRM direct to CFSC, Attn: CFSC-RM, Alexandria, VA 22331-0508. MICROCADS sites will also submit interface tape direct to CFSC.
Post Restaurants and CWF. Balance sheet and income statement.	Monthly. 30 days following the end of the month reported.	Mail direct to CWF Board of Directors, AAFCWF, Box 46579, Washington, DC 20050-6579.
Funds not covered above. Balance sheet and income statements consolidated by NAFI, consolidated program code by department and consolidated location by department.	Monthly. 30 days following the end of the month reported.	Send monthly balance sheets and income statements direct to CFSC at the address above.
NAFI Employees Compensation and Benefit Program. This report is prepared by the NAF payroll offices. NAFIs not supported by one of the payroll offices must prepare the report to cover their NAF employees.	Annually. October 30	Forward to CFSC at the address above. Post Restaurant and CWF reports will be forwarded to the Board of Directors, AAFCWF, Box 46579, Washington, DC 20050-6579

A100302 Preparing agencies.

A. CAOs will report for all NAF deposits maintained by installation NAFIs in local depositories. Reports for balances maintained by the Army Banking and Investment Fund at the contractor bank will be prepared by HQDA (CFSC-RM). Deposits maintained by overseas NAFIs in U.S. military banking facilities are exempt from the record keeping and reporting requirements specified above.

B. NAFI managers will report for all other NAFIs established at major command and HQDA levels.

A100303 Interim reports. Interim reports will be submitted on DA Form 3830-R when:

A. Collateral requirements exceed the current allocations,

B. All NAF accounts maintained within the bank have been closed, or

C. An account is opened with a new financial institution.

A100304 Service Charges. Local banks are compensated for their services on the basis of either compensating balances or flat fee service charges, as agreed to by the local bank and the serviced NAFI. Service charges are supported by monthly bank account and activity analyses (BA&A) sent by the local banks to CAO/NAFI managers. CAOs must send a copy of the March and September BA&As for each local deposit to the following address: Commander, U.S. Army Community and Family Support Center, ATTN: CFSC-RM-B, Alexandria, VA 22331-0508. The March and September BA&As are due at the above address by the 15th of May and November respectively.

A1004 FINANCIAL STATEMENT ERRORS. The method of correction of errors depends on when the error occurred, when it was discovered, and how the error affected the financial records of the NAFI.

A100401 Current FY. If the error occurred in the current FY, adjust all account balances by journal voucher transaction. All transactions must go through the current monthly financial statements. No adjustments are authorized to G/L account totals. CAOs should not make pen and ink changes to account balances if the error is found after statements are final. Instead show the changes in the footnotes to the financial statements. Make the corrections the next month by journal voucher.

A100402 Prior FY. If the error occurred in a prior FY, the corrective action will be recorded in the current fiscal period in almost all cases.

A100403 Material. If the effect of the error is material, submit a request for retained earnings adjustment to DFAS for approval. Include full justification for the adjustment (See A100405 for more information on approvals). A material error which necessitates a prior period adjustment results from:

A. Substantial mathematical mistakes.

B. Substantial mistakes in the application of accounting principles.

C. Substantial oversight or misuse of facts existing at the time the financial statements were prepared.

A100404 Error Versus Change In Accounting. An error is contrasted with a change in an accounting estimate such as the useful life of an asset or bad debt expense under the allowance method. An accounting estimate is changed when new information or subsequent developments provide better insight or improved judgment. However, a change from an accounting principle which is not generally accepted to one that is generally accepted is to be considered a correction of an error. Also, a prior period adjustment is not allowed when late documentation causes prior year expenses to be understated. If documentation was not submitted to the CAO before the prior year statements were prepared, the expenses must be recorded in the current period. The understatement of prior year expense is not defined as an error, since there was no oversight or misuse of facts by the CAO.

A100405 Where To Record. As evidenced by the criteria for a retained earnings adjustment, most transactions will be recorded as income or expense amounts of the current period. When requests for retained earnings adjustments are received by DFAS, they will be evaluated concerning whether the adjustments requested meet the criteria for a retained earnings adjustment. If the item does not constitute a proper retained earnings adjustment, it will be returned to the installation with instructions to include in the current year income statement. If DFAS approves retained earnings treatment, the request will be returned to the installation with instructions for the CAO to footnote the financial statements with an explanation of the adjustment.

A1005 FOOTNOTES TO FINANCIAL STATEMENTS

A100501 Integral Part Of Financial Statements. Footnotes are an integral part of the

financial statements and should be used when more information is needed. The Generally Accepted Accounting Principal of disclosure requires that accountants "disclose" in the financial statements all relevant economic information pertaining to the business entity. When the actual dollar amounts on the financial statements do not provide sufficient information for decision makers, accountants must supplement the financial statements with more detailed data in the form of footnotes. Footnotes are required to provide an explanation of special events on the income statement to help managers compare the operating results of the current business period with the operating results of previous periods. Fund equity adjustments and significant business closures are prime examples of occurrences which require footnotes.

A100502 Post Restaurant Funds and CWF. For Post Restaurant funds and CWF, financial statements will be footnoted to reflect FY cumulative gross sales by a concessionaire to either of the civilian employee NAFIs which were used to generate the concessionaire income for the reporting period.

A1006 BINGO ACTIVITY SHEET. Prepare a numbered bingo activity sheet for each bingo event sponsored by the NAFI. Reconcile cash collected for bingo cards sold with bingo cards issued. Enter prizes awarded for games and require the winners to acknowledge receipt and furnish their social security numbers.

A1007 REPORTING TO THE IRS

A100701 General. All records relating to payments to individuals and firms must be retained for at least four years and be available for IRS review if required. CONUS offices should consult their local IRS office when forms, publications, or assistance are needed. Overseas offices should contact their local Legal Assistance office to get the address and telephone number of the nearest IRS representative. IRS representatives, in CONUS and overseas, are available to provide on-site instructions concerning IRS procedures for return preparation and filing, and depositing employment tax payments. Overseas offices should use the following address to request forms and publications: Forms Distribution Center, PO Box 25866, Richmond, VA 23289, or Forms Distribution Center, Rancho Corboda, CA 95743-0001.

A100702 Contract payments. Cumulative payments made under service contracts of $600 or more to anyone other than a corporation during a calendar year will be reported by the CAO. Provide all information required on IRS Form 1099 MISC. NAFI contracts with entertainers are considered service contracts. If a single payment to an individual is less than $600 but total payments made by the CAO during the calendar year to the same individual reach $600, IRS Form 1099 MISC must be filed. Therefore, the CAO must maintain a list or some method to determine if an individual reaches the $600 threshold, requiring a report to the IRS of the payments. The IRS Form 1099 MISC will be provided to the individual or firm and to the IRS. The individual or firm should receive a copy of the Form 1099 MISC by January 31 of the year following the calendar year of payment. This requirement also applies to individuals who, in addition to being NAFI employees, have contracts with the NAFI for non-personal services. A separate Form 1099 MISC will be prepared for each individual or firm to whom total payments of $600 or more are made. An IRS Form 1096 is used to transmit the IRS copy of the Form 1099s to the IRS. These forms must be forwarded to the IRS by February 28 each year. Refer to IRS publications for preparation instructions and filing requirements.

A100703 Gambling/Bingo Winnings. IRS reporting requirements for gambling and bingo winnings are tied to individual games. Winnings are not accumulated from game to game as contract payments are. Each game stands alone for IRS reporting requirements. Whenever cash, merchandise, or a combination thereof with a total value of $1,200 or more is awarded to a person for winning a single bingo game or other gambling activity, the CAO must prepare IRS Form W-2G (Statement for Certain Gambling Winnings). Individuals should receive their copies of the W-2G either at the time payment is made or not later than January 31 of the

following year. An IRS Form 1096 is used to transmit the IRS copy of the W-2Gs to the IRS. These forms must be forwarded to the IRS by February 28 of the following year. Refer to IRS publications for preparation instructions and filing requirements.

A100704 Records Retention. NAFIs must retain all records pertaining to federal income and employment taxes as required by federal law for at least four years (See AR 25-400, app B, category 27-101-1f, and category 37-105a).

A1008 CONTRACTORS DETERMINED TO BE EMPLOYEES FOR IRS PURPOSES. Some contract payments made to individuals may be considered by the IRS as payments to employees. The specific circumstances which classify individuals as employees are covered in Chapter 8 paragraph 0802 of Volume 13.

A100801 Procedures After Determination. When individuals are determined to be employees in the eyes of the IRS, the NAFI is required to withhold social security tax, medicare tax, and federal income tax from the individuals' earnings. These taxes must be reported to the IRS each quarter using IRS Form 941, Employer's Quarterly Federal Tax Return. The calculation of tax due on IRS Form 941 also requires the employer to match the social security and medicare tax withheld from the employee's pay. A check for the total tax due must accompany the IRS Form 941.

A100802 Forms And Instructions. IRS forms and instructions needed by the CAO include, but are not limited to, Publication 15, Form 941 and instructions, Form W-2 and instructions. If the CAO does not have a Federal Employer Identification Number, they must request one from the IRS. Individuals who are determined to be employees for IRS purposes must receive an IRS Form W-2 instead of an IRS Form 1099 for their earnings.

A100803 Withholding. The applicable tax amounts to be withheld currently are as follows:

Social Security Tax = 6.2% of earnings
Medicare Tax = 1.45% of earnings
Federal Income Tax = 28% of earnings unless individual specifies another amount (ie, 10%, $10, $0, etc.).

The NAFI must also match the social security and medicare tax amounts. CAOs are not required to withhold state and local taxes, however, withholding of these taxes is not prohibited.

A100804 Proper Classification of Employees. NAFI management and the Department of the Army are responsible for determining if an individual is a contractor or an employee for IRS purposes as specified in AR 215-1. The CAO should be alert for situations where an employee or contractor has been improperly classified, and assist NAFI management, when requested, in making these determinations. It is DFAS policy to cooperate fully with the IRS and ensure that NAF activities comply with the tax laws of the United States. The CNPO will not knowingly make payments to any misclassified person and is required to notify the CAO and DFAS-Indianapolis Center when a misclassified person has been identified.

CHAPTER 11

FINANCIAL ANALYSIS

A1101 GENERAL The objective of financial analysis is the extraction of the data from the financial statement and other sources so that the decision makers have valid data upon which to plan their operations. It is important to know that the balance sheet is a statement of the NAFIs financial position as of a specific point in time. Whereas, the income statement shows the results of operations over a period of time. Management must be able to effectively analyze the data and react in a positive manner.

A1102 STANDARDS. The financial analysis provides ratios, trends, and other specific details of the business operations of the NAFIs. However, this accumulation of financial data only indicates the NAFIs financial position. To be useful as a management tool, the data must be compared with the NAFIs goals and established standards. For some NAFIs, standards are established by DA or MACOM agencies. Five of the most significant standards are presented here.

A110201 Current Ratio. This measures the NAFIs ability to meet its current obligations. The NAFIs financial position may not be sound unless the fund has more current assets than current liabilities. A ratio of 1.5 to 1 is generally acceptable.

A110202 Acid Test Ratio. This measures the extent to which specific current assets can be converted to cash to meet current obligations. A ratio of 1 to 1 is generally acceptable.

A110203 Average Collection Period. This measures the average length of time accounts receivable are outstanding. A ratio of 1.3 to 1 is generally acceptable.

A110204 Inventory Turnover. This measures the efficiency of inventory control. A ratio of 1 to 1 is generally acceptable for food and bar operations. For all other sales operations, the goal should be 1 to 3.

A110205 Net Income Ratio. This measures the rate of return on revenue. A percentage of 5-10 percent is generally acceptable.

A1103 LIMITATIONS. Although ratios are useful management tools, they do have some limitations and must be used with caution. Ratios are constructed from accounting data, and accounting data are subject to different interpretations and manipulation.

A110301 Historical Cost. The use of historical cost is an excellent means for comparing costs of the NAFI and revenues generated by the activities. However, in periods of rapid inflation, the historical cost of an asset or expense may not provide a good basis to determine current values.

A110302 Estimating. Uncertainty in estimating future income statement items is a major limitation. A NAFI manager may predict higher revenues and lower expenses than actually occurs. Based on incorrect estimating of future revenues, assets may be purchased which when depreciated create a net loss.

A110303 Comparability. Achieving comparability between NAFIs located at different communities and even in different countries is very difficult. A community that has very little competition from the private sector should have an advantage over a community that must compete with a large number of civilian activities.

A1104 BALANCE SHEET RATIOS

A110401 Current Ratio. This ratio is the primary test of the solvency of the NAFI. The ratio is computed by dividing the current assets by the current liabilities. A ratio of 1.5:1 means that the value of the current assets is 150 percent of the value of the current liabilities.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{\$150,000}{\$100,000} = 1.5:1$$

A ratio of less than 1.5:1 means that cash flow problems may exist.

A110402 Acid Test Ratio. This is a better test of immediate solvency than the current ratio. The acid test ration, or quick ratio, shows the amount of current assets that can rapidly be converted to cash to meet current debts. The ratio is computed by dividing the quick assets by the current liabilities. A ratio of 1:1 shows that the activity could pay all current bills within 30 days.

$$\text{Acid Test Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}} = \frac{\$100,000}{\$100,000} = 1:1$$

If the ratio is less than 1:1, the NAFI may not be able to pay its debts and would appear to be insolvent.

A1105 INCOME STATEMENT RATIOS

A110501 Net Income Ratio. This measures the rate of return on revenue. The ratio may be based on total revenue or only on sales revenue. The ratio for total revenue is computed by dividing net income by total revenue. The ratio for sales revenue is computed by dividing net income by revenue from sales of goods. Total Revenue = Account 301 through 303 less 304 through 306 plus 501 through 599, 801 through 825, and 892. Sales Revenue = Account 301 through 303 less 304 through 306.

A110502 Gross Margin Ratio. This measures the rate of markup on the sale of goods. The ratio is computed by dividing sales revenue less cost of goods sold, by total sales. COST OF GOODS SOLD = Accounts 401 through 456.

A1106 COMBINED RATIOS

A110601 Average Collection Period. This ratio is used to evaluate the effectiveness of the NAFIs collection procedures. The average collection period gives the number of days it takes the NAFIs to receive payment for credit sales. The ratio is computed by dividing the average accounts receivable for a given period by the average daily sales. A ratio of 1.3:1 indicates that if the terms of payment are net thirty days, payment should be received NLT 40 days after the date of sale.

$$\text{Average Collection Period} = \frac{\text{Average accounts receivable}}{\text{Average daily credit sales}} = \frac{\$1,300}{\$1,000} = .3:1$$

A110602 Inventory Turnover Ratio. This measures the velocity with which the resale merchandise moves through the NAFI. The ratio is computed by dividing the cost of goods sold by the average merchandise inventory. A ratio of 1:1 for food and bar sales and 1:3 for all other sales indicates the NAFI is maintaining optimum inventory levels.

$$\text{Inventory Turnover} = \frac{\text{Cost of goods sold}}{\text{Average inventory}} = \frac{\$100,000}{\$100,000} = 1:1$$

$$\text{Average Inventory} = \frac{\text{Beginning inventory} + \text{Ending inventory}}{2}$$

A slow turnover may indicate the NAFI has over-invested in merchandise or has some obsolete merchandise.

A110603 Return On Assets Ratio. This measures the NAFIs ability to generate revenue with its existing assets. The ratio is computed by dividing net income by the average total assets.

$$\text{Return on Assets} = \frac{\text{Income}}{\text{Average total assets}}$$

$$\text{Average Total Assets} = \frac{\text{Beginning total assets} + \text{ending total assets}}{2}$$

A110604 Return On Fund Equity. This measures the NAFI's ability to use leverage by earning a higher rate of return than is paid for the funds used to operate. The ratio is computed by dividing net income by the average fund equity.

$$\text{Return on Fund Equity} = \frac{\text{Income}}{\text{Average fund equity}}$$

$$\text{Average Fund Equity} = \frac{\text{Beginning fund equity} + \text{Ending fund equity}}{2}$$

A1107 OTHER RATIOS. The preceding ratios, while considered the most important, are by no means the only ones that may be computed. Others that can be reviewed are-

A. Fixed asset turnover.

B. Accounts receivable aging.

C. Working capital to total assets.

D. Return on tangible assets.

E. Cash to debt ratio.

F. Total labor to total revenue ratio.

A1108 COMPARATIVE ANALYSIS

A110801 Balance Sheets And Income Statements. Analysis of the balance sheet and income statement should include a comparative analysis by G/L accounts or groups of G/L accounts. The analysis of the balance sheet and income statement should be done at NAFI level and the activity level, respectively. The account items should be compared for: current and prior month, current and prior quarter, and current and prior year-to-date. The narrative should explain all significant variances and unusual account balances, i.e., credit balance in expense account, debit balance in liability account, or cost of goods exceeding 100 percent and negative cost of goods sold.

CHAPTER 12

MISCELLANEOUS

A1201 POST RESTAURANTS

A120101 General. AR 215-7 governs civilian employee NAFIs identified as post restaurant funds and CWF. Post restaurant funds operate restaurants, cafeterias, snack vending machines, and other authorized sale locations. These resale operations generate income to support approved recreation and welfare activities for civilian employees and other authorized patrons. Post restaurant funds are separate NAFIs and are not part of the installation IMWRF. If they are directly operated with NAF employees, partly concessionaire operated, or solely concessionaire operated, but own fixed assets, they will be accounted for in the same manner as other NAFIs.

A120102 Post Restaurant Fund Dividend Accounting. When the post restaurant fund declares a dividend to the CWF, the post restaurant fund will debit GLAC 292 and credit GLAC 206. When the post restaurant fund pays the dividend, the post restaurant will debit GLAC 206 and credit GLAC 101.

A120103 Solely Concessionaire-Operated Post Restaurants.

A. Operated Solely By Concessionaire. If a post restaurant is operated solely by a concessionaire and the NAFI owns no fixed assets, has no other source of income or expense, and does not maintain a bank account, the concessionaire will be instructed to issue one check at the end of each month for commission fees due. It will be made payable to the post restaurant officer (name of installation) and processed in accordance with AR 215-7, para 4-14 and 5-9. The post restaurant officer will also send a copy of the concessionaire's monthly financial statement to the AAFCWF. The statement will show the basis for the computation of the commission fee due and will be signed by the concessionaire of the commission fee due and will be signed by the concessionaire or representative. The statement will take the place of the regular monthly post restaurant financial reports required by Chapter 10. The post restaurant officer will keep a record of all checks received and forwarded to the post CWF or CAO.

B. Additional Information. Included with each financial report sent to the AAFCWF will be a statement that:

1. Commission fees paid by the concessionaire are the only receipts of the post restaurant;

2. The post restaurant has no expenses and is not required to establish a bank account; and,

3. Any amounts due the AAFCWF will be sent by the post CWF by check drawn on its own bank account.

C. Remittance. The portion due the AAFCWF will be remitted immediately if it is $10 or more. When the amount due the AAFCWF at the end of the month is less than $10, the CAO will set aside that amount as an account payable due the AAFCWF. When the account payable reaches $10, payment will be made to the AAFCWF. These cumulative amounts will not be withheld longer than six months.

A120104 Vending Machines. Revenue from vending machines selling goods owned by the post restaurant fund will be accounted for as sales and recorded in GLAC 301. Revenue from vending machines selling goods owned by a concessionaire will be accounted for as operating revenue and recorded in GLAC 502.

A120105 Reports. The reports prescribed in chapter 10 are applicable to post restaurant NAFIs. The concessionaire's gross sales amount against which the commission income was earned will be footnoted on the applicable income statement. In addition, a statement

showing the computation of dividends available for distribution will be submitted as part of the monthly financial statement. The format is shown in Figure 12-1.

A1202 CIVILIAN WELFARE FUNDS

A120201 General. Civilian Welfare Funds (CWFs) are NAFIs established by installation commanders under AR 215-7. They are NAFIs as defined in AR 215-1. Their primary source of revenue is dividends from profits of post restaurants. On occasion, grants or dividends from the AAFCWF are available.

A120202 CWF Dividend Accounting. Dividends from post restaurants will be credited to GLAC 806. If the dividend is a check from a concessionaire payable to and endorsed by the post restaurant officer, 5 percent of it belongs to the AAFCWF and should be credited to GLAC 201. A check will be issued payable to the AAFCWF and mailed to P.O. Box 46579, WASH, DC 20050-6579.

A120203 Accounting for Loans. When construction or improvements are authorized by the AAFCWF, the following accounting procedures will be used:

A. Certified Invoices. When the certified invoices are submitted to the post CWF, the fund manager will furnish copies to the CAO who will debit GLAC 179 and credit GLAC 268.

B. Completion of Construction. When construction is completed, debit the appropriate fixed asset account and credit GLAC 179.

C. Beginning Loan Payments. When it is determined that loan repayments will start, transfer the amount due in the next 12 months to GLAC 203. Each month when payment is made, debit GLAC 268 until zero (12 months before final payment) then debit 203 until zero (last 12 months).

A120204 Reporting. The reports prescribed in chapter 10 are applicable to Civilian Welfare Fund NAFIs. At the end of each fiscal year, the CAO will also attach a schedule (on a separate sheet of paper) showing the following civilian strength data as of the end of the fiscal year. It will contain the consolidated strength for all activities located at the installation.

A. Number paid by appropriated funds.

B. Number paid by nonappropriated funds.

C. Total civilian strength for the post.

A120205 DA Form 4138-R (Monthly Authorization Control Record).

A. Controlling Expenditures. The record will be maintained to control expenditures made under the monthly authorization granted each activity by the fund council. DA Form 4138-R will be reproduced locally on 8 1/2 by 11 inch paper.

B. Maintenance Of Records. Authorized expenditures, by activity, will be recorded as approved by the fund council. Purchase orders will be recorded when approved by the civilian NAFI custodian. Receiving reports (indicating the receipt of items purchased) will be entered in the column provided opposite the correct purchase order entry. At the end of the month, each purchase order entry for which no receiving report has been entered, or any differences, will be extended to the column provided for undelivered purchases.

A1203 VETERINARY SERVICES

A120301 Surcharges Collected By The Veterinary. The veterinary will collect prescribed surcharges from paying customers as required by law and deposit them with the day's business. They will be shown as a separate line on the daily activity report. The CAO will record the surcharges as a debit to cash and a credit to GLAC 240, Miscellaneous Other Payables.

A120302 Depositing The Surcharge To The U.S. Treasury. By the 15th of the month, the CAO will issue a check payable to the DAO in the amount of the surcharge collected during the previous month. The CAO will also prepare a DD Form 1131 (Cash Collection Voucher) citing Treasury Miscellaneous Receipt Account 21R3210.0001 and forward the check and voucher to the DAO. Make an entry to debit GLAC 240 and credit GLAC 101.

ATTACHMENT 1

REFERENCES, FORMS, AND FIGURES

Section I
Required Publications

AR 37-1 Army Accounting and Fund Control.

AR 37-101 Organization and Functions of Finance and Accounting Offices.

AR 37-103 Finance and Accounting for Installations Disbursing Operations.

AR-215-1 Administration of Army Morale, Welfare, and Recreation Activities and Nonappropriated Fund Instrumentalities.

AR 215-3 Personnel Policies and Procedures.

AR 215-4 NAF Small Purchases Manual.

AR 215-7 Civilian Welfare Funds and Post Restaurant Funds.

AR 340-18 The Army Functional Files System.

Section II
Related Publications. A related publication is merely a source of additional information.

AR 210-25 Vending Facility Program for the Blind on Federal Property

AR 230-36 Nonappropriated Chaplains' Fund

DA Pam 230-5-2 Food Management

Section III
Prescribed Forms

DA Form 1759 Property/Merchandise Inventory.

DA Form 1991 Stock Record Card.

DA Form 1992 Nonappropriated Fund Receipt Voucher.

DA Form 1993 Nonappropriated Fund Petty Cash Summary Voucher.

DA Form 1994 Petty Cash Voucher.

DA Form 2107 NAF Receipt and Disbursement Voucher.

DA Form 2736-R International Balance Of Payments Transactions- Nonappropriated Fund Transactions.

DA Form 3161

DA Form 4078 Property Control and Depreciation Record.

DA Form 4079 Depreciation Expense Control (Furniture, Fixtures, and Equipment).

DA Form 4080 Transfers Between Activities.

DA Form 4082 Daily Cashier's Record.

DA Form 4083 Vending or Amusement Machine Collections.

DA Form 4084-R Investment Register.

DA Form 4850 Nonappropriated Funds Time and Attendance Report.

DA Form 4850-1-R NAF Time and Attendance Supplement Report

DA Form 4853-R NAF Time and Attendance Transmittal.

DA Form 5163-R Central NAF Payroll System-Tips, Service Charges and Meals Report.

DA Form 5313-R Nonappropriated Fund Payable/Disbursement Voucher.

DA Form 5313-1-R NAF Payable/Disbursement Voucher-Continuation Sheet.

DA Form 5314 Personal Services (Comprehensive) NAF Employees.

DA Form 5352 NAF Earnings and Leave Statement (Texas).

DA Form 5352-1 NAF Earnings and Leave Statement (Europe).

DD Form 250 Material Inspection and Receiving Report.

DD Form 1131 Cash Collection Voucher

DD Form 1149 Requisition and Invoice/Shipping Document.

DD Form 1164 Service Order for Personal Property

DD Form 1348 DoD Single Line Item Requisition System Document (Manual)

Section IV

Referenced Forms

IRS Form W-2 Wage and Tax Statement

IRS Form W-4 Employee's Withholding Allowance Certificate

IRS Form W-5 Earned Income Credit Advance Payment Certificate

IRS Form 4070 Employee's Report of Tips to Employer

DA Form 2062 Hand Receipt

DA Form 3434 Notification of Personnel Action-Nonappropriated Fund Employee

DA Form 3473 Application for NAF Retirement Plan and/or Group Insurance Plans

DA Form 3884 Payroll Change Slip NAF Employee

DD Form 577 Signature Card

DD Form 1084 Bond Issuance Schedule

DD Form 1351 Travel Voucher

DD Form 1351-2 Travel Voucher or Subvoucher

DD Form 1588 Record of Travel Payments

DG 1199A Direct Deposit Sign-up Form

EBB Form 401(k) US Army NAF Employee 401(k) Savings Plan Investment and Disposition Authorization

SF 1187 Request for Payroll Deductions for Labor Organization Dues

SF 1188 Cancellation of Payroll Deductions for Labor Organization Dues

SF 1198 Request by Employee for Allotment of Pay for Credit to Savings Account with a Financial Organization

TSP 1 Thrift Savings Plan Election Form

Figure 2-1, Sample Certificate of Fund Transfer

Certificate of Fund Transfer

I, (name of outgoing fund manager), certify that to the best of my knowledge and belief, the balances reflected on the financial statements and schedule of operating expenses for the period ending (date) are true and correct.

(signature of outgoing fund manager)
(date)

I, (name of incoming fund manager), accept responsibility based on the fund and property balances as indicated on the financial statements referred to above, beginning on (date).

(signature of incoming fund manager)
(date)

Note: In the event the incoming fund manager is not satisfied that the fund and property balances are accurate, the acceptance may be conditioned upon audit verification.

Figure 4-1, Sample Briefing Statement

NAF Inventory Observation Team Briefing
(NAFI, Location & Department)

We, the undersigned, certify that the inventory teams were briefed on their responsibilities and procedures for conducting an independent inventory as required by DFAS and Army regulations.

Briefing Officer	(signature)	(date)
Team Leader	(signature)	(date)
Team Member(s)	(signature)	(date)

Figure 4-2, Sample Merchandise and Supplies Inventory Statement

NAF Merchandise and Supplies Inventory Statement
(NAFI, Location & Department)

We, the undersigned, certify that, to the best of our knowledge, a complete and accurate end-of-the-month independent physical inventory was taken.

All known discrepancies between actual inventory counts and dollar values and the accounting records have been reconciled and corrections made where necessary.

The attached inventory list accurately shows the value of the fund's (or activity's) inventory as of __(date)__.

The following adjustments were required:

Physical Inventory Quantity	_____	Value	$_____
Accounting Records Quantity	_____	Value	$_____
Variance Over (Short) Quantity	_____	Value	$_____

Summary of individual adjustments.
Quantity:
Value:
(List any adjustments to the accounting records inventory value.)

Central Accounting Officer	(signature)	(date)
Fund Custodian	(signature)	(date)
Team Leader	(signature)	(date)
Team Member(s)	(signature)	(date)
Inventory Observer(s)	(signature)	(date)

Figure 4-3, Fixed Asset Inventory Statement

Fixed Asset Inventory Statement
(NAFI, Location & Department)

We, the undersigned, certify that, to the best of our knowledge, a complete and accurate physical inventory was taken of the fund's (or activity's) fixed assets. The inventory was reconciled to the asset records and overages/shortages have been reconciled. All known discrepancies between actual inventory counts and dollar values and the accounting records have been reconciled and corrections made where necessary. The attached inventory list accurately shows the value of the fund's (or activity's) fixed assets as of (date).

The following adjustments were required:

Physical Inventory	Quantity_____	Value $_____
Accounting Records	Quantity_____	Value $_____
Variance Over (Short)	Quantity_____	Value $_____

Summary of individual adjustments:

Item Description	Unit Cost	Property Control Record	Physical Count	Variance Over/Short
---	---	---	---	---
---	---	---	---	---
---	---	---	---	---
			Net Variance	---

Team Leader	(signature)	(date)
Team Member(s)	(signature)	(date)

Fund Custodian: I agree with the inventory results and the summary of individual adjustments noted above.

(signature) (date)

Independent Observer: I observed the inventory and certify that the inventory was taken appropriately.

(signature) (date)

Central Accounting Officer: I agree with the summary of individual adjustments noted above.

(signature) (date)

Date adjustments made to the fixed asset subsidiary and control accounts:
Fixed asset subsidiary records: (date)
General ledger control records: (date)

Date inventory approved by Command: (date)

Figure 8-1, Sample CNPO Transmittal Memorandum

(YOUR CPO OFFICE SYMBOL)

MEMORANDUM FOR CHIEF, /CENTRAL NAF PAYROLL OFFICE
P.O. BOX 75, TEXARKANA, TX 75504-0075

Subject: Personnel/Payroll Actions Transmittal Number _____

1. The enclosed documents are forwarded for appropriate action.

CONTROL NR.	TYPE OF DOCUMENT	REMARKS/IDENTIFICATION
1	IRS W-4	123-44-3333 Jane Smith
1	SF 1199A	222-33-5555 Nancy Roe
3	DA Form 3434	111-55-7777 James O'Connor
		555-66-9999 Sally Terry
		444-22-7777 Mary Jones
1	DA Form 3473	111-88-4444 Floyd Perrine

2. Request acknowledgment of documents listed above within 5 workdays from the date of receipt by signing and returning the enclosed duplicate copy.

3. Point of contact for this transmittal is _____, Personnel Specialist, AUTOVON XXX-XXXX or Commercial (XXX) XXX-XXXX.

FOR (xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx):

6 Encls

NAME
Title
Office

1. ___ I have received the documents listed above and verified that documents stated were enclosed and complete.

2. ___ I have received the documents listed above. The following documents are returned for correction.

3. ___ These documents were/were not listed above and were/were not received.

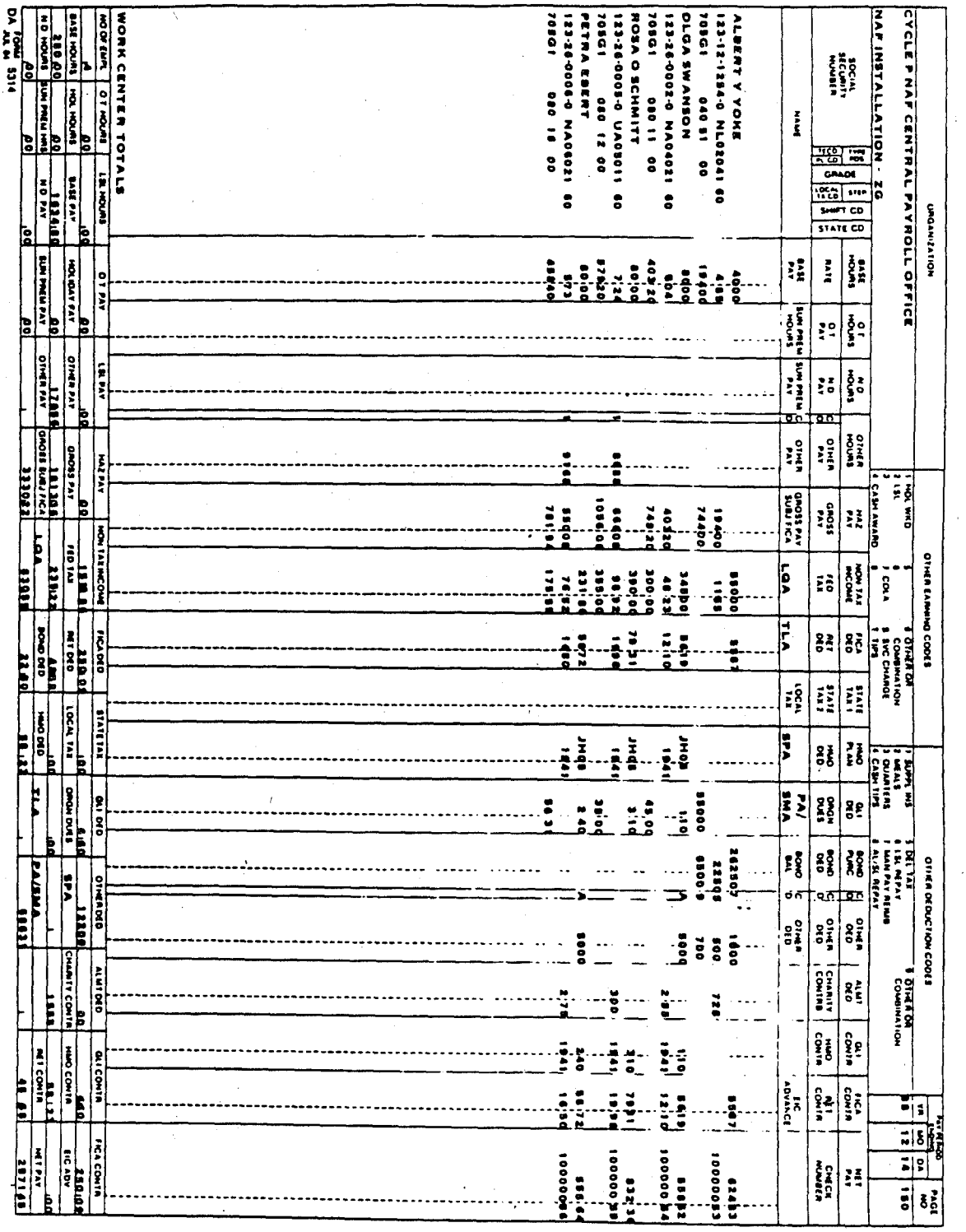
CONTROL NR.	TYPE OF DOCUMENT	REMARKS/IDENTIFICATION

FOR CHIEF, CENTRAL NAF PAYROLL OFFICE:

___ Encls

_____
Payroll Control Clerk
AV _____ Com'l (___) _____

Figure 8-2, Personal Services Report



CYCLE P NAF CENTRAL PAYROLL OFFICE

NAF INSTALLATION - ZG

WORK CENTER TOTALS

DA TOPAU AR M 5314

Figure 8-2, Personal Services Report (continued)

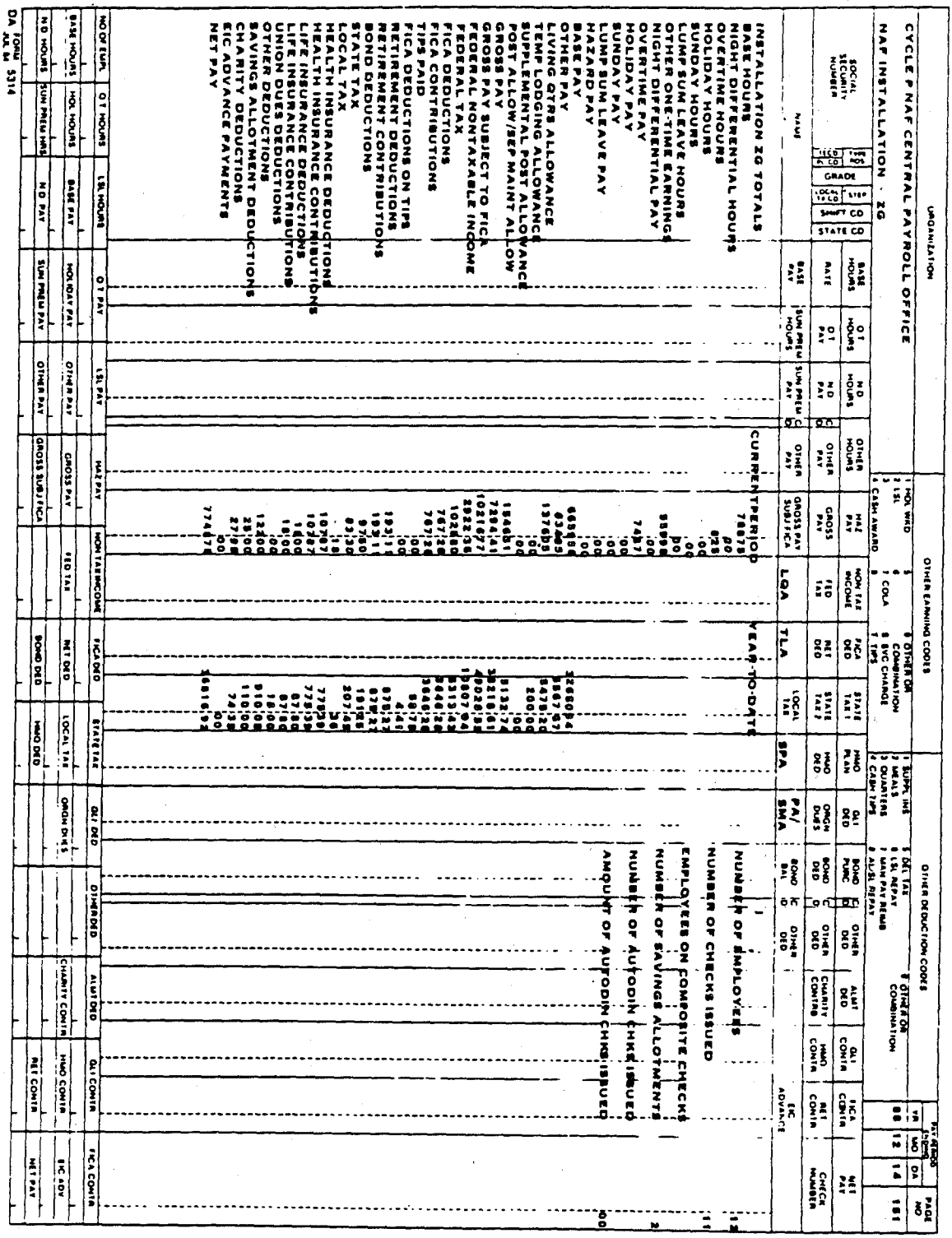


Figure 8-2, Personal Services Report (continued)

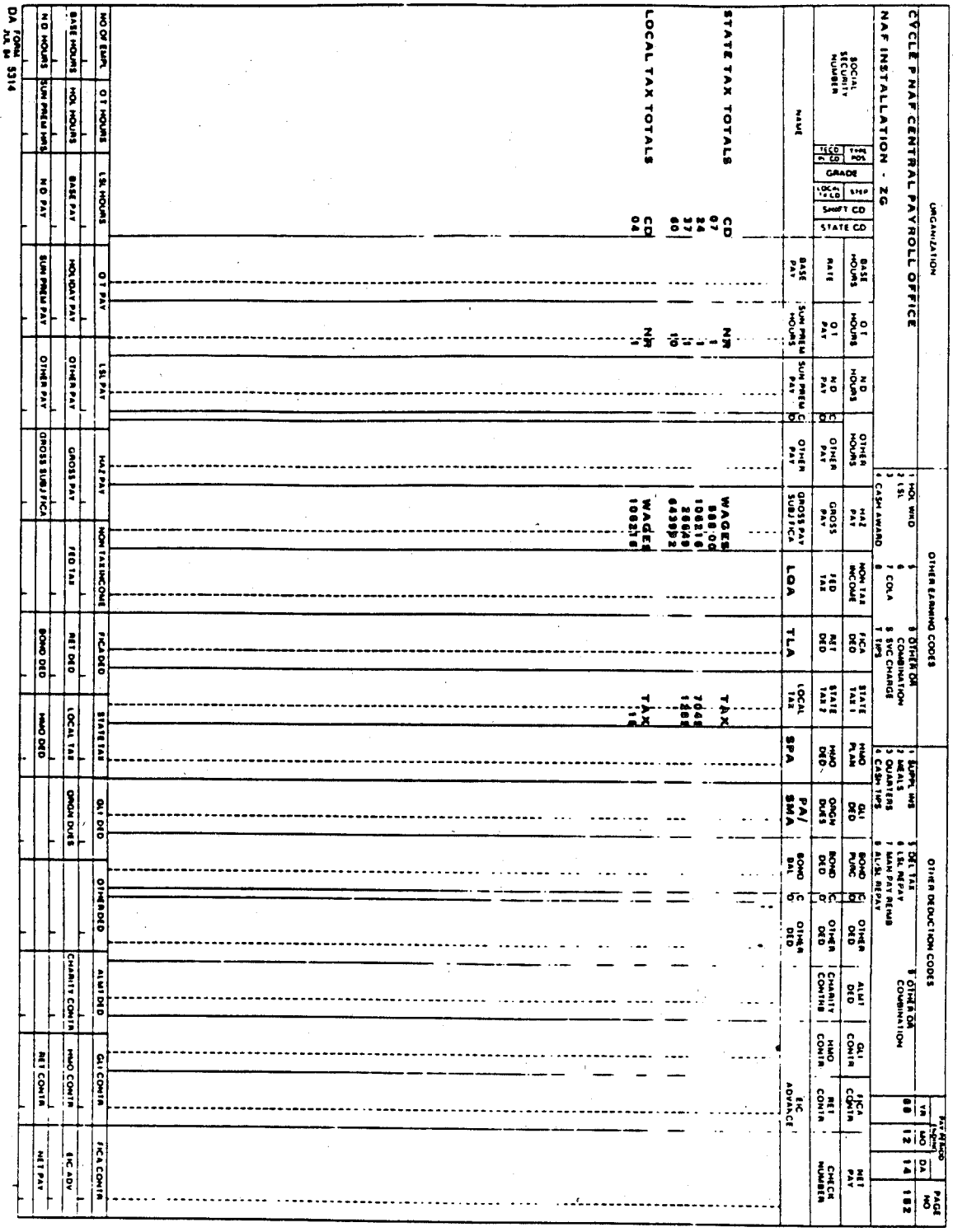


Figure 8-3, Individual Leave Register

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

BGTX-B71GHY
CYCLE P NAF CENTRAL PAYROLL OFFICE

EURO-NAFFAD

INDIVIDUAL LEAVE REGISTER

WORK CENTER 101GA00

PAY PERIOD ENDING DATE 88/12/14

B71RI86374G
PAGE 185

NAME AND SSN	TYPE EMPL		ANNUAL LEAVE EARNED	ANNUAL LEAVE TAKEN	ANNUAL LEAVE CUR BAL	ANNUAL LEAVE USE/LOSE	SICK LEAVE ! EARNED	SICK LEAVE ! TAKEN	SICK LEAVE ! CUR BAL	LEAVE WITHOUT PAY TAKEN	LEAVE WITHOUT PAY CD	LEAVE WITHOUT PAY SINCE LAST INCREASE	MIL LV
BENNY L ROBBINS		P/P HRS	4 25		219 00		3 00		242 75	24 00	1	24 00	
222-18-0064-0	REG-FT	P/P $ AMT	37 23		1918 44								
		YTD HRS	10 25				7 00			24 00			
MELVIN W ROLLINS		P/P HRS	6 00		375 00		4 00		42 50				
222-18-0071-0	REG-FT	P/P $ AMT	108 24		6765 00								
		YTD HRS	18 00	3 00		27 00	12 00						
EDWIN K ROMACK		P/P HRS	6 00		372 00		4 00		537 25				
222-18-0072-0	REG-FT	P/P $ AMT	119 04		7380 48								
		YTD HRS	12 00			24 00	8 00						
NATALIE ROSE		P/P HRS			30 00				26 00				
222-18-0079-0	REG-FT	P/P $ AMT			247.20								
		YTD HRS	10 00				8.00						
RICK A RYPEL		P/P HRS			11 25				9 25				
222-18-0090-0	REG-PT	P/P $ AMT			50 06								
		YTD HRS	6 00				4 00						
RUFUS M SADLER		P/P HRS			305 00				1530 00				
222-18-0081-0	REG-FT	P/P $ AMT			1689 70								
		YTD HRS	16 00				8 00						
WORK CENTER TOTALS		P/P HRS	16 25		1312 25		11 00		2389 75	24 00			
		P/P $ AMT	264 51		18050 88								
LESS-90-DAY PROBATIONARY			00		00								
GLAC 243 BALANCE			264 51		18050 88								

* INCLUDES LUMP SUM LEAVE PAID
** 90-DAY PROBATIONARY

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

Figure 8-4, Active Employee Address Listing

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

BGWX B71GLY — ACTIVE EMPLOYEE ADDRESS LISTING — PAY PERIOD ENDING DATE 88/12/14 — B71RI88404G — PAGE 9

CYCLE P NAF CENTRAL PAYROLL OFFICE

GE 1010100	376-19-9387 0	CLAUDIA J CARDINELLA					
RECORD ADDRESS		406 SAN JUAN DRIVE	SANTURCE	PR 00945			
BOND ADDRESS					1		
BOND ADDRESS					1 RIOS GRANDE		289456439
BOND ADDRESS					1 DIAZ GOMES FRIOS		391567540
					1 SANTCHEZ RIVERA		028766514
GE 102G100	673-36-8770 0	JUAN E ARACOMAS					
RECORD ADDRESS		4725 GONZALES BLVD	SAN JUAN	PR 00545			
GE 1032400	416-39-2741 0	WILBERTO F GOMEZ					
RECORD ADDRESS		2641 RIVERA RIO	BAYAMON	PR 00529			
CHECK ADDRESS		8629 RICADO AVENUE	SAN JUAN	PR 00528			
BOND ADDRESS		3915 COLUMBU STREET	SAN JUAN	PR 00528	1		239452647
BOND ADDRESS		28 SANCHEZ	BAYAMON	PR 00529	2		416392742
GE 1032400	478-87-1242-0	GINGER GOETZINGER					
RECORD ADDRESS		36591 PANCHO STREET	JUAREZ	PR 78946			
GE 104G100	222-18-0114-0	CORA J SIMMONS					
RECORD ADDRESS		BUILDING 114	FT BUCHANAN	PR 00918			
GE 105G100	222-18-0115-0	BETTY S TAYLOR					
RECORD ADDRESS		BUILDING 115	FT BUCHANAN	PR 00918			
GE 105G100	222-18-0116-0	JUDSON F TEAGUE					
RECORD ADDRESS		BUILDING 116	FT BUCHANAN	PR 00918			
GE 105G100	222-18-0117-0	TROY K TERRY					
RECORD ADDRESS		BUILDING 117	FT BUCHANAN	PR 00918			

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

Figure 8-5, Payroll Change Listing

```
BGJX 871GTY                    FOR OFFICIAL USE ONLY - PRIVACY ACT DATA                    B71R1862346

CYCLE P NAF CENTRAL PAYROLL OFFICE          PAYROLL CHANGE LISTING          PAY PERIOD ENDING DATE 87/04/01          PAGE 8
2211  172 INF DIV CPO, FT ALASKA, AK

NAF     SSAN            ITEM CHANGED                    DATA ENTERED

GE      222-18-0112 O   SERVICE COMPUTATION DATE        880331
GE      222-18-0113 O   SERVICE COMPUTATION DATE        880331
GE      222-18-0115 O   STEP                            02
GE      222-18-0116 O   STEP                            02

                        FOR OFFICIAL USE ONLY - PRIVACY ACT DATA
```

Figure 8-6, Notice of UA Employee Within-Grade Increase Due

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

BGPX-871GVY

NONAPPROPRIATED FUNDS CENTRAL PAYROLL SYSTEM

B71R880140

CYCLE P NAF CENTRAL PAYROLL OFFICE

NOTICE OF UA EMPLOYEE WITHIN-GRADE INCREASE DUE

PAY PERIOD ENDING 88/12/14 PAGE 6

CPO SON - 2212 - CIVILIAN PERSONNEL OFFICE, FT ARMY, VA

FOLLOWING UA EMPLOYEES WILL BE ELIGIBLE FOR WITHIN-GRADE INCREASE WITHIN 90-DAYS FOR EMPLOYEES TO RECEIVE THEIR INCREASE ON SCHEDULE DA FORM 3434, *NOTICE OF PERSONNEL ACTION*, MUST BE INITIATED BY THE CIVILIAN PERSONNEL OFFICE, AUTHENTICATED BY THE SUPERVISOR, AND RETURNED TO THE CPO FOR TRANSMISSION AND RECEIPT IN THE SERVICING PAYROLL OFFICE PRIOR TO THE EFFECTIVE DATE OF THE INCREASE

INSTL CODE	WORKCENTER	SSN	NAME	CURRENT GRADE/STEP	DATE LAST GR/STP CHANGE	INT WEEKS WORKED	LWOP SINCE LAST CHANGE
AA	10101	555-25-0004-0	GINGER B HOUSE	LN-05/01	88-04-12		00
BA	F0282	555-25-0001-0	ROBIN R SANDERS	UA-05/01	88-04-13		00
BA	10101	555-25-0002-0	JULIA M GARNER	UA-06/01	88-04-14		88 25
BA	111G2	555-25-0013-0	RICH O RIDGEWAY	UA-07/01	87-12-17		00
TQ	103G1	123-27-2701-0	LONDI J ANDERSON	UA-06/01	87-12-17		00
TQ	103G1	123-27-2702-0	BLONDI S ALAXANDER	UA-07-01	87-12-17		00

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

Figure 8-7, NAF Centralized Payroll Data Report

B71GBZ TASK BGLY

NAF CENTRALIZED PAYROLL DATA REPORT
CYCLE P NAF CENTRAL PAYROLL OFFICE
14 DEC 88

PAGE 0009 PCN 871RI880890

SERVICING CAO INSTALLATION CG FT ALASKA, AK

INSTALLATION GC FT ALASKA, AK

FUND 1 LOC 11 DEPT G2	DEBIT	CREDIT	AMOUNT
ANNUAL LEAVE EARNED	603 G2	243 00	$207 68
ANNUAL LEAVE ADJ	603 G2	243 00	$116 16
ANNUAL LEAVE TAKEN	243 00	601 G2	$ 00
ANNUAL LEAVE TAKEN ADJ	243 00	601 G2	$ 00
SICK LEAVE TAKEN	605 G2	601 G2	$ 00
COMP TIME WORKED	621 G2	247 00	$ 00
COMP TIME ADJ	621 G2	247 00	$ 00
COMP TIME TAKEN	247 00	601 G2	$ 00
COMP TO OVERTIME	247 00		$ 00
		601 G2	$ 00
	621 G2		$ 00
HOME LEAVE TAKEN	623 G2	601 G2	$ 00
A EMPLOYERS SHARE OF			
1 FICA	611 G2	242 00	$162 51
2 EBS-INSURANCE	612 G2	242 00	$4 10
3 EBS-RETIREMENT	613 G2	242 00	$52 46
TOTAL EMPLOYER SHARE			$219 07
B GROSS PAY, U S PERSONNEL			
1 WAGES AND SALARIES	601 G2	242 00	$1748 64
2 TIPS			$ 00
3 BONUSES AND AWARDS	617 G2	242 00	$ 00
4 OTHER EMPLOYEE BENEFITS	624 G2	242 00	$415 20
TOTAL			$2163 84
C EARNED INCOME CREDIT			$ 00
D ADVANCED WAGES			$ 00
PAYROLL EXPENSES THIS PP (A+B-D) (EXCLUDES CASH TIPS)			$2382 91
SERVICE CHARGES FOR THIS PP	689 G2	242 00	$2 40
TOTAL FOR THIS PP			$2385 31

	DEBIT	CREDIT	AMOUNT
E EMPLOYEE DEDUCTIONS			
1 FEDERAL TAX			$258 77
2 STATE TAX			$42 69
3 FICA			$162 51
4 EBS-INSURANCE			$4 10
5 EBS-RETIREMENT			$52 46
6 BONDS			$18 25
7 CHARITY			$1 00
8 SAVINGS ALLOTMENTS			$60 00
9 EMPLOYEE ORGN DUES			$1 00
10 MEALS			$ 00
11 REPORTED TIPS			$ 00
12 LOCAL TAX			$ 11
13 SUPPLEMENTAL INSURANCE			$ 00
14 DELINQUENT TAX LEVY			$ 00
15 MANUAL PAY REIMBURSEMENT (ADVANCED WAGES INCLUDED)			$ 00
16 ADVANCE SL-AL			$ 00
17 OTHER (ALIMONY/CHILD SUPPORT INCLUDED)			$ 00
TOTAL EMPLOYEE DEDUCTIONS			$598 88
F NET PAY, U S PERSONNEL			$1564 96

Figure 8-7, NAF Centralized Payroll Data Report (continued)

B71GBZ TASK BGLY

NAF CENTRALIZED PAYROLL DATA REPORT
CYCLE P NAF CENTRAL PAYROLL OFFICE
14 DEC 88

PAGE 0016 PCN B71R188089G

SERVICING CAO INSTALLATION GC FT ALASKA, AK

INSTALLATION GC FT ALASKA, AK

INSTALLATION TOTALS	DEBIT	CREDIT	AMOUNT
ANNUAL LEAVE EARNED			$460 70
ANNUAL LEAVE ADJ			$116 16
ANNUAL LEAVE TAKEN			$ 00
ANNUAL LEAVE TAKEN ADJ			$ 00
SICK LEAVE TAKEN			$ 00
COMP TIME WORKED			$ 00
COMP TIME ADJ			$ 00
COMP TIME TAKEN			$ 00
COMP TO OVERTIME			$ 00
			$00
HOME LEAVE TAKEN			$ 00
A EMPLOYERS SHARE UP			
1 FICA			$458 12
2 EBS INSURANCE			$10 70
3 EBS RETIREMENT			$126 33
TOTAL EMPLOYER SHARE			$595 15
B GROSS PAY, U S PERSONNEL			
1 WAGES AND SALARIES			$4900 80
2 TIPS			$ 00
3 BONUSES AND AWARDS			$ 00
4 OTHER EMPLOYEE BENEFITS			$1199 20
TOTAL			$6100 00
C EARNED INCOME CREDIT			$ 00
D ADVANCED WAGES			$ 00
PAYROLL EXPENSES THIS PP (A+B-D) (EXCLUDES CASH TIPS)			$6695 15
SERVICE CHARGES FOR THIS PP			$31 20
TOTAL FOR THIS PP			$6726 35

	DEBIT	CREDIT	AMOUNT
E EMPLOYEE DEDUCTIONS			
1 FEDERAL TAX			$654 16
2 STATE TAX			$42 66
3 FICA			$458 12
4 EBS-INSURANCE			$10 70
5 EBS-RETIREMENT			$126 33
6 BONDS			$53 75
7 CHARITY			$1 00
8 SAVINGS ALLOTMENTS			$60 00
9 EMPLOYEE ORGN DUES			$1 00
10 MEALS			$ 00
11 REPORTED TIPS			$ 00
12 LOCAL TAX			$ 11
13 SUPPLEMENTAL INSURANCE			$ 00
14 DELINQUENT TAX LEVY			$ 00
15 MANUAL PAY REIMBURSEMENT (ADVANCED WAGES INCLUDED)			$ 00
16 ADVANCE SL-AL			$ 00
17 OTHER (ALIMONY/CHILD SUPPORT INCLUDED)			$ 00
TOTAL EMPLOYEE DEDUCTIONS			$1407 85
F NET PAY, U S PERSONNEL			$4692 15

Figure 8-7, NAF Centralized Payroll Data Report (continued)

B71GBZ TASK BGLY

NAF CENTRALIZED PAYROLL DATA REPORT
CYCLE P NAF CENTRAL PAYROLL OFFICE
14 DEC 88

PAGE 0011 PCN B71RI88089G

SERVICING CAO INSTALLATION GC FT ALASKA AK

INSTALLATION GC FT ALASKA, AK

FUND 1	DEBIT	CREDIT	AMOUNT
ANNUAL LEAVE EARNED			$342 02
ANNUAL LEAVE ADJ			$116 16
ANNUAL LEAVE TAKEN			$ 00
ANNUAL LEAVE TAKEN ADJ			$ 00
SICK LEAVE TAKEN			$ 00
COMP TIME WORKED			$ 00
COMP TIME ADJ			$ 00
COMP TIME TAKEN			$ 00
COMP TO OVERTIME			$ 00
			$ 00
			$ 00
HOME LEAVE TAKEN			$ 00
A EMPLOYERS SHARE OF			
1 FICA			$321 30
2 EBS-INSURANCE			$10 70
3 EBS-RETIREMENT			$82 40
TOTAL EMPLOYER SHARE			$414 40
B GROSS PAY, U S PERSONNEL			
1 WAGES AND SALARIES			$3436 20
2 TIPS	230 00	242 00	$ 00
3 BONUSES AND AWARDS			$ 00
4 OTHER EMPLOYEE BENEFITS			$842 00
TOTAL			$4278 20
C EARNED INCOME CREDIT			$ 00
D ADVANCED WAGES	242 00	140 00	$ 00
PAYROLL EXPENSES THIS PP (A+B-D) (EXCLUDES CASH TIPS)			$4692 60
SERVICE CHARGES FOR THIS PP			$21 60
TOTAL FOR THIS PP	242 00	101 00	$4714 20

	DEBIT	CREDIT	AMOUNT
E EMPLOYEE DEDUCTIONS			
1 FEDERAL TAX			$432 40
2 STATE TAX			$42 68
3 FICA			$321 30
4 EBS-INSURANCE			$10 70
5 EBS-RETIREMENT			$82 40
6 BONDS			$28 75
7 CHARITY			$1 00
8 SAVINGS ALLOTMENTS			$60 00
9 EMPLOYEE ORGN DUES			$1 00
10 MEALS			$ 00
11 REPORTED TIPS	242 00	230 00	$ 00
12 LOCAL TAX			$ 11
13 SUPPLEMENTAL INSURANCE			$ 00
14 DELINQUENT TAX LEVY			$ 00
15 MANUAL PAY REIMBURSEMENT (ADVANCED WAGES INCLUDED)			$ 00
16 ADVANCE SL-AL			$ 00
17 OTHER (ALIMONY/CHILD SUPPORT INCLUDED)			$ 00
TOTAL EMPLOYEE DEDUCTIONS			$980 34
F NET PAY, U S PERSONNEL			$3297 86

Figure 8-8, Transfer of Annual Leave Liability

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

SQPX-871GE2 87181890840

CYCLE P NAF CENTRAL PAYROLL OFFICE PAY PERIOD ENDING 88/12/14 PAGE 1

BA TRANSFER OF ANNUAL LEAVE LIABILITY
LOSING INSTALLATION SEQUENCE

FOLLOWING EMPLOYEE(S) HAVE BEEN TRANSFERRED FROM YOUR ORGANIZATION TRANSFER OF FUNDS TO COVER THE ANNUAL LEAVE LIABILITY SHOULD BE MADE TO THE GAINING ORGANIZATION IAW AR 215 5, CH 8-7 DURING THIS ACCOUNTING PERIOD

SSN	NAME	ANNUAL LEAVE BALANCE	LOSING INST/WC	HRLY RATE	VAL A/L	GAINING INST/WC	HRLY RATE	VAL A/L
			INST W/C			INST W/C		
499-28-9587-D	ROBIN MATHIES	3 00	BA 171G2	10 98	32 94	BA 111G2	10 98	32 94

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

Figure 8-8, Transfer of Annual Leave Liability (continued)

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

BGPX B71GEZ

BA TRANSFER OF ANNUAL LEAVE LIABILITY — PAY PERIOD ENDING 88/12/14 — B71R1890840

CYCLE P NAF CENTRAL PAYROLL OFFICE — GAINING INSTALLATION SEQUENCE — PAGE 1

FOLLOWING EMPLOYEE(S) HAVE BEEN TRANSFERRED TO YOUR ORGANIZATION TRANSFER OF FUNDS TO COVER THE ANNUAL LEAVE LIABILITY SHOULD BE RECEIVED FROM LOSING ORGANIZATION IAW AR 215-5, CH 8-7 DURING THIS ACCOUNTING PERIOD

SSN	NAME	ANNUAL LEAVE BALANCE	LOSING INST/WC				GAINING INST/WC			
			INST	W/C	HRLY RATE	VAL A/L	INST	W/C	HRLY RATE	VAL A/L
499-20-9567-D	ROBIN MATHIES	3 00	BA	171G2	10 98	32 94	BA	111G2	10 98	32 94

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

Figure 8-9, Compute Research Listing

```
BGFX B71GRX                                                    FOR OFFICIAL USE ONLY - PRIVACY ACT DATA                    B71RBB574G
CYCLE P CENTRAL NAF PAYROLL OFFICE                                                                                          PAGE  7
                                                                NAF AA          COMPUTE RESEARCH LISTING                    PAY PERIOD ENDING DATE  88/03/08

1 001 42 5043 0          SARA K GIZZARD                                         TOTAL TIPS ENTERED ON Z3O                          18 50
1 001 42 5043 0          SARA K GIZZARD                                         TOTAL HRS WRKD                                     39 00
1 001 42 5043 0          SARA K GIZZARD                                         REPORTED TIPS OFFSET                               33 15
1 001 42 5043 0          SARA K GIZZARD                                         TOT INDEBT OF OTH DED 1 ZERO
1 001 42 5043 0          SARA K GIZZARD                                         REG HRS LESS THAN BASE HRS                         28 49
1 143 10 9999 0          CAROLYN A PRICE                                        TOTAL TIPS ENTERED ON Z3O                          40 00
1 148 38 7042 0          ELSIE J COCHRAN                                        TOTAL HRS WRKD                                     34 00
1 148 38 7042 0          ELSIE J COCHRAN                                        REPORTED TIPS OFFSET
1 148 38 7042 0          ELSIE J COCHRAN                                        TOT INDEBT OF OTH DED 1 ZERO
1 148 38 7042 0          ELSIE J COCHRAN                                        TOT INDEBT OF OTH DED 1 ZERO
1 148 38 7042 0          ELSIE J COCHRAN                                        REG HRS GREATER THAN BASE HRS
1 151 49 8430 0          JOHN O CREMORA                                         REG HRS LESS THAN BASE HRS

                                                FOR OFFICIAL USE ONLY - PRIVACY ACT DATA
```

Figure 8-10, Panama Withholding and Educational Taxes (Panama Distribution Only)

BGUX-B71GVX

B71RI81024G

PANAMA WITHHOLDING AND EDUCATIONAL TAXES

CYCLE X, CENTRAL NAF PAYROLL OFFICE PAY PERIOD ENDING 82/05/28

PAGE 2

MINISTERIO DE HACIENDA Y TESORO
ATTN: DIRECTOR DEL IMPUESTO SOBRE LA RENTA PARA DOD (NAF)
PANAMA 9A, REPUBLICA DE PANAMA

193D INFANTRY BRIGADE (PANAMA)
CENTRAL ACCOUNTING OFFICE
SUNDRY FUND

TRANSMITTED HEREWITH IS CHECK NUMBER __ IN THE AMOUNT OF $___ COVERING WITHHOLDING AND EDUCATIONAL TAXES FOR THE FOLLOWING EMPLOYEES OF THE CENTRAL ACCOUNTING SUNDRY FUND FOR PAY PERIOD ENDING 28 MAY 82

FUND NAME	NAME OF EMPLOYEE	CEDULA	GROSS PAY	WITHHOLDING TAX	REGULAR PAY	EDUCATIONAL TAX
FT PAMONA POST	NOEL BERRY	000123334	140.60	3.77	128.00	.96
RESTAURANT	ROSALIE B CHERRY	008444444	361.83	23.89	290.95	2.18
	LELA SCHMERRY	12333444G	45.00	.00	.00	.00
FUNDS TOTALS			547.63	27.66	418.95	3.14

Figure 8-11, Caja de Seguro Social de Panama Feeder Report (Panama Distribution Only)

BGG2-B71MB2

CYCLE P. CENTRAL NAF PAYROLL OFFICE

CAJA DE SEGURO SOCIAL DE PANAMA FEEDER REPORT
PANAMA CENTRAL ACCOUNTING OFFICE - MAY 87

B71RIB1034M

FUND NAME	CEDULA	SOCIAL SEGURO NR	EMPLOYEE NAME	EMPLOYER CONTRIBUTION	EMPLOYEE DEDUCTION	GROSS PAY
FT PAMONA POST RESTAURANT	0001233334	0133333	NOEL BERRY	28 24	17 28	258 00
FT PAMONA POST RESTAURANT	0084444444	0222222	ROSALIE B CHERRY	94 17	82 01	918 75
FT PAMONA POST RESTAURANT	0109887858	0333333	JOSE DERRIE	38 07	28 07	371 40
FT PAMONA POST RESTAURANT	12333444G	1444444	LELA SCHMERRY	4 81	3 04	46 00
TOTAL FUND				163 09	107 40	1591 15

Figure 8-12, Quarterly Review of Hours Worked

BGPY 871QIZ FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

CYCLE P NAF CENTRAL PAYROLL OFFICE QUARTERLY REVIEW OF HOURS WORKED B71R1800340

2883 HEIDELBERG COMMUNITY CPO, EURO NAFFAD,GE INSTL ZG PAGE 15

WORKCENTER	SSN	NAME	PAY PERIOD ENDING DATE	TYPE EMPL	BASE HRS ASSIGNED	REGULAR HRS WORKED	OVERTIME HRS WORKED	TOTAL HRS WORKED
10101	123-12-1202-0	GREG H GOLF	88-12-14	REG-PT	040	53 00	00	53 00
10101	344-33-4440-0	BEN RUSS	88-12-14	REG-FT	080	80 00	00	80 00
10211	006-29-1003-0	MARTHA WASHINGTON	88-12-14	REG-FT	080	80 00	8 25	88 25
103G1	123-12-1288-0	MARY L MORRIS	88-12-14	REG-FT	080	80 00	00	80 00
10301	123-12-1241-0	NORMAN H HOWARD	88-12-14	REG-FT	080	80 00	00	80 00
112G1	123-12-1257-0	BRENDA C BOGGS	88-12-14	REG-PT	060	58 75	00	58 75
81724	123-12-1287-0	NICHOLAS M OSCAR	88-12-14	REG-FT	080	80 00	00	80 00
705G1	123-12-1254-0	ALBERT Y YOKE	88-12-14	REG-PT	040	40 00	00	40 00
705G1	123-28-0002-0	OLGA SWANSON	88-12-14	REG-FT	080	80 00	00	80 00
705G1	123-28-0005-0	ROSA O SCHMITT	88-12-14	REG-FT	080	80 00	00	80 00
705G1	123-28-0006-0	PETRA EBERT	88-12-14	REG-FT	080	80 00	00	80 00

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

Figure 8-13, MWR Personnel Strength Report

BGBY B71QEZ

CYCLE P NAF CENTRAL PAYROLL OFFICE

MACOM K. INSTALLATION - FT KOREA KO

CATEGORY OF PERSONNEL

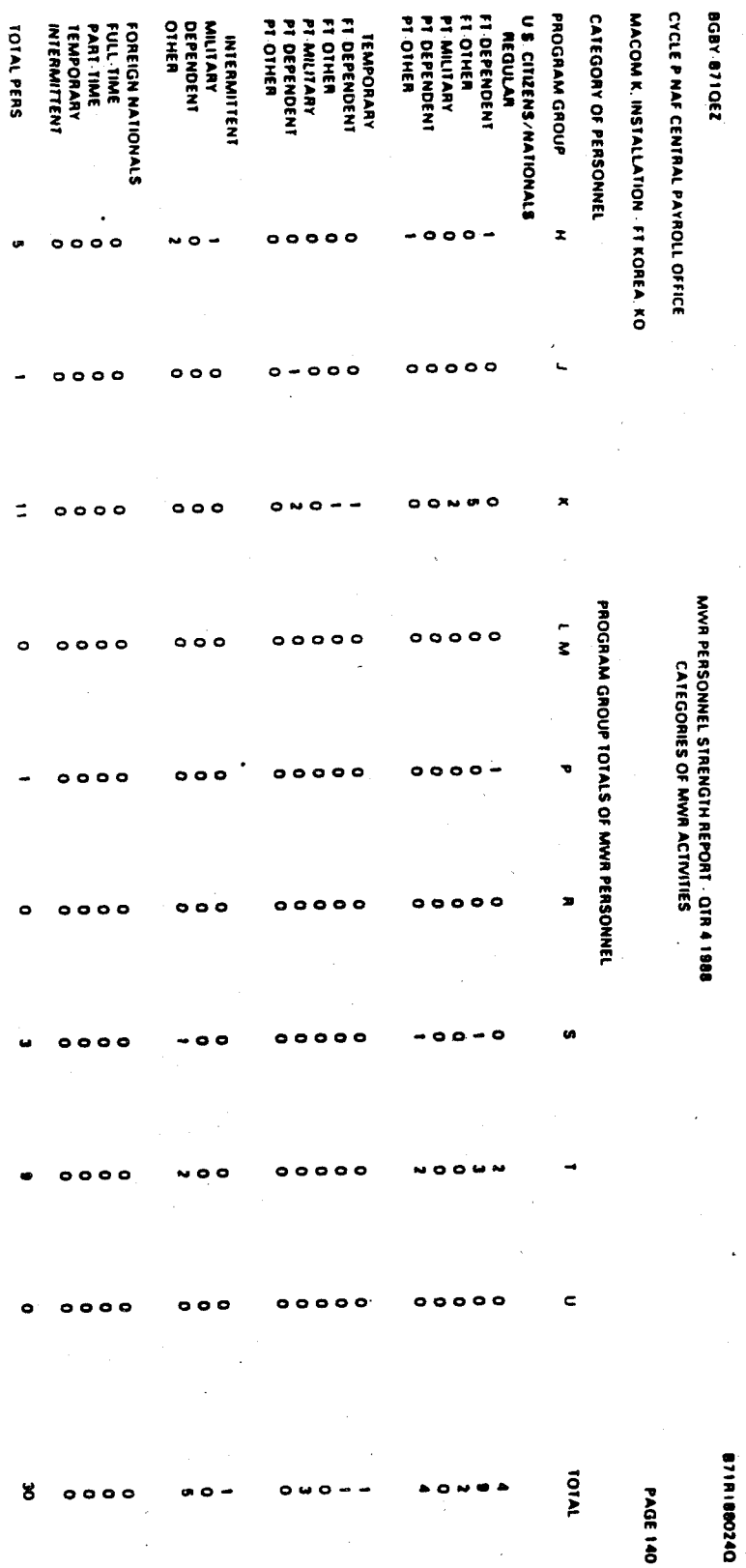
MWR PERSONNEL STRENGTH REPORT - QTR 4 1988
CATEGORIES OF MWR ACTIVITIES

B71R1BB024O

PAGE 127

PROGRAM GROUP	HA	HB	HC	HD	HE	HF	HG	HH	TOTAL
NUMBER OF MWR PERSONNEL IN PROGRAM GROUP H									
U.S. CITIZENS/NATIONALS									
REGULAR									
FT DEPENDENT	0	0	1	0	0	0	0	0	1
FT OTHER	0	0	0	0	0	0	0	0	0
PT MILITARY	0	0	0	0	0	0	0	0	0
PT DEPENDENT	0	0	1	0	0	0	0	0	1
PT OTHER	0	0	0	0	0	0	0	0	0
TEMPORARY									
FT DEPENDENT	0	0	0	0	0	0	0	0	0
FT OTHER	0	0	0	0	0	0	0	0	0
PT MILITARY	0	0	0	0	0	0	0	0	0
PT DEPENDENT	0	0	0	0	0	0	0	0	0
PT OTHER	0	0	0	0	0	0	0	0	0
INTERMITTENT									
MILITARY	0	0	1	0	0	0	0	0	1
DEPENDENT	0	0	0	0	0	0	2	0	2
OTHER	0	0	0	0	0	0	0	0	0
FOREIGN NATIONALS									
FULL-TIME	0	0	0	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0	0	0	0
INTERMITTENT	0	0	0	0	0	0	2	0	2
TOTAL PERS	0	0	3	0	0	0	2	0	5

Figure 8-13, MWR Personnel Strength Report (continued)



BGBY 871QEZ
CYCLE P NAF CENTRAL PAYROLL OFFICE
MACOM K INSTALLATION FT KOREA KO
CATEGORY OF PERSONNEL

MWR PERSONNEL STRENGTH REPORT QTR 4 1988
CATEGORIES OF MWR ACTIVITIES

PROGRAM GROUP TOTALS OF MWR PERSONNEL

871R180240
PAGE 140

PROGRAM GROUP	H	J	K	L M	P	R	S	T	U	TOTAL
U S CITIZENS/NATIONALS										
REGULAR										
FT DEPENDENT	1	0	0	0	1	0	0	2	0	4
FT OTHER	0	0	5	0	0	0	1	3	0	9
PT MILITARY	0	0	2	0	0	0	0	0	0	2
PT DEPENDENT	0	0	0	0	0	0	1	2	0	4
PT OTHER	1	0	0	0	0	0	0	0	0	0
TEMPORARY										
FT DEPENDENT	0	0	1	0	0	0	0	0	0	1
FT OTHER	0	0	0	0	0	0	1	3	0	4
PT MILITARY	0	0	0	0	0	0	0	0	0	0
PT DEPENDENT	0	0	2	0	0	0	0	0	0	2
PT OTHER	0	0	0	0	0	0	0	2	0	3
INTERMITTENT										
MILITARY	1	0	0	0	0	0	0	0	0	1
DEPENDENT	0	0	0	0	0	0	1	0	0	1
OTHER	2	0	0	0	0	0	0	2	0	4
FOREIGN NATIONALS										
FULL-TIME	0	0	0	0	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0	0	0	0	0
INTERMITTENT	0	0	0	0	0	0	0	0	0	0
TOTAL PERS	5	1	11	0	1	0	3	9	0	30

Figure 8-14, Annual Leave Forfeit Report

BGEY 871AD2

CYCLE P NAF CENTRAL PAYROLL OFFICE

SOCIAL SECURITY ACCOUNT NUMBER

001 89 1723 0

008 01 2561 0

2

NAF AB

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

ANNUAL LEAVE FORFEIT REPORT

PAY PERIOD ENDING DATE 88/12/14

EMPLOYEE NAME

ANNUAL LEAVE FORFEITED

MARY E JONES 8 00

8 00

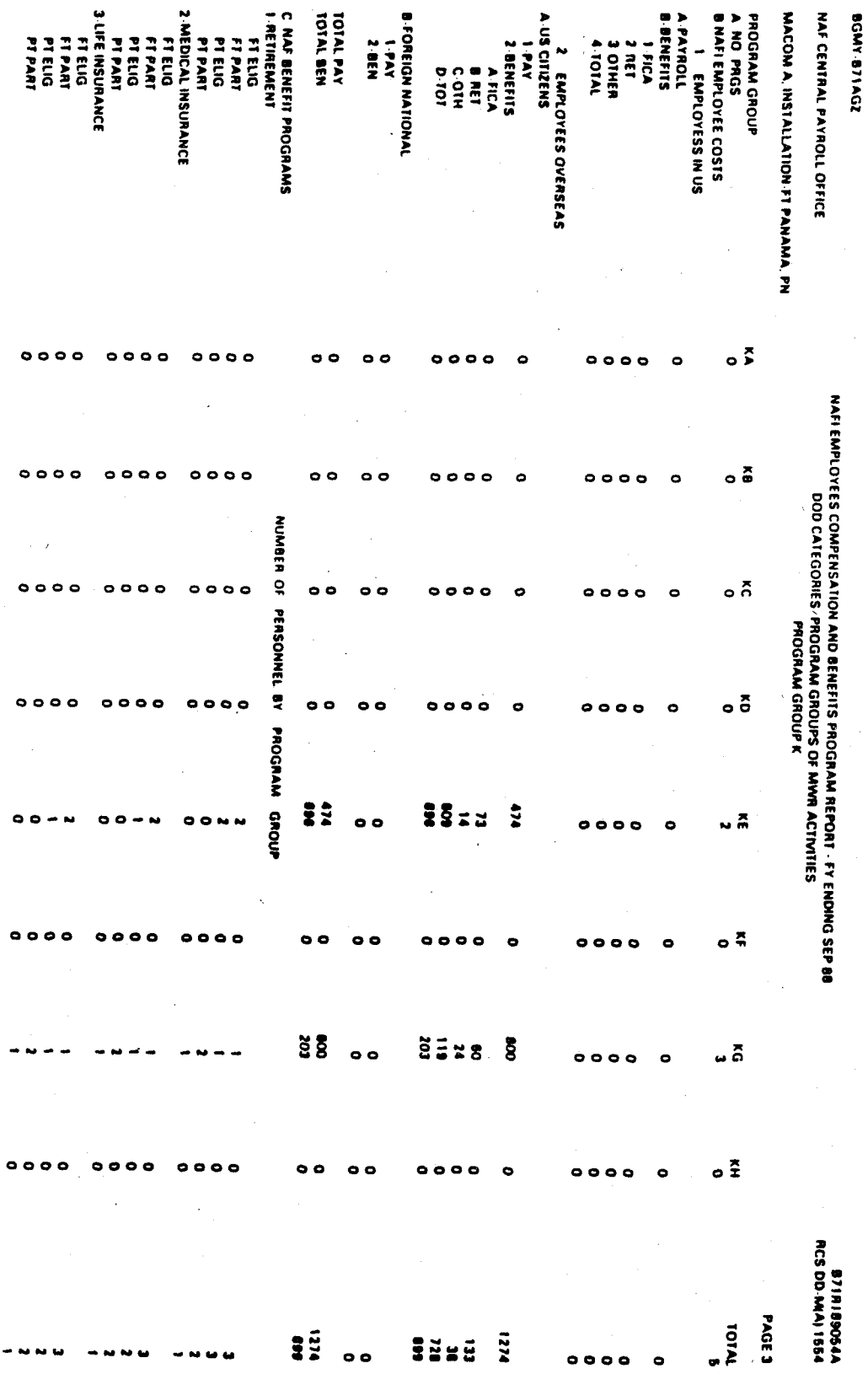
ROSALINDA M ORTEGA 14 00

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

871R186044A

PAGE 2

Figure 8-15, NAFI Employees' Compensation and Benefits Program Report



BGMY-871AGZ

NAF CENTRAL PAYROLL OFFICE

MACOM A. INSTALLATION-FT PANAMA, PN

NAFI EMPLOYEES COMPENSATION AND BENEFITS PROGRAM REPORT - FY ENDING SEP 88
DOD CATEGORIES / PROGRAM GROUPS OF MWR ACTIVITIES
PROGRAM GROUP K

871R189064A
RCS DD-MA) 1554

PAGE 3

PROGRAM GROUP	KA	KB	KC	KD	KE	KF	KG	KH	TOTAL
A NO PRGS	0	0	0	0	2	0	3	0	5
B NAFI EMPLOYEE COSTS									
1 EMPLOYEES IN US	0	0	0	0	0	0	0	0	0
A PAYROLL	0	0	0	0	0	0	0	0	0
B BENEFITS									
1 FICA	0	0	0	0	0	0	0	0	0
2 RET	0	0	0	0	0	0	0	0	0
3 OTHER	0	0	0	0	0	0	0	0	0
4 TOTAL	0	0	0	0	0	0	0	0	0
2 EMPLOYEES OVERSEAS									
A US CITIZENS									
1 PAY	0	0	0	0	474	0	800	0	1274
2 BENEFITS									
A FICA	0	0	0	0	73	0	60	0	133
B RET	0	0	0	0	14	0	24	0	38
C OTH	0	0	0	0	809	0	119	0	728
D TOT	0	0	0	0	896	0	203	0	899
B FOREIGN NATIONAL									
1 PAY	0	0	0	0	0	0	0	0	0
2 BEN	0	0	0	0	0	0	0	0	0
TOTAL PAY	0	0	0	0	474	0	800	0	1274
TOTAL BEN	0	0	0	0	896	0	203	0	899
C NAF BENEFIT PROGRAMS									
1 RETIREMENT									
FT ELIG	0	0	0	0	2	0	1	0	3
FT PART	0	0	0	0	2	0	1	0	3
PT ELIG	0	0	0	0	0	0	0	0	0
PT PART	0	0	0	0	0	0	0	0	0
2 MEDICAL INSURANCE									
FT ELIG	0	0	0	0	2	0	1	0	3
FT PART	0	0	0	0	2	0	1	0	3
PT ELIG	0	0	0	0	0	0	0	0	0
PT PART	0	0	0	0	0	0	0	0	0
3 LIFE INSURANCE									
FT ELIG	0	0	0	0	2	0	1	0	3
FT PART	0	0	0	0	2	0	1	0	3
PT ELIG	0	0	0	0	0	0	0	0	0
PT PART	0	0	0	0	0	0	0	0	0

NUMBER OF PERSONNEL BY PROGRAM GROUP

Figure 8-15, NAFI Employees' Compensation and Benefits Program Report (continued)

BGMY 871AGZ

NAF CENTRAL PAYROLL OFFICE

NAFI EMPLOYESS COMPENSATION AND BENEFITS PROGRAM REPORT - FY ENDING SEP 89

PROGRAM GROUP TOTALS OF MWR ACTIVITIES

871R189054A
RCS DD M(A) 1554

PAGE 14

MACOM A. INSTALLATION FT PANAMA,PN

PROGRAM GROUP	H	J	K	L	M	P	R	S	T	U	TOTAL
A NO PRGS	0	1	5	2		2	1	0	3	2	16
B NAFI EMPLOYEE COST											
1 EMPLOYEES IN US											
A PAYROLL	0	0	0	0		0	0	0	0	0	0
B BENEFITS											
1-FICA	0	0	0	0		0	0	0	0	0	0
2 RET	0	0	0	0		0	0	0	0	0	0
3 OTHER	0	0	0	0		0	0	0	0	0	0
4-TOTAL	0	0	0	0		0	0	0	0	0	0
2 EMPLOYEES OVERSEAS											
A-US CITIZENS											
1-PAY	0	0	1274	317	3038		0	0	241	0	4870
2 BENEFITS											
A-FICA	0	0	133	46		228	0	0	18	0	425
B RET	0	0	38	10		22	0	0	7	0	77
C OTH	0	0	728	318		110	0	0	52	0	1208
D-TOT	0	0	899	374		360	0	0	77	0	1710
B-FOREIGN NATIONAL											
1-PAY	0	0	0	0		0	0	0	0	0	0
2-BEN	0	0	0	0		0	0	0	0	0	0
TOTAL PAY	0	0	1274	317	3038		0	0	241	0	4870
TOTAL BEN	0	0	899	374		360	0	0	77	0	1710

NUMBER OF PERSONNEL BY PROGRAM GROUP

C NAF BENEFIT PROGRAMS											
1-RETIREMENT											
FT ELIG	0	0	3	2		1	0	0	1	0	8
FT PART	0	0	3	2		1	0	0	1	0	8
PT ELIG	0	0	2	0		0	0	0	0	0	3
PT PART	0	0	1	0		0	0	0	0	0	1
2-MEDICAL INSURANCE											
FT ELIG	0	0	3	2		1	0	0	1	0	8
FT PART	0	0	2	2		1	0	0	1	0	7
PT ELIG	0	0	2	0		0	0	0	0	0	3
PT PART	0	0	1	0		0	0	0	0	0	1
3-LIFE INSURANCE											
FT ELIG	0	0	3	2		1	0	0	1	0	8
FT PART	0	0	2	2		0	0	0	0	0	5
PT ELIG	0	0	2	0		0	0	0	0	0	3
PT PART	0	0	1	0		0	0	0	0	0	1

Figure 8-16, Employee Cross Reference Roster

BGGY B71RD2 FOR OFFICIAL USE ONLY - PRIVACY ACT DATA B71R1B0134R

CYCLE P NAF CENTRAL PAYROLL OFFICE EMPLOYEE CROSS REFERENCE ROSTER PAY PERIOD ENDING DATE 88/12/14 PAGE 0

SSN	NAME	WORK CENTER	TYP POS	TYP EMP	PAY STS	GRD	STP	ASG SWF	ASGD RATE	ANNUAL SALARY	AREA CODE	NAF INS	ST CD	MWR CAT	INT D/W	BSE HRS	RET CDE	GLI CDE	HMQ CDE	EIC CDE	SON
510 28 9814 0	KIM MARY J	11176	AS	1	1	03	03	1	4.56		005	KH	KO	A		080	R	Z		2800	
520 25 3807 0	HELMS RUTHIE J	10103	UA	5	1	06	01	1	7.24	15,118		GC	AK	E		040	R	B	JK05	2211	
543 21 0001 0	WALLBANGER HARVEY	10111	UA	1	1	12	06	1	10.57	38,733		2E	GE	B		080	R	A		2883	
549 28 6478 0	DRAKE SAMANTHA	10201	UA	5	2	06	04	1	8.88	18,537		2D	GE	C		040	I	Z		2078	
556 22 7763 0	BOY JOHN	10101	AS	3	5	02	01	1	4.47			FB	NC	L	21	038	I	Z		2103	
555 25 0001 0	SANDERS ROBIN R	F0282	UA	1	1	05	01	1	7.81	16,304	888	BA	VA	B		080	R	A	KW05	2212	
556 28 0002 0	GARNER JULIA M	10101	UA	1	1	06	01	1	8.44	17,623	888	BA	VA	B		080	R	Z	JK05	2212	
555 25 0004 0	HOUSE GINGER B	10101	LN	1	1	05	01	1	4.41	9,210		AA	VA	B		080	R	Z		2212	
555 25 0005 0	BARNES JANE L	10103	UA	1	2	06	01	1	8.44	17,623	888	BA	VA	B		080	R	A	JK05	2212	
555 25 0006 0	SEEMAN SARA K	10103	UA	1	2	07	01	1	9.09	18,970	888	BA	VA	B		080	R	A	JK01	2212	
555 25 0007 0	BROOKINS MARY C	10101	UA	1	1	05	01	1	7.24	15,118		BA	VA	B		080	R	Z		2212	
555 25 0008 0	RICKETS MARSHA N	10101	UA	2	5	06	01	1	8.07	16,851		BA	VA	F		080	I	Z		2212	
555 25 0009 0	MCCOMB NANCY O	10103	UA	1	1	07	01	1	8.87	18,526		BA	VA	B		080	R	Z		2212	
555 25 0013 0	RIDGEWAY RICH O	111G2	UA	1	1	07	01	1	9.09	18,970	888	BA	VA	B		080	R	Z		2212	
555 25 0014 0	COLEMAN DON P	10101	UA	1	1	09	01	1	10.88	22,907	888	FB	VA	B		080	R	Z		2212	
555 33 8234 0	BOB JIM	10101	PS	8	5	03	02	1	4.84			FB	NC	L	18	000	I	Z		2103	
560 13 6648 0	QUERVO MARGARITA	107G2	PS	5	1	02	02	1	3.98		001	IO	VA	C		040	I	Z		2212	
570 05 5839 0	DAVID WALTER P	109G1	NA	8	5	04	04	1	4.72		002	FB	NC	K	428	000	I	Z	JH01	2103	
624 28 8541 0	RAWBOY DAL S	F0282	AS	1	1	05	02	1	5.11		001	IO	VA	B		080	R	A	JH05	2212	
662 28 2128 0	FROG KERMIT T	103G1	UA	1	8	08	01	1	9.84	20,739		FB	NC	B		080	R	A		2078	

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

Figure A8-17, Tip Offset/Service Charge Report

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

BGMX - B71GQX
CYCLE P. CENTRAL NAF PAYROLL OFFICE

TIP OFFSET - SERVICE CHARGE REPORT

B71RI840440
PAGE 1

EURO NAFFAD

FUND 101

PPED 870229

WORK CENTER	SSN	NAME	TIP OFFSET RATE	TOTAL TIPS	SERVICE CHARGE	TOTAL OFFSET
1010100	222 38 4900 0	JANE SMITH	1 34	20 52	00	29 48
1010100	333 44 5555 0	SALLY JONES	90	208 70	00	28 80
1010100	444 33 6666 1	SAM APPLE	1 34	00	36 46	14 74
1010100	555 77 9999 0	PEGGY SMITH	00	49 50	00	00
1010100	666 22 4545 1	DEBBY JOHNSON	1 34	27 50	72 60	46 90
FUND TOTALS				306 22	109 06	119 92
INSTALLATION TOTALS				306 22	109 06	119 92

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

Figure 8-18, Quarterly Inactive Employee Report, Cover Letter

NONAPPROPRIATED FUNDS CENTRAL PAYROLL SYSTEM

FROM CYCLE P NAF CENTRAL PAYROLL OFFICE

TO SERVICING CIVILIAN PERSONNEL OFFICE AA
2146 193RD INF BRIGADE CPO, FT PANAMA, PN

SUBJECT VERIFICATION LETTER QUARTERLY INACTIVE EMPLOYEE REPORT, QUARTER ENDING 881214

YOUR OFFICE IS REQUESTED TO ASSIST IN THE VERIFICATION OF INACTIVE EMPLOYEES IN THE NAF CENTRAL PAYROLL SYSTEM STATISTICAL DATA INDICATES THAT A LARGE VOLUME OF INACTIVE ACCOUNTS ARE MAINTAINED IN THE MASTER FILES IT IS REQUESTED THAT A COMPARISON BE MADE BETWEEN PERSONNEL RECORDS AND INFORMATION ON THE QUARTERLY INACTIVE EMPLOYEE REPORT REQUEST ANY DIFFERENCES (SUCH AS RESIGNATIONS, TERMINATIONS, DEATHS, OR OTHER REASONS) BE NOTED IN THE SPACE PROVIDED BELOW PLEASE ATTACH APPROPRIATE PERSONNEL ACTIONS AS SUPPORTING DOCUMENTATION AFTER REVIEW IS COMPLETED, THE VERIFICATION LETTER SHOULD BE SIGNED BY THE CIVILIAN PERSONNEL OFFICER OR RESPONSIBLE AUTHORITY, DATED, AND RETURNED TO THE NAF CENTRAL PAYROLL OFFICE FOR APPROPRIATE ACTION THIS REQUEST HAS BEEN COORDINATED WITH OTAG AND DCSPER RESPONSE REQUESTED NO LATER THAN 45 DAYS FROM ABOVE QUARTERLY ENDING DATE
RESPONSE SHOULD BE MAILED TO CYCLE P NAF CENTRAL PAYROLL OFFICE, 500 STATE LINE ROAD, TEXARKANA , TX 75504-0075
NOTE - COPY OF COMPLETED LETTER SHOULD BE PROVIDED TO SERVICED NAFI FOR NECESSARY ACTION ON DA FORM 4017, IF REQUIRED

---

1 THE FOLLOWING DISCREPANCIES WERE REVEALED WHEN SUBJECT REPORT WAS COMPARED TO PERSONNEL RECORDS:

SOCIAL SECURITY NUMBER	NAME	REMARKS

2 ALL OTHER EMPLOYEES LISTED ON THE SUBJECT REPORT ARE STILL EMPLOYED, EXCEPT AS NOTED ABOVE.

CIVILIAN PERSONNEL OFFICER
(OR RESPONSIBLE AUTHORITY) DATE

Figure 8-19, Quarterly Inactive Employee Report

BGLX 871QC2 FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

CYCLE P NAF CENTRAL PAYROLL OFFICE QUARTERLY INACTIVE EMPLOYEE REPORT QUARTER 4 1988

FT PANAMA PN AA FUND 1

WORK CENTER	SSN	NAME	TYPE EMPL	LAST P/P WORKED
10481	284 32 1655 O	KAREN P JONES	INT-RS	880915
10571	317 65 6589 O	MARSHA A RICHARDSON	TEMP-FT	880915
106G1	222 18 0119 O	CRYSTAL CASSDY	INT-OC	880915
107G2	406 28 7698 O	FRANCES NOMAN	TEMP-PT	880915

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

871RI02054O PAGE 7

Figure 8-20, Compensatory Aging Schedule

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

BGRX.B71GMX

COMPENSATORY AGING SCHEDULE

CYCLE P NAF CENTRAL PAYROLL OFFICE

PAY PERIOD ENDING 88/12/14

B71N184024G

PAGE 17

BOOZE INC. GE

W.C	SSN	NAME	PP	HRS	OT RATE	PP	HRS	OT RATE	PP	HRS	OT RATE	PP	HRS	OT RATE
8172400	123-12-1285	KAREN MILLER	13			12	74.50	13.46	11	20.25	13.46	10	13.00	13.20
			09			08			07			06		
			05			04			03			02		
			01			00								
FUND TOTALS			13			12	74.50		11	20.25		10	13.00	
			09			08			07			06		
			05			04			03			02		
			01			00								

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

Figure 8-21, Annual Leave/Compensatory Time Adjustment Report

```
BGLY - 871GNX                                   FOR OFFICIAL USE ONLY - PRIVACY ACT DATA                    871R1840340

                                          ANNUAL LEAVE/COMPENSATORY TIME ADJUSTMENT REPORT                  PAGE 18
CYCLE P NAF CENTRAL PAYROLL OFFICE              PAY PERIOD ENDING 88/12/14
HAMMBERG, GE                                       WORK CENTER 10101

                                                ANNUAL LEAVE ADJUSTMENTS      COMP TIME                 COMP TO OVERTIME ADJ
SSN              NAME                           EARNED          TAKEN         ADJUSTMENTS               DR 247*   DR (CR) 821*

344-33-4440      BEN RUSS                                                     1175 52
123-28-0004      GRETCHEN MUELLER               2 00                          1175 52
WORK CENTER TOTALS                              2 00                          1175 52
FUND TOTALS                                     2 00                          1175 52
INSTALLATION TOTALS                             2 00                          1175 52

                                          FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

FOR PANAMANIAN FOREIGN NATIONALS -- DR 248 & DR(CR) 822
```

Figure 8-22, Compensatory Time Subsidiary Report

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

SGTX 871GLX

B71RIB4014G

COMPENSATORY TIME SUBSIDIARY REPORT
PAY PERIOD ENDING 87 01 09

CYCLE P CENTRAL NAF PAYROLL OFFICE

PAGE XXX

FORT BLISTER

WORK CENTER 1010100

SSN	NAME		COMP FLD 2 HOURS*	COMP FLD 1 HOURS**	COMP CONV TO OT	COMPENSATORY TIME EARNED	COMPENSATORY TIME TAKEN	GLAC 247 CUR BAL
123-45-6789	JOHN J SMITH	P P HRS		1 00				10 00
		P P $ AMT						
478 55 2345	ELIZABETH SCHMOE	P P HRS	8 00		2 50	8 00	2 00	43 28
		P P $ AMT			24 98	53 28	13 32	
499 33 3451	JANET SUE DOUGH	P P HRS	16 00	8 50	16 50	16 00		122 00
		P P $ AMT			146 03	106 56		
WORKCENTER TOTALS		P P HRS	24 00	9 50	19 00	24 00	2 00	175 25
		P P $ AMT			171 01	159 84	13 32	
FUND TOTALS		P P HRS	24 00	9 50	19 00	24 00	2 00	175 25
		P P $ AMT			171 01	159 84	13 32	
INSTALLATION TOTALS		P P HRS	24 00	9 50	19 00	24 00	2 00	175 25
		P P $ AMT			171 01	159 84	13 32	

* COMP TIME WILL BE PAID AS OVERTIME UNLESS USED WITHIN TWO PAY PERIODS
**COMP TIME WILL BE PAID AS OVERTIME UNLESS USED WITHIN ONE PAY PERIOD

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

Figure 8-23, Home Leave Report

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

BGXZ B71GMY B71R1B7104G

NONAPPROPRIATED FUNDS CENTRAL PAYROLL SYSTEM

CYCLE P NAF CENTRAL PAYROLL OFFICE HOME LEAVE REPORT PAY PERIOD ENDING 88/12/14 PAGE 21

EURO-NAFFAD WORKCENTER 101GA

NAME and SSN	HL OS EOD	HL ACCRL DATE	DATE ELIG TO USE HL	ACCRL RATE	BEG BAL	ACCRD YTD	TKN YTD	ACCR PP	TKN PP	PP # AMT TAKEN	CUR BAL	LWOP THIS PP	LWOP SVC YR
BENNY L ROBBINS 222-18-0064	80-11-02	82-01-01	82-11-02	05	35	1	0	0	0	0 00	36	24 00	80 00
MELVIN W ROLLINS 222-18-0071	84-11-20	84-11-20	88-11-20	05	27	0	0	0	0	0 00	27	0 00	0 00
EDWIN K ROMACK 222-18-0072	74-05-23	74-05-23	78-05-23	10	133	0	0	0	0	0 00	133	0 00	0 00
JIM S RYAN 222-18-0079	88-03-14	88-03-14	88-03-14	05	7	1	0	0	0	0 00	8	0 00	0 00
RUFUS M SADLER 222-18-0081	80-09-10	80-09-10	82-09-10	10	38	3	0	1	0	0 00	41	0 00	0 00
WORKCENTER TOTALS					240	5	0	1	0	0 00	245	24 00	80 00

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

Figure 12-1, Computation of CWF Dividends Available

Computation of CWF Dividends Available

(1)	Excess liquid assets:	
	Cash on hand and in bank	$_____
	Accounts Receivable	_____
	Investments	_____
	Total liquid assets	_____
	Less: Current liabilities	_____
	Excess liquid assets	$_____
(2)	Net Profit (from income statement)	$_____
(3)	Summary:	
	Excess liquid assets (1) above	$_____
	Net profit (2) above	_____
(4)	Amount available for distribution (lesser of (1) and (2)	$_____
	Amount to be distributed to post CWF __* percent of (4)	$_____
	Amount to be distributed to AAFCWF 5 percent of (4)	$_____
	Total amount to be distributed	$_____

* Determined per AR 215-7

ATTACHMENT 2

DESCRIPTION OF GENERAL LEDGER ACCOUNTS

This attachment gives a description for each general ledger account and the typical transactions for each account. It does not include all the possible transactions that may be needed.

Current Assets

Cash

101-US Cash Account
Used for: ALL NAFIs.
Normal balance: Debit
Purpose: Record all US cash receipts and check disbursements.
Typical transactions:
(1) Debit with all collections of US cash.
(2) Credit with all US check disbursements and related adjustments.
Normal contra GLACs: many

102-Foreign Currency Cash Account
Used for: NAFIs outside CONUS
Normal balance: Debit
Purpose: Record all foreign currency receipts and disbursements.
Typical transactions:
(1) Debit with all foreign currency receipts and related adjustments.
(2) Debit with the increase in value at the equivalent US dollar. Contra to GLAC 943.
(3) Credit with all foreign currency disbursements and related adjustments.
(4) Credit with the decrease in value at the equivalent US dollars. Contra to GLAC 943.
Normal contra GLACs: many

103-US Payroll Cash Account
Used for: Does not apply to NAFIs serviced by the CNPO at Texarkana, TX.
Normal balance: Debit
Purpose: Separate checking account for payroll.
Typical transactions:
(1) Debit with deposits in the net amount of US salaries and wages to be paid each pay period.
(2) Credit with the disbursement of the net amount of salaries and wages.
Normal contra GLACs: 101.

104-Foreign Currency Payroll Cash Account
Used for: NAFIs outside of CONUS. Does not apply to NAFIs serviced by the CNPO.
Normal balance: Debit
Purpose: Separate checking account for payrolls in foreign currency.
Typical transactions:
(1) Debit with deposits in the net amount of salaries and wages to be paid foreign employees each pay period.
(2) Credit with the net amount of salaries and wages disbursed.
Normal contra GLACs: 102.

105-Change Fund
Used for: ALL NAFIs.
Normal balance: Debit
Purpose: Record the amount of impress change fund cash kept on hand for use in daily operations.
Typical transactions:
(1) Debit with the amount of all established change funds and approved increases.
(2) Credit with the amount prescribed by the NAFI manager to reduce the cash on hand.
Normal contra GLACs: 101.

106-Foreign Currency Conversion Fund
Used for: NAFIs outside CONUS.
Normal balance: Debit
Purpose: Record the amount of cash to be used for acquiring foreign currency.
Typical transactions:
(1) Debit with the US dollar equivalent of foreign currency acquired.
(2) Debit with the increase in value at the equivalent US dollar value.
(3) Credit with US dollar equivalent of disbursement or transfer of foreign currency units. Use the rate of exchange at which the currency is shown in this account.
(4) Credit with the decrease in value at the equivalent US dollar value.
Normal contra GLACs: 101.

107-US Petty Cash
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of impress petty cash kept on hand. Typical transactions:
(1) Debit with the amount of all authorized petty cash funds and increases thereto.
(2) Credit with the amount approved by the NAFI manager to reduce the impress fund balance.
Normal contra GLACs: 101.

108-Foreign Currency Petty Cash
Used for: NAFIs outside of CONUS.
Normal balance: Debit.
Purpose: Record the amount of impress foreign currency petty cash kept on hand.
Typical transactions:
(1) Debit with the amount of authorized petty cash funds and increases thereto.

(2) Debit with the increase in value at the equivalent US dollar amount.
(3) Credit with the amount approved by the NAFI manager to reduce the impress balance.
(4) Credit with the decrease in value at the equivalent US dollar amount.
Normal contra GLACs: 102 and 828.

109-Bingo Petty Cash
Used for: ALL NAFIs.
Normal balance: Debit
Purpose: Record the amount of impress petty cash kept on hand to pay for small cash bingo prizes.
Typical transactions:
(1) Debit with the amount of authorized bingo petty cash funds and increases thereto.
(2) Credit with the amount approved by the NAFI manager to reduce the balance.
Normal contra GLACs: 101 and 102.

110-Commercial Credit Card Compensation Balance
Used for: All NAFIs
Normal balance: Debit
Purpose: Record compensating balances with commercial credit card clearing activities when required. NAFISS users will not receive a total for GLAC 110 on the cash receipts journal.
Typical transactions:
(1) Debit for amounts to increase the compensating balance.
(2) Credit for adjustments to the compensating balance.
Normal contra GLACs: 101 and 102.

111-Local Bank Compensating Balance
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record compensating balances with local banks for Central Banking Program (CBP) participants. NAFISS users will not receive a total for GLAC 111 on the cash receipts journal.
Typical transactions:
(1) Debit with amounts to increase the compensating balance.
(2) Credit for returned checks and other adjustments to the local bank account.
(3) Credit with amount transferred to the central bank.
Normal contra GLACs: 101 and 102.

112-Foreign Currency Change Fund
Used for: ALL OCONUS NAFIs.
Normal balance: Debit
Purpose: Record the amount of foreign impress change fund cash kept on hand for use in daily operations.
Typical transactions:
(1) Debit with the US dollar equivalent amount when change funds are established or increases are approved.
(2) Credit with the amount prescribed by the NAFI manager to reduce the foreign currency cash on hand.
Normal contra GLACs: 102.

113-Emergency Local Checking Account
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of authorized emergency checking account balance when approved by the NAF accounting office. The account will be maintained in the Central Bank.
Typical transactions:
(1) Debit with initial amount authorized to establish the account, and any authorized increases in the balance.
(2) Credit with downward adjustments to the authorized balance.
Normal contra GLACs: 101.

Investments

115-NAF Centralized Investment Program
Used for: NAFIs not included in the Centralized Banking and Investment Program.
Normal balance: Debit
Purpose: Record only the current unencumbered portion of the Centralized Investment Program.
Typical transactions:
(1) Debit to increase the balance in the master cash central account.
(2) Credit for amounts set aside in sinking funds (GLACs 187 and 188).
Normal contra GLACs: 101, 102, 187, and 188.

116-Savings Account
Used for: NAFIs not included in the Centralized Banking and Investment Program.
Normal balance: Debit.
Purpose: Record cash deposited in approved banking or savings institutions to earn interest.
Typical transactions:
(1) Debit with deposits of cash.
(2) Credit with withdrawals of principal or interest.
(3) Debit with interest earned. Contra credit to GLAC 901.
Normal contra GLACs: 101, 102, and 801.

117-Marketable Securities
Used for: NAFIs not included in the Centralized Banking and Investment Program.
Normal balance: Debit
Purpose: Record the amount of securities purchased for investment.
Typical transactions:
(1) Debit with the acquisition cost of investments at the time of purchases.
(2) Credit with the acquisition cost of investments at the time of sale or conversion.
Normal contra GLACs: 101 and 102.

Accounts Receivable

119-Advances Receivables
Used for: All NAFIs
Normal balance: Debit
Purpose: Record the amount of travel advances given to travelers on TDY orders and PCS orders.
Typical transactions:

(1) Debit with the amount of advances provided to travelers.
(2) Credit with the amount of the advance when it is refunded or earned by the traveler and recorded as a travel expense.
Normal contra GLAC: 101, 102, 692, 732, and 754.

120-ARM Income Receivables
Used for: All NAFIs participating in the ARM program.
Normal balance: Debit
Purpose: Record the amount or slot machine income the NAFI expects to receive.
Typical transactions:
(1) Debit with the amount of income expected, based on documentation received or based on projected income.
(2) Credit with the original estimate when the actual income is received.
Normal contra GLACs: 101 and 524.

121-Members Receivables
Used for: All NAFIs
Normal balance: Debit
Purpose: Record the amounts owed by members and customers.
Typical transactions:
(1) Debit with the amount of member charge sales, dues, credit transactions, and for receivables collected after their write-off.
(2) Credit with the amount of payments received from members and customers.
Normal contra GLACs: 101, 102, 302, 501, and 509.

123-Concessionaire Receivables
Used for: ALL NAFIs.
Normal balance: Debit
Purpose: Record the computed amount of concessionaire and other commission fees due.
Typical transactions:
(1) Debit with the amount of concessionaire and other commission fees due the fund.
(2) Credit with same amount debited when payment is received.
Normal contra GLACs: 101, 102, and 502.

124-Returned Checks Receivable
Used for: All NAFIs
Normal balance: Debit
Purpose: Record the amount of checks dishonored by banks and penalty fees charged by the bank.
Typical transactions:
(1) Debit with the amount of checks returned and any service fees charged.
(2) Credit with the amounts received from the makers of dishonored checks, and with the amount of checks determined to be uncollectible.
Normal contra GLACs: 101, 102, and 661.

125-AAFES Receivable
Used for: All NAFIs
Normal balance: Debit
Purpose: Record the amount of the distribution the NAFI expects to receive from the AAFES.
Typical transactions:
(1) Debit with the amount expected from AAFES.
(2) Credit with the amount originally debited when the check is received.
Normal contra GLACs: 101 and 549.

126-Loans Receivable
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of loans to other NAFIs.
Typical transactions:
(1) Debit with the amount of loans made to other NAFIs.
(2) Credit with the amount of payments received from debtors.
Normal contra GLACs: 101, 102, and 801.

127-Claims Receivable
Used for: All NAFIs
Normal balance: Debit
Purpose: Record the amount of claims against third parties covering the destruction or loss of assets due to fire, theft, or other causes.
Typical transactions:
(1) Debit with the net book value of assets lost, stolen, damaged, or destroyed.
(2) Credit with the amounts received as insurance settlements.
Normal contra GLACs: 101, 102, 827, and fixed asset and inventory GLACs.

128-Deposits Receivable
Used for: All NAFIs
Normal balance: Debit
Purpose: Record the amount on deposit with vendors in connection with the purchase of bottled, cased, or barreled merchandise. Adjust the balance to the dollar value of the physical inventory at the end of the accounting period.
Typical transactions:
(1) Debit with the amount of the deposit required by vendors.
(2) Debit with the amount of the deposit given to customers when bottled or cased goods are returned by customers.
(3) Credit when bottled or cased goods are sold to customers or returned to vendors.
Normal contra GLACs: 101, 102, and 741.

129-Guest Ledger Receivables
Used for: Hotel and Billeting NAFIs.
Normal balance: Debit
Purpose: To record the unpaid charges made by hotel and billeting customers.
Typical transactions:
(1) Debit with the amount of unpaid customer charges made before checkout.
(2) Credit with the amount of payments received from customers.
Normal contra GLACs: 101, 102, 123, and 501.

130-Accrued Interest Receivable
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of interest income earned but not yet received.
Typical transactions:
(1) Debit with the amount of accrued interest at the end of the accounting period.
(2) Credit with the accrual amount when interest is received.
Normal contra GLACs: 101, 102, 115, 116, 117, and 801.

131-Grants Receivable
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of a grant due NAFIs for an approved project. Reconcile monthly with GLAC 205 of the next higher echelon which will provide the grant.
Typical transactions:
(1) Debit at Major Command for the amount of the approved funding for the FY.
(2) Debit at installation for the amount of an approved grant due.
(3) Credit at Major Command for the amount of cash transferred, including amount transferred directly to the installation by higher HQ. Contra to GLAC 205 for the amount transferred directly to the installation, and GLAC 101 for the amount retained by the Major Command.
(4) Credit at installation with the amount of cash received.
(5) Credit at Major Command with the amount of any unused grant returned after completion of the project for which the grant was approved.
Normal contra GLACs: 101, 205, 291.

132-Dividends Receivable
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of dividend allocations due. Reconcile monthly with GLAC 206 of the next higher echelon providing the dividend.
Typical transactions:
(1) Debit at Major Command with the amount of the dividend allocation given by higher HQ.
(2) Debit at installations with the amount of the allocation received from the Major Command.
(3) Credit at Major Command with the amount of cash transferred, including the amount transferred directly to installations, by higher HQ.
(4) Credit at installations with the actual amount of cash received.
Normal contra GLACs: 101, 206, and 806.

133-Reserve Component Dividends Receivable
Used for: Major Command MSFs only.
Normal balance: Debit
Purpose: Record an advance dividend credit allocation issued to an installation MSF for reserved component units.
Typical transactions:
(1) Debit with the amount of the advance dividend credit allocation.
(2) Credit with the advance amount when the quarterly dividend is received.
Normal contra GLACs: 206.

134-Allowance for Doubtful Accounts
Used for: All NAFIs. (Use this account only when the NAFI expects uncollectible accounts to total $300 or more during the fiscal year.)
Normal balance: Credit
Purpose: Record the calculated amount set up to allow for uncollected accounts.
Typical transactions:
(1) Debit with the amounts written-off as they are determined to be worthless.
(2) Credit with the monthly estimate set up for uncollectible charges.
Normal contra GLACs: 121 and 661.

135-Inter NAFI Receivables-Within MACOM
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record amount due from other NAFIs within the MACOM.
Typical transactions:
(1) Debit with the amount due.
(2) Credit with the amount received.
Normal contra GLACs: 101 and 102.

136-Inter NAFI Receivables-Outside MACOM
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record amount due from other NAFIs outside the MACOM.
Typical transactions:
(1) Debit with the amount due.
(2) Credit with the amount received.
Normal contra GLACs: 101 and 102.

138-Layaway Receivables
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record amount due on layaway sales.
Typical transactions:
(1) Debit with the amount due on layaway sales.
(2) Credit with the amount received or the balance due at the time a layaway is cancelled or expires.
Normal contra GLACs: 101, 303, and 516.

139-Commercial Credit Card Receivable
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record credit card charge sales made by customers to a credit card company such as Visa or Master Card. Do not use this account for internal charge sales where payment will not be made to a credit card company.
Typical transactions:
(1) Debit with the amount due from credit card charge sales.
(2) Credit with the amount of payment when received.
Normal contra GLACs: 101.

140-Miscellaneous Other Receivables
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount due the NAFI that can not properly be recorded in another receivable GLAC.
Typical transactions:
(1) Debit with the amounts due the NAFI.
(2) Credit with the payments received or adjustments.
Normal contra GLACs: 101, 599, and 825.

Inventories

141-Warehouse/Storeroom Inventory
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of inventory held in the central warehouse for resale at the end of the statement period. The entry will be reversed at the beginning of the following accounting period.
Typical transactions:
(1) Debit with the cost of inventory held in the warehouse for resale at the end of the accounting period.
(2) Credit with the cost of inventory held in the warehouse for resale at the beginning of the accounting period.
Normal contra GLACs: 900. Do not use other GLACs.

142-Sales Outlet Merchandise Inventory
Used for: All NAFIs
Normal balance: Debit
Purpose: Record the value of inventory at the end of an accounting period for the sales outlets. The entry will be reversed at the beginning of the following accounting period.
Typical transactions:
(1) Debit with the cost of merchandise on hand at the end of the accounting period.
(2) Credit with the cost of merchandise on hand at the beginning of the accounting period.
Normal contra GLACs: 900. Do not use other GLACs.

143-Inventory In Transit
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of merchandise that has been shipped free on board and held by a common carrier on the last day of the accounting period. (The CAO should have a document from the vendor to support this transaction.) The entry will be reversed at the beginning of the following accounting period.
Typical transactions:
(1) Debit with the cost of merchandise in transit at the end of the accounting period.
(2) Credit with the cost of merchandise in transit at the beginning of the accounting period.
Normal contra GLACs: 900. Do not use other GLACs.

144-Work-in Progress Inventory
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of partially manufactured goods in inventory at the end of the accounting period.
Typical transactions:
(1) Debit with the cost of partially manufactured goods on hand at the end of the accounting period.
(2) Credit with the cost of partially manufactured goods on hand at the beginning of the accounting period.
Normal contra GLACs: 900. Do not use other GLACs.

Prepaid Expenses

151-Prepaid Supplies and Equipment
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of prepaid supplies and equipment held by the NAFI and/or stored in a central warehouse. These supplies and equipment will be expensed at a later date or issued from a central warehouse.
Typical transactions:
(1) Debit with the cost of items received.
(2) Credit with the cost of supplies and equipment when they are expensed or transferred.
Normal contra GLACs: 201, 726, and 742.

152-Prepaid Taxes and Licenses
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of prepaid taxes and licenses.
Typical transactions:
(1) Debit with the amount of taxes and licenses paid in advance.
(2) Credit with the amount expensed during the period, using the straight-line method.
Normal contra GLACs: 201 and 736.

153-Prepaid Insurance
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of prepaid insurance premiums paid.
Typical transactions:
(1) Debit with the amount of insurance premiums paid in advance.
(2) Credit with the amount expensed for the period, using the straight-line method.
(3) Credit with the amount refunded when insurance is cancelled.
Normal contra GLACs: 201, 607,733, and 734.

154-Prepaid Maintenance and Repair
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record advance payments of $240 or more on maintenance or repair contracts that will span later months and will result in a monthly expense of $20 or more. Amortization is not mandatory, larger amounts may be expensed immediately if it does not materially distort net income for the reporting period.
Typical transactions:
(1) Debit with the amount paid in advance.
(2) Credit with the amount expensed for the accounting period.

Normal contra GLACs: 201 and 658.

155-Prepaid Tableware, Kitchenware, Linens, and Uniforms
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of prepaid china, glassware, flatware, linens, utensils, and uniforms on hand in the fund. This account also applies to items stored in a central warehouse.
Typical transactions:
(1) Debit with the cost of the prepaid items.
(2) Credit with the cost of these items when put into use.
Normal contra GLACs: 201 and 749.

156-Prepaid Bingo Prizes
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of prepaid merchandise on hand for use as bingo prizes.
Typical transactions:
(1) Debit with the cost of the prepaid items.
(2) Credit with the cost of these items when put into use.
Normal contra GLACs: 201 and 750.

157-Prepaid Rent
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of prepaid rent.
Typical transactions:
(1) Debit with the cost of the prepaid rent.
(2) Credit with the cost of rent as it is used.
Normal contra GLACs: 201 and 746.

159-Prepaid Items In Transit
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of prepaid items in transit when title passes to the NAFI before receiving the assets.
Typical transactions:
(1) Debit with the cost of the prepaid items in transit at the end of the accounting period.
(2) Credit with the cost of these items when received.
Normal contra GLACs: 201, 151-157, and 160.

160-Miscellaneous Other Prepaid Expenses
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record all prepaid expenses that can not be properly recorded in another prepaid expense GLAC.
Typical transactions:
(1) Debit with the amount of expenses paid in advance.
(2) Credit with the amount expensed for the accounting period.
Normal contra GLACs: 201, 799, and 850.

Fixed Assets and Accumulated Depreciation

161-Buildings
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the costs of buildings moved from GLAC 179. (The transfer will be made when a building or building addition is completed, occupied, or when the IMWRF is notified the building is ready for beneficial occupancy, whichever occurs first.)
Typical transactions:
(1) Debit with the amount of construction costs transferred.
(2) Credit with the cost when a building is disposed of.
Normal contra GLACs: 179.

162-Accumulated Depreciation-Buildings
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of depreciation to date for assets in GLAC 161.
Typical transactions:
(1) Debit with the accumulated depreciation on a building when disposed of.
(2) Credit with the amount of depreciation expense for each accounting period.
Normal contra GLACs: 851.

163-Furniture, Fixtures, and Equipment
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of nonexpendable furniture, fixtures, and equipment.
Typical transactions:
(1) Debit with the purchase cost of nonexpendable items.
(2) Credit with the cost when an item is disposed of.
Normal contra GLACs: 201

164-Accumulated Depreciation-Furniture, Fixture, and Equipment
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of depreciation for GLAC 163.
Typical transactions:
(1) Debit with the amount of accumulated depreciation when assets are disposed of.
(2) Credit with the depreciation expense for each accounting period.
Normal contra GLACs: 853.

165-Vehicles, Aircraft, and Boats
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of vehicles, aircraft, and boats (transportation equipment).
Typical transactions:
(1) Debit with the purchase cost of transportation equipment.
(2) Credit with the cost of transportation equipment when disposed of.
Normal contra GLACs: 201.

166-Accumulated Depreciation-Vehicles, Aircraft, and Boats
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of depreciation for GLAC 165.
Typical transactions:

(1) Debit with the amount of accumulated depreciation when transportation equipment is disposed of.
(2) Credit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 854.

167-Breeding Livestock
Used for: All NAFIs.
Normal balance: Debit.
Purpose: Record the cost of breeding livestock.
Typical transactions:
(1) Debit with the cost of the asset.
(2) Credit with the cost when the asset is disposed of.
Normal contra GLACs: 201.

168-Accumulated Depreciation-Breeding Livestock
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of depreciation for GLAC 167.
Typical transactions:
(1) Debit with the amount of accumulated depreciation on individual fixed assets when disposed of.
(2) Credit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 856.

169-Building Improvements
Used for: All NAFIs
Normal balance: Debit
Purpose: Record the cost of improvements transferred from GLAC 179.
Typical transactions:
(1) Debit with the cost of improvements transferred from GLAC 179.
(2) Credit with the cost of improvements when the building is disposed of.
Normal contra GLACs: 179.

170-Accumulated Depreciation-Building Improvements
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of depreciation for GLAC 169.
Typical transactions:
(1) Debit with the amount of accumulated depreciation when disposed of.
(2) Credit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 852.

171-Land Improvements
Used for: All NAFIs
Normal balance: Debit
Purpose: Record the cost of improvements transferred from GLAC 179.
Typical transactions:
(1) Debit with the cost of improvements transferred from GLAC 179.
(2) Credit with the cost of improvements when the land is disposed of.
Normal contra GLACs: 179.

172-Accumulated Depreciation-Land Improvements
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of depreciation for GLAC 171
Typical transactions:
(1) Debit with the amount of accumulated depreciation when disposed of.
(2) Credit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 855.

175-Government Titled Buildings and Improvements
Used for: All NAFIs.
Normal balance: Debit.
Purpose: Record purchases of real property facilities and improvements procured with NAF dollars and retained by the NAFI, title to which is transferred to the Government.
Typical transactions:
(1) Debit with the cost of property facilities and improvements.
(2) Credit with the cost when the property is disposed of.
Normal contra GLACs: 161 and 179.

176-Accumulated Depreciation-Government Titled Buildings and Improvements
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of depreciation for GLAC 175.
Typical transactions:
(1) Debit with the amount of accumulated depreciation on individual fixed assets when disposed of.
(2) Credit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 858.

177-Other Government Titled Fixed Assets
Used for: All NAFIs.
Normal balance: Debit.
Purpose: Record purchases of equipment procured with NAF dollars and retained by the NAFI, title to which is transferred to the Government.
Typical transactions:
(1) Debit with the cost of the equipment.
(2) Credit with the cost when the property is disposed of.
Normal contra GLACs: 201.

178-Accumulated Depreciation-Other Government Titled Fixed Assets
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of depreciation for GLAC 177.
Typical transactions:
(1) Debit with the amount of accumulated depreciation on individual fixed assets when disposed of.

(2) Credit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 857.

179-Construction in Progress
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record progress expenditures for a new building, building addition, or building and land improvements. This includes construction cost architectural fees, surveys, commissions, legal fees, insurance, and alterations on the uncompleted project.
Typical transactions:
(1) Debit with progress payments on projects.
(2) Credit with the total cost of the project when completed or ready for occupancy. This transfers the asset to the proper fixed asset account.
Normal contra GLACs: 101, 161, 165, 171, 175, 177, 196, and 2XX.

180-Fixed Assets in Transit
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of fixed assets in transit when title passes to the NAFI before receiving the asset.
Typical transactions:
(1) Debit with the cost of the asset in transit.
(2) Credit with the cost of the fixed asset when received by the NAFI.
Normal contra GLACs: 101, 165, 177, 196, and 2XX.

Other Assets

185-Long-term Loans Receivable
Used for: All NAFIs
Normal balance: Debit
Purpose: Record the amount of loans which are due beyond the next 12 months.
Typical transactions:
(1) Debit with the original amount of loans.
(2) Credit with the amount transferred to GLAC 126.
Normal contra GLACs: 126.

186-Artifacts
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of art or other items of historic or intrinsic value at cost if purchased or appraised value if donated. Items will not be appreciated or devaluated. The account balance will remain unchanged unless an official appraisal has taken place. In such case, increases or decreases will be make by a fund equity adjustment approved by DFAS. A detailed subsidiary record will be maintained for this GLAC.
Typical transactions:
(1) Debit with the purchase price.
(2) Debit with the appraised value of donated items.
(3) Credit with the recorded value when items are disposed of.
Normal contra GLACs: 201 and 291.

187-Fixed Asset Sinking Fund
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record those funds earmarked for the purchase of fixed assets.
Typical transactions:
(1) Debit monthly with an amount at least equal to the amount shown on the Minimum Fixed Asset Transfer Worksheet.
(2) Debit with the amount of funds received from outside sources. (Contra to GLAC 291.)
(3) Credit with the amount of the payment for the purchase of fixed assets. (Transfer to GLAC 101.)
(4) Credit with the amount of withdrawals for other purposes approved by higher HQ.
Normal contra GLACs: 101, 115, 196, and 291.

188-Employee Separation Allowance Sinking Fund
Used for: NAFIs outside of CONUS.
Normal balance: Debit
Purpose: Record the funds set aside for employee separation allowances. Normally, cash for payment of separation pay will be invested in the central banking fund, however, deposits may be made in local currency accounts. A review of the related accounts will be made at least at the end of each fiscal year. The balance in these accounts will be adjusted to show the correct liability and sinking fund reserve.
Typical transactions:
(1) Debit with the amount of funds set aside for separation allowances.
(2) Credit with the amount paid to separating employees.
Normal contra GLACs: 101, 102, and 619.

189-ARM Trust Allocations
Used for: MACOM NAFIs only.
Normal balance: Debit
Purpose: Record the amount of ARM profit distribution advice received from CFSC. This account will be used to accumulate the distribution until the applicable expenses are incurred and funds are received from CFSC.
Typical transactions:
(1) Debit with the amount of the ARM profit distribution advice received.
(2) Credit with the amount of the ARM profit received.
Normal contra GLACs: 101, and 524.

190-Transient Lodging Sinking Fund
Used for: Transient Lodging NAFIs only.
Normal balance: Debit
Purpose: Record those funds earmarked for transient lodging improvements.
Typical transactions:
(1) Debit with the amount of transient lodging profit each month.
(2) Credit with the amount of the payment for the purchase of fixed assets or other authorized expenditures. (Transfer to GLAC 101.)
Normal contra GLACs: 101.

193-Central Accounting Office Loan Receivable

Used for: ALL NAFIs.
Normal balance: Debit
Purpose: Record the amount of funds advanced to the CAO to support its accounting services.
Typical transactions:
(1) Debit with the amount of the initial advance and any increases.
(2) Credit with the amount of the refund of the advance by the CAO and any decreases.
Normal contra GLACs: 101.

195-Payroll Deposits Receivable
Used for: ALL NAFIs.
Normal balance: Debit
Purpose: Record the amount either sent to the CNPO or electronically transferred by CNPO from NAFI bank account at the central bank for payroll expenses.
Typical transactions:
(1) Debit with the gross amounts of payroll expenses.
(2) Credit with the gross amounts of payroll expenses.
Normal contra GLACs: 101 and 601-625.

196-Construction Advances
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount provided to higher HQ or other commands for construction of fixed assets for the NAFI.
Typical transactions:
(1) Debit with the amount advanced.
(2) Credit when the asset is transferred to another fixed asset GLAC.
Normal contra GLACs: 101, 179, and 292.

199-Miscellaneous Other Assets
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of assets that can not properly be recorded in other asset accounts. Subsidiary records will be maintained and reconciled to this account monthly.
Typical transactions:
(1) Debit with the cost of the asset.
(2) Credit when the asset is disposed of or moved to another account.
Normal contra GLACs: 201.

Current Liabilities

Payables

201-Accounts Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount due creditors. A schedule of accounts payable will be prepared at the end of each month and reconciled with the control account. The schedule will age the payables into the following categories: 0-30, 31-60, 61-90, and over 90 days.
Typical transactions:
(1) Credit with the amount of the liability on receipt of the goods or services.
(2) Debit with the amount of the cash payment, allowance, credit documents from creditors, or any other event that reduces the debt.
Normal contra GLACs: 101, 102, and many others.

202-Deposits Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amounts received from customers or other NAFIs that will be refunded or transferred to the proper account within the next 12 months (i.e., deposits collected for special orders and party arrangements). CNPO will use this account to record the amounts sent by the serviced funds for later payrolls. This account will be used by local CAO to record the amounts collected from the serviced funds and not yet sent to the CNPO.
Typical transactions:
(1) Credit with the amount of the deposits received.
(2) Debit with the amount of the deposit refunded or transferred to the proper account.
Normal contra GLACs: 101, 102, and many others.

203-Short Term Loans Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of loans payable that are due within the next 12 months.
Typical transactions:
(1) Credit with the amount of loan principal payable in the next 12 months.
(2) Debit with the amount paid on the loan.
Normal contra GLACs: 101, 102, and 268.

204-Installment Contracts Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of installment contracts due in the next 12 months.
Typical transactions:
(1) Credit with the amount of installment contracts payable in the next 12 months.
(2) Debit with the amounts paid on installment contracts.
Normal contra GLACs: 101, 102, and 268.

205-Grants Payable
Used for: Major Command level NAFIs.
Normal balance: Credit
Purpose: Record the amount of grants owed to subordinate NAFIs.
Typical transactions:
(1) Credit with the amount of grants approved for installations.
(2) Debit with the amount of cash transferred to installations.
(3) Debit with the amount cancelled or withdrawn from an installation. This entry applies when withdrawal is made before the receipt of cash. Major Commands will not record an entry when withdrawal is made after receipt of cash by the installations. Then, the cash and allocation would be returned to the original organization which provided the funds.

Normal contra GLACs: 101, 102, 131, and 291.

206-Dividends/Interest Payable
Used for: Major Command and installation MSFs, and post restaurants.
Normal balance: Credit
Purpose: Record the amount of dividends owed to subordinate funds and the amount of dividend declared, but not yet paid, at the end of the statement period by post restaurants to their CWFs, and to the AAFCWF.
Typical transactions:
(1) Credit at Major Command with the amount of dividends allocated to installations.
(2) Credit at installation with the amount of dividends allocated to isolated or reserve units.
(3) Debit at Major Command with the amount of cash transferred to installations.
(4) Debit at Major Command with the amounts cancelled or withdrawn from the installations. This entry applies when withdrawal is made before the receipt of cash. Major Commands will not record an entry when withdrawal is made after the receipt of cash by an installation. Then, the cash and allocation would be returned to the original organization which provided the funds.
(5) Debit at installation with the amount of cash transferred to isolated units.
(6) Debit with the amount of dividends paid.
Normal contra GLACs: 101, 102, 132, and 292.

207-Reserve Components Dividends Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of advance dividend credit allocations for reserve component units (See AR 215-1).
Typical transactions:
(1) Credit with the amount of advance dividend credit allocation.
(2) Debit when the dividend credit allocation is distributed.
Normal contra GLACs: 101, 102, 133, and 831.

208-Vending Machine Revenue Sharing Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of vending machine profits owed to state licensing agencies or other third parties.
Typical transactions:
(1) Credit with the amount of vending machine profits owed to state licensing agencies or others.
(2) Debit with the amounts paid to state licensing agencies and with special dividends to the AAFCWF and installation CWF.
Normal contra GLACs: 101, 102, and 698.

209-Unclaimed Wages Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of checks for wages that were not claimed. The entry will remain in this account for no more than one month after issue.
Typical transactions:
(1) Credit with the amount of unclaimed wages.
(2) Debit with the amount of wages claimed.
(3) Debit with the amount of checks for wages that remain unclaimed after one month.
Normal contra GLACs: 101, 102, and 825.

210-Federal Withholding Taxes Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of Federal income tax withheld from employee pay, including tips and service charges.
Typical transactions:
(1) Credit with the amount of taxes withheld.
(2) Debit with the amounts paid to the IRS.
Normal contra GLACs: 101.

211-State Withholding Taxes Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of state tax withheld from employee pay.
Typical transactions:
(1) Credit with the amount of state taxes withheld.
(2) Debit with the amount paid to the state involved.
Normal contra GLACs: 101.

212-Local Withholding Taxes Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of city, county, and area taxes withheld from employee pay.
Typical transactions:
(1) Debit with the amount withheld from employee pay.
(2) Credit with the amount paid to the local governing unit.
Normal contra GLACs: 101.

213-FICA Taxes Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of FICA taxes due. FICA taxes will also be withheld from the part time pay or extra duty pay paid to military personnel.
Typical transactions:
(1) Credit with the amount of FICA taxes withheld from employee pay, including tips, plus the employers contribution.
(2) Debit with the amount paid to the IRS.
Normal contra GLACs: 101 and 611.

214-Life Insurance Premiums Payable
Used for: ALL NAFIs.
Normal balance: Credit
Purpose: Record the amount of insurance premiums withheld from employee pay plus the amounts contributed by the NAFI.
Typical transactions:
(1) Credit with the amount of insurance premiums withheld from employee pay plus the amount contributed by the NAFI.
(2) Debit with the amount paid to the insurer.

Normal contra GLACs: 101, 102, and 612.

215-Retirement Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of retirement premiums withheld from employee pay and the amount contributed by the NAFI.
Typical transactions:
(1) Credit with the amount withheld from employee pay plus the amount contributed by the NAFI.
(2) Debit with the amount paid to the retirement plan.
Normal contra GLACs: 101, 102, and 613.

216-Employee Supplemental Insurance Premiums Payable
Used for: CNPO only for deductions made for employees of the Defense Logistics Agency.
Normal balance: Credit
Purpose: Record the amount of supplemental insurance premiums withheld from employee pay.
Typical transactions:
(1) Credit with the amount of insurance premiums withheld.
(2) Debit with the amount paid to the insurer.
Normal contra GLACs: 101 and 102.

217-Employee Delinquent Tax Levy Withholdings Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount deducted from employee pay for delinquent taxes.
Typical transactions:
(1) Credit with the amount withheld from employee pay.
(2) Debit with the amounts paid to the taxing authority.
Normal contra GLACs: 101 and 102.

218-Savings Bonds Deductions Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amounts withheld from employee pay for the purchase of savings bonds.
Typical transactions:
(1) Credit with the amount deducted from employee pay.
(2) Debit with the amount paid to the bond issuer.
Normal contra GLACs: 101 and 102.

219-Charitable Deductions Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount employees volunteered to be deducted from their pay for the Combined Federal Campaign.
Typical transactions:
(1) Credit with the amount deducted from employee pay.
(2) Debit with the amount paid to the agency and the amount kept by the NAFI as a service fee.
Normal contra GLACs: 101, 102, and 825.

220-Employee Savings Allotment Deductions Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of allotments employees authorize to be deducted from their pay and paid to the savings institution.
Typical transactions:
(1) Credit with the amount of allotments deducted from employee pay.
(2) Debit with the amount paid to the savings institution.
Normal contra GLACs: 101 and 102.

221-Employee Union Dues Deductions Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount deducted from employee pay for union dues.
Typical transactions:
(1) Credit with the amount deducted for union dues.
(2) Debit with the amount paid to the union.
Normal contra GLACs: 101 and 102.

222-Employee Meal Deductions Payable
Used for: Used by CNPO only.
Normal balance: Credit
Purpose: Record the amount withheld from employee pay for meals charged.
Typical transactions:
(1) Credit with the amount withheld from employee pay.
(2) Debit with the amount paid to the NAFI.
Normal contra GLACs: 101 and 102.

224-Foreign Withholding Taxes Payable
Used for: NAFIs outside CONUS.
Normal balance: Credit
Purpose: Record the amount of tax withheld from local foreign national pay.
Typical transactions:
(1) Credit with the amount of taxes withheld.
(2) Credit with the amount of increases due to changes in the foreign exchange rate at year end.
(3) Debit with the amount paid to the foreign government.
(4) Debit with the amount of decreases due to changes in the foreign exchange rate at year end.
Normal contra GLACs: 102 and 828.

225-Foreign Unemployment Insurance Taxes Payable
Used for: NAFIs outside CONUS.
Normal balance: Credit
Purpose: Record the amount withheld from foreign national employee pay for the tax plus the amount contributed by the employer.
Typical transactions:
(1) Credit with the amount of tax withheld from foreign national employee pay plus the amount contributed by the employer.
(2) Debit with the amount paid to the foreign government or authorized agent.
Normal contra GLACs: 102 and 614.

226-Foreign Medical Insurance Taxes Payable
Used for: NAFIs outside CONUS.
Normal balance: Credit

Purpose: Record the amount withheld from foreign national employee pay and bonuses for the tax plus the amount contributed by the employer.
Typical transactions:
(1) Credit with the amount withheld from foreign national employee pay plus the amount contributed by the employer.
(2) Debit with the amount paid to the foreign government or authorized agent.
Normal contra GLACs: 102 and 615.

227-Foreign Welfare and Pension Taxes Payable
Used for: NAFIs outside CONUS.
Normal balance: Credit
Purpose: Record the amount withheld from local foreign national pay and bonuses for each tax and the amount contributed by the employer.
Typical transactions:
(1) Credit with the amount withheld from local foreign national pay plus the amount contributed by the employer.
(2) Debit with the amount paid to the foreign government or authorized agent.
Normal contra GLACs: 102 and 616.

228-Manual Pay Reimbursements Payable
Used for: Used only by the CNPO.
Normal balance: Credit
Purpose: Record the amount paid employees independent of the payroll system that must be repaid to the NAFI.
Typical transactions:
(1) Credit with the amount of the manual payment to the employees.
(2) Debit with the amount withheld from the employee and paid back to the NAFI.
Normal contra GLACs: 102 and 102.

229-401k Deduction Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of 401k deductions which were deducted from employees pay and have not yet been forwarded.
Typical transactions:
(1) Credit with the amount of the deduction.
(2) Debit with the amount paid to the 401k account.
Normal contra GLACs: 101 and 626.

230-Tips and Service Charge Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of tips and service charges earned by employees that are collected by the fund.
Typical transactions:
(1) Credit with the amounts that appear on customer charge slips and cash tips turned over to the NAFI.
(2) Debit with the amount paid to the employees.
Normal contra GLACs: 102 and 102.

231-Inter NAFI Payables - Within MACOM
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount owed to other NAFIs. Subsidiary records will be maintained and reconciled with the control account monthly.
Typical transactions:
(1) Credit with the amount owed to other NAFIs.
(2) Debit with the amount paid to the other NAFI.
Normal contra GLACs: 102 and 102.

232-Inter NAFI Payables - Outside MACOM
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount owed to other NAFIs. Subsidiary records will be maintained and reconciled with the control account monthly.
Typical transactions:
(1) Credit with the amount owed to other NAFIs.
(2) Debit with the amount paid to the other NAFI.
Normal contra GLACs: 102 and 102.

233-U.S. Unemployment Insurance Payable
Used for: CFSC only.
Normal balance: Credit
Purpose: Record the total amount owed to the Department of Labor for unemployment compensation.
Typical transactions:
(1) Credit with the amount of unemployment compensation collected from NAFIs.
(2) Debit with the amount paid to the Department of Labor.
Normal contra GLACs: 101 and 102

234-ARM Distribution Payable
Used for: CFSC only.
Normal balance: Credit
Purpose: Record the amount of slot machine profits to be distributed to Major Commands and installations.
Typical transactions:
(1) Credit with the amount of the payable.
(2) Debit with the amount paid.
Normal Contra GLACs: 101 and 753.

235-Demand Deposits Payable
Used for: CFSC only.
Normal balance: Credit
Purpose: Record the amount of funds NAFIs have on deposit in the central banking program.
Typical transactions:
(1) Credit with the amount of increases in the funds NAFIs have on deposit.
(2) Debit with the amount of decreases in the funds NAFIs have on deposit.
Normal Contra GLACs: 101.

236-Claims Payable
Used for: CFSC only.
Normal balance: Credit
Purpose: Record the amount of claims payable to individuals or businesses.
Typical transactions:
(1) Credit when the claim is established.
(2) Debit when the claim is paid.

Normal Contra GLACs: 101 and 693.

237-Construction Contracts Payable
Used for: CFSC only.
Normal balance: Credit
Purpose: Record the amount of construction contracts outstanding for major construction funded partially or fully by the military department level NAFI.
Typical transactions:
(1) Credit with the amount of major construction contracts awarded.
(2) Debit with the amount paid for major construction.
Normal Contra GLACs: 101 and 699.

238-Army Billeting Fund Surcharge Payable
Used for: Billeting Fund NAFIs Only.
Normal balance: Credit
Purpose: Record the amount of surcharge payable to the HQ Army billeting fund.
Typical transactions:
(1) Credit with the amount of surcharge payable.
(2) Debit with the surcharge amount paid.
Normal Contra GLACs: 101 and 758.

239-Thrift Savings Plan Payable
Used for: Used by CNPO Only.
Normal balance: Credit
Purpose: Record the amount of thrift savings deducted from employees pay and the employers matching amount payable to the Federal government.
Typical transactions:
(1) Credit with the amount deducted and the NAFIs matching contribution.
(2) Debit with the amount paid to the Federal government.
Normal Contra GLACs: 101 and 627.

240-Miscellaneous Other Payables
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of current liabilities that can not properly be recorded in other current liability accounts.
Typical transactions:
(1) Credit with the amount of miscellaneous payables.
(2) Debit with the amount paid.
Normal contra GLACs: Use as applicable.

Accruals

241-Interest Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of interest due on all outstanding interest bearing obligations.
Typical transactions:
(1) Credit with the amount of interest accrued as of the end of the accounting period.
(2) Debit with the amount of interest paid.
Normal contra GLACs: 102, 102, and 826.

242-Salaries and Wages Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of salaries and wages earned but not paid at the end of each accounting period.
Typical transactions:
(1) Credit with the amount of salaries and wages earned but not paid.
(2) Debit at the beginning of the next accounting period with the amount of the credit balance in this GLAC.
Normal contra GLACs: 101, 102, 601, and 602.

243-Annual Leave Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of leave accrued but not yet taken for all full time and part time employees. Adjustments necessary to bring the accrued annual leave account into balance with the aggregate individual leave records will be made monthly for those CAOs using NAFISS. The adjustment will be made at the end of each accounting year for those not using NAFISS.
Typical transactions:
(1) Credit with the amount of leave accrued during the accounting period.
(2) Debit with the amount of leave taken or paid during the accounting period.
Normal contra GLACs: 103 and 603.

244-Payroll Taxes Payable
Used for: All NAFIs
Normal balance: Credit
Purpose: Record the accrued payroll taxes on the unpaid salaries and wages recorded in GLAC 242 at the end of the accounting period.
Typical transactions:
(1) Credit with the amount of the employer's share of the tax liability.
(2) Debit at the beginning of the next accounting period with the amount of the balance shown in this GLAC.
Normal contra GLACs: 103 and 104.

245-Employee Bonuses Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the estimated amount of bonuses accrued, but not yet paid, to employees. Maintain subsidiary records for each type bonus and reconcile to the control account monthly.
Typical transactions:
(1) Credit with the amount of bonus earned by employees, but not yet paid.
(2) Credit with the amount of the employer's share of payroll taxes incurred against bonuses.
(3) Credit with the amount of the increase in the payable due to changes in the foreign exchange rate at year end.
(4) Debit with the excess amount of the accrual over the amount paid.
(5) Debit with the amount of bonuses paid to employees.
(6) Debit with the amount of the decrease in the payable due to changes in the foreign exchange rate at year end.
Normal contra GLACs: 103, 104, 617, 618, and 828.

246-Other Employee Benefits Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the estimated amount of other employee benefits that can not properly be recorded in other GLACs.
Typical transactions:
(1) Credit with the amount of benefits earned.
(2) Credit with the amount of employer's share of payroll taxes incurred against the benefits.
(3) Credit with the amount of increase in the payable due to changes in the foreign exchange rate at year end.
(4) Debit with the amount paid to employees.
(5) Debit with the excess amount of the accrual over the amount paid.
(6) Debit with the amount of decrease in the payable due to changes in the foreign exchange rate at year end.
Normal contra GLACs: 103, 104, 624, 625, and 828.

247-US Employee Compensatory Time Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of compensatory time earned, but not yet paid to employees.
Typical transactions:
(1) Credit with the amount of compensatory time earned, but not yet paid.
(2) Debit with the amount of compensatory time paid or used.
Normal contra GLACs: 103 and 621.

248-Foreign National Employee Compensatory Time Payable
Used for: NAFIs outside CONUS.
Normal balance: Credit
Purpose: Record the amount of compensatory time earned but not yet paid to foreign employees.
Typical transactions:
(1) Credit with the amount of compensatory time earned but not paid.
(2) Debit with the amount of compensatory time paid or used.
Normal contra GLACs: 104 and 622.

250-Bingo Cash Jackpot Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of unawarded cash bingo prizes.
Typical transactions:
(1) Credit with the amount not yet paid.
(2) Debit with the amount accrued when prizes are awarded.
Normal contra GLACs: 101 and 750.

251-Bingo Merchandise Jackpot Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of the NAFIs cost of unawarded merchandise bingo prizes.
Typical transactions:
(1) Credit with the amount not yet paid.
(2) Debit with the amount accrued when prizes are awarded.
Normal contra GLACs: 101 and 750.

256-Audit Expense Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the estimated cost of commercial audits.
Typical transactions:
(1) Credit with the estimated cost each month until the audit is performed.
(2) Debit with the amount of the accrual when the audit fee is paid.
Normal contra GLACs: 101, 102, and 738.

257-Accrued Maintenance Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of anticipated maintenance costs for major items that occur infrequently but are properly expensed over the accounting year.
Typical transactions:
(1) Credit with the amount of estimated maintenance expense accrued.
(2) Debit with the amount accrued when the maintenance is paid for.
Normal contra GLACs: 101, 102, 657, 658, and 659.

260-Miscellaneous Other Accruals
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of accruals that can not properly be recorded in other accounts.
Typical transactions:
(1) Credit with the amount of the accrual.
(2) Debit with the amount when the item is paid for.
Normal contra GLACs: 101 and 102.

Unearned Income

261-Special Event Advance Ticket Sales
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of the liability for tickets sold in advance of an event.
Typical transactions:
(1) Credit with the amount of tickets sold.
(2) Debit when the event is held.
Normal contra GLACs: 101, 102, and 503.

262-Dues and Assessments Advance Payments
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of dues and fees received in advance.
Typical transactions:
(1) Credit with the amount received in advance.
(2) Debit with the amount earned.
Normal contra GLACs: 101, 102, and 509.

263-Advance Payments on Accounts

Used for: All NAFIs
Normal balance: Credit
Purpose: Record the amount of fees paid in advance that can not properly be recorded in GLAC 282. For example, fees for billeting or mess.
Typical transactions:
(1) Credit with the amount received in advance.
(2) Debit with the amount earned.
Normal contra GLACs: 101 and 5XX.

267-Miscellaneous Other Unearned Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of the liability for deferred income that can not properly be recorded in other GLACs.
Typical transactions:
(1) Credit with the amount of deferred income.
(2) Debit with the amount earned or moved to another GLAC.
(3) Debit to transfer the months amortized portion of the discount/interest from major construction projects to GLAC 801.
Normal contra GLACs: 101, 102, 196, and 801.

Long Term Liabilities

268-Long Term Loans Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of loans due beyond the next 12 months.
Typical transactions:
(1) Credit with the original amount of the loan.
(2) Debit with the amount moved to GLAC 203.
Normal contra GLACs: 203.

270-US Employee Allowances Payable
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount accrued for various types of allowances to pay each group of US employees upon transfer or separation, such as transportation or severance allowances and separation pay.
Typical transactions:
(1) Credit each month with the amount accrued for allowances.
(2) Debit with the amount paid.
Normal contra GLACs: 101 and 601.

271-Foreign National Employee Allowances Payable
Used for: NAFIs outside CONUS.
Normal balance: Credit
Purpose: Record the amount accrued for various types of allowances to pay each group of employee upon separation, under local foreign government statutes.
Typical transactions:
(1) Credit with the amount accrued for allowances.
(2) Debit with the amount paid.
Normal contra GLACs: 102, 614, 615, 616, and 619.

272-Reserve for Claims
Used for: CFSC only.
Normal balance: Credit
Purpose: Record the amount of claims to be paid in the future based on actuarial evaluations or other estimating methods.
Typical transactions:
(1) Credit with the estimated amount of outstanding claims.
(2) Debit with the amount paid.
Normal Contra GLACs: 101 and 693.

275-Miscellaneous Other Long Term Liabilities
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of other long term liabilities of the NAFI that can not properly be recorded in another GLAC.
Typical transactions:
(1) Credit with the amount accrued.
(2) Debit with the amount paid.
Normal contra GLACs: Use as applicable.

289-Location Clearing Account
Used for: All NAFIs.
Normal balance: NONE
Purpose: Record the amounts transferred between locations in the same fund. The amounts will be recorded in this account and backed out within the same accounting period.
Typical transactions:
(1) Credit with the amount transferred out of one location.
(2) Debit with the same amount transferred into the other location.
Normal contra GLACs: Use as applicable.

Equity

291-Contributed Capital
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of capital from sources outside the NAFI. For example, the amount of approved grants.
Typical transactions:
(1) Credit with the amount received from higher HQ and other NAFIs.
(2) Credit with the amount of dividends found by AOB to be CPMC equity share.
(3) Credit to record funds provided from outside sources to make payments and CPMC purchases.
(4) Debit at Major Command with cash grants transferred to installations.
Normal contra GLACs: 101, 102, and 196.

292-Retained Earnings
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of retained earnings. Transactions affecting retained earnings not requiring DFAS approval are limited to the following: net income; net loss; entries associated with dissolution of a NAFI; the

declaration of retained earnings distributions by resale and revenue-sharing funds; approved inter-NAFI transfers; and transfers from GLAC 990 at the end of each fiscal year. Retained earnings adjustments will be explained in a footnote to the Balance Sheet.
Typical transactions:
(1) Credit with the amount of net income for the accounting period.
(2) Credit with the amount of DFAS approved adjustments.
(3) Debit with the amount of net loss for the accounting period.
(4) Debit with the amount of DFAS approved adjustments.
Normal contra GLACs: 206 and 900.

Sales

301-Cash sales
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of cash sales of goods. Some examples are sales made by dining rooms, bars, snack bars, and book departments. This account may be used for hotel telephone operations that are accounted for as an annex or activity of the hotel.
Typical transactions:
Credit with the amount of cash sales.
Normal contra GLACs: 101.

302-Credit Sales
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of charge sales.
Typical transactions:
Credit with the amount of charge sales.
Normal contra GLACs: 121 and 139.

303-Layaway Sales
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of sales of items on layaway.
Typical transactions:
Credit with the amount of layaway sales.
Normal contra GLACs: 138.

304-Sales Returns and Allowances
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of returns of, or allowances on, goods previously sold and later returned. See GLAC 653 for customer rejected meals and beverages which were rejected before the customer paid for them.
Typical transactions:
Debit with the amount of sales returns.
Normal contra GLACs: 101, 121, and 139.

305-Sales discounts
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of sales discounts given on the sale of items.
Typical transactions:
Debit with the amount of discounts given on the sale of items.
Normal contra GLACs: 301 and 302.

306-Employee discounts
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of sales discounts given to NAFI employees.
Typical transactions:
Debit with the amount of employee sales discounts.
Normal contra GLACs: 301 and 302.

Cost of goods sold

401-Purchases
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of merchandise purchased for resale including shipping and handling. This account may also be used to record local and long distance telephone service charges when charged as part of a hotel or separate operation. Purchase transactions for warehouse storage and later issue will be identified by use of the fund code of the entity operating the warehouse. Purchase transactions for immediate use by a facility will be identified by use of the assigned facility code with the fund code.
Typical transactions:
(1) Debit with the cost (net of discount) of all merchandise purchased for resale from all sources.
(2) Credit with the balance at the end of the accounting period.
(3) Credit with the discounts received after the purchase cost is recorded.
Normal contra GLACs: 201 and 204.

402-Warehouse/Storeroom Requisitions
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of merchandise moved from the warehouse to various locations within the same NAFI.
Typical transactions:
(1) Debit with the amount of merchandise moved from the warehouse.
(2) Credit with the balance at the end of the accounting period.
Normal contra GLACs: 412 ONLY.

403-Transfers From Other Funds
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of resale merchandise received from another NAFI.
Typical transactions:
(1) Debit with the cost of resale merchandise received from another NAFI.
(2) Credit with the balance at the end of the accounting period.
Normal contra GLACs: 101, 231, and 232.

404-Transfers From Other Locations/Departments

Used for: All NAFIs
Normal balance: Debit
Purpose: Record the amount of resale merchandise received from another location or department in the same NAFI.
Typical transactions:
(1) Debit with the cost of resale merchandise received.
(2) Credit with the balance at the end of the accounting period.
Normal contra GLACs: 414 ONLY.

411-Purchase Returns and Allowances
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of merchandise returned or allowances taken.
Typical transactions:
(1) Credit with the amount of merchandise returned or allowances taken.
(2) Debit with the balance at the end of the accounting period.
Normal contra GLACs: 201.

412-Warehouse/Storeroom Issues
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the cost of merchandise moved from the warehouse or storeroom to departments or locations in the same NAFI.
Typical transactions:
(1) Credit with the cost of merchandise moved.
(2) Debit with the balance at the end of the accounting period.
Normal contra GLACs: 402 ONLY.

413-Transfers to other Funds
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the cost of resale merchandise issued to another NAFI.
Typical transactions:
(1) Credit with the cost of resale merchandise issued.
(2) Debit with the balance at the end of the accounting period.
Normal contra GLACs: 135 and 136.

414-Transfers to Other Locations/Departments
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the cost of resale merchandise transferred to another department or location in the same NAFI.
Typical transactions:
(1) Credit with the cost of resale merchandise transferred.
(2) Debit with the balance at the end of the accounting period.
Normal contra GLACs: 404 ONLY.

416-Other Inventory Reductions
Used for: All NAFIs.
Normal balance: Credit.
Purpose: Deduct the cost of unusual reductions in inventory from cost of goods sold, such as losses that result from insurance claims. Also used when transferring amounts to an operating expense GLAC or to net to zero in the cost of goods sold section for a non-resale NAFI other than a warehouse. Also includes the cost of meals provided to employees free of charge.
Typical transactions:
Credit with the amount of the loss or transfer.
Normal contra GLACs: 131, 6XX, 730, and 7XX.

432-Cost of Goods Sold, Inventory Overage
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the value of inventory overages resulting from the physical inventory count of resale merchandise.
Typical transactions:
Debit with the amount of inventory overages.
Normal contra GLAC: 512 ONLY.

452-Cost of Goods Sold, Promotions
Used for: All NAFIs.
Normal balance: Credit.
Purpose: Deduct the cost of merchandise consumed during promotions within the NAFI from cost of goods sold.
Typical transactions:
Credit with the cost of the merchandise given away.
Normal contra GLAC: 652 ONLY.

453-Cost of Goods Sold, Customer Rejected Goods
Used for: All NAFIs.
Normal balance: Credit
Purpose: Deduct the cost of meals and beverages rejected by customers before sales are consummated from cost of goods sold.
Typical transactions:
Credit with the cost of rejected meals and beverages.
Normal contra GLAC; 653 ONLY.

454-Cost of Goods Sold, Resale Merchandise, Spoilage, Breakage, and Obsolescence
Used for: All NAFIs.
Normal balance: Credit
Purpose: Deduct the cost of food and bar items or other resale merchandise broken or spoiled from cost of goods sold.
Typical transactions:
Credit with the cost of merchandise losses.
Normal contra GLAC: 654 ONLY.

455-Cost of Goods Sold, Warehouse/Storeroom Spoilage, Breakage, and Obsolescence
Used for: All NAFIs.
Normal balance: Credit
Purpose: Deduct the cost of broken or spoiled warehouse inventory items from cost of goods sold. This includes inventory obsolescence losses reported to the installation commander.
Typical transactions:
Credit with the cost of merchandise losses.
Normal contra GLAC: 655 ONLY.

456-Cost of Goods Sold, Inventory Shortage
Used for: All NAFIs.
Normal balance: Credit
Purpose: Deduct the cost of inventory shortage discovered in the physical inventory count from cost of goods sold.
Typical transactions:
Credit with the cost of inventory shortages.
Normal contra GLAC: 656 ONLY.

Other Operating Income

501-Service/Recreation Activity Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of income from recreation fees and services, or income from the NAFIs recycling supplemental mission sale of recyclable material to a commercial dealer.
Typical transactions:
Credit with the amount of income received.
Normal contra GLACs: 101, 121, and 139.

502-Concession Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of fees received or due from vending machines, restaurants, snack bars, and such, operated under a concessionaire contract. Also record the amount received from hotels, tour operators, etc. for referrals and bookings.
Typical transactions:
Credit with the amount received or due.
Normal contra GLACs: 101 and 123.

503-Special Events Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of income received from special events sponsored by a NAF activity that can not be properly recorded in GLAC 501.
Typical transactions:
Credit with the amount of income received.
Normal contra GLACs: 101 and 139.

504-Rental and Usage Fee Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of fees received from or billed to customers and others for the use of facilities, equipment, utilities, delivery services, and other charges.
Typical transactions:
Credit with the amount of fees received or billed.
Normal contra GLACs: 101 and 121.

505-TV and Radio Rights Income
Used for: ALL NAFIs.
Normal balance: Credit
Purpose: Record the amount of income received or billed from TV and radio coverage of athletic and special events. Also includes amounts received from cable franchise fees.
Typical transactions:
Credit with the amount of income received or billed.
Normal contra GLACs: 101.

506-Program and Brochure Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of income received from the sale of programs and brochures at athletic and special events.
Typical transactions:
Credit with the amount of income received.
Normal contra GLACs: 101.

507-Guaranteed Participation Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of income received for taking part in athletic and special events where the host guarantees income.
Typical transactions:
Credit with the amount of income received.
Normal contra GLACs: 101.

509-Dues Income
Used for: NAFIs which charge dues.
Normal balance: Credit
Purpose: Record the amount of dues billed, collected, or moved from GLAC 282.
Typical transactions:
Credit with the amount of dues billed, collected, or moved from GLAC 282.
Normal contra GLACs: 101 and 262.

511-Cash Overage Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of the overages of cashiers.
Typical transactions:
Credit with the amount of the overages.
Normal contra GLACs: 101.

512-Inventory Overage Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of inventory overages identified in the physical inventory count.
Typical transactions:
Credit with the amount of inventory overages.
Normal contra GLACs: 432 ONLY.

515-Vendor Reimbursement Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of vendor reimbursement received for services or supplies provided to the concessionaire by the NAFI.
Typical transactions:
Credit with the amount charged.
Normal contra GLACs: 101.

516-Forfeited Layaway Sales Income

Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of revenue received when a layaway order is cancelled or expires.
Typical transactions:
Credit with the amount or revenue received.
Normal contra GLACs: 101.

517-Late Charge Assessment Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount charged for late payment.
Typical transactions:
Credit with the amount charged.
Normal contra GLACs: 101.

518-POV Registration Fee Income
Used for: USAREUR Vehicle Registration Fund.
Normal balance: Credit
Purpose: Record the amount of revenue received from the registration of privately owned vehicles involving issuing license plates.
Typical transactions:
Credit with the amount received from the sale of license plates.
Normal contra GLACs: 101.

519-Operator License Fee Income
Used for: USAREUR Vehicle Registration Fund.
Normal balance: Credit
Purpose: Record the amount of revenue received from the issue of operator licenses.
Typical transactions:
Credit with the amount received from the sale of license plates.
Normal contra GLACs: 101.

520-Reregistration Fee Income
Used for: USAREUR Vehicle Registration Fund.
Normal balance: Credit
Purpose: Record the amount of revenue received from the issue of registration decals.
Typical transactions:
Credit with the amount received for reregistration decals.
Normal contra GLACs: 101.

521-Nonoperational Vehicle Fee Income
Used for: USAREUR Vehicle Registration Fund.
Normal balance: Credit
Purpose: Record the amount of revenue received from the issue of documents which let an owner keep a vehicle but don't allow it to be driven.
Typical transactions:
Credit with the amount or nonoperational fees received.
Normal contra GLACs: 101.

522-Weapons Registration Fee Income
Used for: USAREUR Vehicle Registration Fund.
Normal balance: Credit
Purpose: Record the amount of revenue received from the registration of privately owned weapons.
Typical transactions:
Credit with the amount or registration fees received.
Normal contra GLACs: 101.

523-Returned Check Service Charge Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of revenue received form locally assessed service charge for collecting returned checks.
Typical transactions:
Credit with the amount of service charge assessed or collected.
Normal contra GLACs: 101, 121, and 140.

524-ARM Profit Distribution Income
Used for: NAFIs outside CONUS.
Normal balance: Credit
Purpose: Record the amount of revenue received from the ARM program at the time the money is removed from the machines and/or when the ARM profit distribution advice is received from CFSC.
Typical transactions:
Credit with the amount of the revenue or profit distribution advice received.
Normal contra GLACs: 101, 120, and 189.

525-ARM Expense Reimbursement Income
Used for: NAFIs outside CONUS.
Normal balance: Credit
Purpose: Record the amount of income received from CFSC as reimbursement for the cost of providing a facility for and operating the slot machines.
Typical transactions:
Credit with the amount of reimbursement received or expected.
Normal contra GLACs: 101, and 120.

527-Service Charge Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of revenue earned as service charges, other than from returned checks.
Typical transactions:
Credit with the amount of service charges added to customer bills.
Normal contra GLACs: 101 and various receivables.

528-Warehouse Price Variance Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the price adjustments when the amount to be paid for inventory purchases is less than the amount recorded as the original purchase. Use only for warehouse inventories under stock record control. Do not use for retail inventories.
Typical transactions:
Credit with the amount of service charges added to customer bills.
Normal contra GLACs: 101 and 201.

529-Fishing Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the fees earned from fishing activities.
Typical transactions:
Credit with the amount of revenue.
Normal contra GLACs: 101 and 121.

530-Hunting Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the fees earned from hunting activities.
Typical transactions:
Credit with the amount of revenue.
Normal contra GLACs: 101 and 121.

531-Green Fees Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the revenue earned as green fees.
Typical transactions:
Credit with the amount of revenue earned.
Normal contra GLACs: 101 and 121.

532-Driving Range Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the revenue earned from driving ranges.
Typical transactions: Credit with the amount of revenue earned.
Normal contra GLACs: 101 and 121.

533-Golf Cart Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the revenue earned from renting golf carts.
Typical transactions:
Credit with the amount revenue earned.
Normal contra GLACs: 101 and 121.

534-Instructional Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the revenue earned as instruction fees.
Typical transactions:
Credit with the amount of revenue earned.
Normal contra GLACs: 101 and 121.

535-Lane Fees Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the revenue earned as bowling lane fees.
Typical transactions:
Credit with the amount of revenue earned.
Normal contra GLACs: 101 and 121.

536-Shoe Rental Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the revenue earned from shoe rentals.
Typical transactions:
Credit with the amount of revenue.
Normal contra GLACs: 101 and 121.

537-Local Telephone Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the revenue earned from customer use of telephones.
Typical transactions:
Credit with the amount of revenue.
Normal contra GLACs: 101.

538-Recyclable Material Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the payment received from non-NAFI recycling programs. This account will not be used for the revenue earned by the NAFI from selling recyclable materials when the NAFI runs the recycling program.
Typical transactions:
Credit with the amount of the payment.
Normal contra GLACs: 101.

539-Amusement Machine Income (Non-Concessionaire)
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the revenue earned from NAFI controlled amusement machines.
Typical transactions:
Credit with the amount of revenue.
Normal contra GLACs: 101.

541-Commercial Travel Office Commission Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the income the installation receives.
Typical transactions:
Credit with the amount of income.
Normal contra GLACs: 101.

542-APF Contract Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the income received from APF contracts where the NAFI performs a service or provides materials to the U.S. Government.
Typical transactions:
Credit with the amount of income.
Normal contra GLACs: 101 and 140.

543-USDA Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the income received from the U.S. Department of Agriculture for meals provided to children.
Typical transactions:
Credit with the amount of income.
Normal contra GLACs: 101 and 140.

545-AAFES Dividend Income

Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the Army Simplified Dividend (ASD) received from the military exchange service.
Typical transactions:
Credit with the amount of income.
Normal contra GLACs: 101 and 125.

546-Insurance Premiums Income
Used for: CFSC and SAI Fund only.
Normal balance: Credit
Purpose: Record the amount of insurance premiums received from installations and Major Commands.
Typical transactions:
Credit with the amount of insurance premiums received or billed.
Normal contra GLACs: 101 and 140.

547-Income From Allocation of Expenses
Used for: CFSC only.
Normal balance: Credit
Purpose: Record the amount of income from other funds when costs are distributed between various funds.
Typical transactions:
Credit with the amount of cost allocated to other funds.
Normal contra GLACs: 101 and 119.

548-Coupon and Special Offer Discounts
Used for: All NAFIs.
Normal balance: Debit (Contra income account)
Purpose: Record the amount of coupon and special offer discount granted to customers.
Typical transactions:
Debit with the amount of discounts granted.
Normal contra GLACs: 101 and 5XX.

549-AAFES Other Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the other income received from the military exchange service that is not ASD.
Typical transactions:
Credit with the amount of income.
Normal contra GLACs: 101 and 125.

550-Consignment Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the full amount of cash received from consignment sales. Includes tickets sold via automated ticketing machines.
Typical transactions:
Credit with the amount of consignment tickets sold.
Normal contra GLACs: 101, 121, and 140.

551-Communications Services Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the revenue earned from customer use of communications equipment including electronic mail, faxes, etc..
Typical transactions:
Credit with the amount of revenue.
Normal contra GLACs: 101, 121, and 140.

553-Commercial Sponsorship Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the cash or checks received from commercial sponsors or MWR events, functions, or promotions.
Typical transactions:
Credit with the amount of cash or checks received.
Normal contra GLACs: 101.

554-Food Purchase Rebate
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the rebates received from food vendors involved in the food purchase rebate program.
Typical transactions:
Credit with the amount of rebate received.
Normal contra GLACs: 101.

555-Garnishment Processing Revenue
Used for: Central NAF Payroll Office only.
Normal balance: Credit
Purpose: Record the amount of garnishment processing revenue received from individuals whose wages are garnished.
Typical transactions:
Credit with the amount or revenue collected.
Normal contra GLACs: 101.

599-Miscellaneous Other Operating Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of income received that can not properly be recorded in any other operating income GLAC.
Typical transactions:
Credit with the amount of income received.
Normal contra GLACs: 101 and 140.

Operating Expenses

Labor Expenses

601-US Salaries and Wages
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of gross salaries and wages paid to U.S. employees.
Typical transactions:
(1) Debit with the gross amount of salaries and wages paid, including overtime.
(2) Debit with the gross amount of salaries and wages earned but not paid, at the end of the accounting period. This entry will be reversed at the beginning of the new accounting period.
(3) Credit with the amount of annual and sick leave paid.
Normal contra GLACs: 242, 243, 603, 605, and 623.

602-Foreign National Salaries and Wages.
Used for: NAFIs outside CONUS.
Normal balance: Debit
Purpose: Record the amount of salaries and wages paid to foreign national employees.
Typical transactions:
(1) Debit with the gross amount of salaries and wages paid.
(2) Debit with the gross amount of salaries and wages earned, but not paid, at the end of the accounting period. This entry will be reversed at the beginning of the new accounting period.
(3) Credit with the amount of annual and sick leave paid.
Normal contra GLACs: 242, 243, 604, and 606.

603-US Annual leave
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of annual leave earned each payroll period.
Typical transactions:
Debit with the amount of annual leave earned at the end of each payroll period.
Normal contra GLACs: 243.

604-Foreign National Annual Leave
Used for: NAFIs outside CONUS.
Normal balance: Debit
Purpose: Record the amount of annual leave earned by foreign national employees at the end of each payroll period.
Typical transactions:
Debit with the amount of annual leave earned at the end of each payroll period.
Normal contra GLACs: 243.

605-US Sick Leave
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of sick leave paid to U.S. employees during the accounting period.
Typical transactions:
Debit with the amount of sick leave paid during the accounting period.
Normal contra GLACs: 101, 103, and 601.

606-Foreign National Sick Leave
Used for: NAFIs outside CONUS.
Normal balance: Debit
Purpose: Record the amount of sick leave paid to foreign national employees during the accounting period.
Typical transactions:
Debit with the amount of sick leave paid at the end of each payroll period.
Normal contra GLACs: 102, 104, and 602.

607-US Worker's Compensation Insurance
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of the NAFI's cost for Worker's Compensation Insurance for US employees.
Typical transactions:
Debit with the cost of Worker's Compensation Insurance.
Normal contra GLACs: 101 and 201.

608-Foreign National Worker's Compensation Insurance
Used for: NAFIs outside CONUS.
Normal balance: Debit
Purpose: Record the amount of the NAFI's cost for Worker's Compensation Insurance for foreign national employees.
Typical transactions:
Debit with the cost of Worker's Compensation insurance.
Normal contra GLACs: 102 and 201.

609-US Retroactive Wage Increases
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of wage increases granted retroactively to U.S. employees. When such an increase is anticipated, the amount may be estimated and apportioned monthly over the period covered.
Typical transactions:
Debit with the estimated or actual amount of the wage increase for the accounting period.
Normal contra GLACs: 246.

610-Foreign National Retroactive Wage Increases
Used for: NAFIs outside CONUS.
Normal balance: Debit
Purpose: Record the amount of wage increases granted retroactively to foreign national employees. When such an increase is anticipated, the amount may be estimated and apportioned monthly over the period covered.
Typical transactions:
Debit with the estimated or actual amount of the wage increase for the accounting period.
Normal contra GLACs: 246.

611-Employer's Share of FICA
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of the NAFI's share of FICA taxes, which matches the amount deducted from the employee's wages.
Typical transactions:
Debit with the amount of the NAFI's share of FICA taxes.
Normal contra GLACs: 213.

612-Employer's Share of Employee Group Health and Life Insurance Plans
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of the NAFI's share of group health and life insurance premiums.
Typical transactions:
Debit with the amount of the NAFI's share of group health and life insurance premiums.
Normal contra GLACs: 214.

613-Employer's Share of NAF Employee Retirement Plans
Used for: All NAFIs.

Normal balance: Debit
Purpose: Record the amount of the NAFI's share of NAF group annuity retirement plan.
Typical transactions:
Debit with the amount of the NAFI's share of NAF group annuity retirement plans.
Normal contra GLACs: 215.

614-Foreign National Unemployment Insurance Taxes
Used for: NAFIs outside CONUS.
Normal balance: Debit
Purpose: Record the amount of the NAFI's share of foreign national unemployment insurance taxes.
Typical transactions:
Debit with the amount of the NAFI's share of foreign national unemployment insurance taxes.
Normal contra GLACs: 225.

615-Foreign National Medical Insurance Taxes
Used for: NAFIs outside CONUS.
Normal balance: Debit
Purpose: Record the amount of the NAFI's share of foreign national medical insurance taxes.
Typical transactions:
Debit with the amount of the NAFI's share of foreign medical insurance taxes.
Normal contra GLACs: 226.

616-Foreign National Welfare and Pension Taxes
Used for: NAFIs outside CONUS.
Normal balance: Debit
Purpose: Record the amount of the NAFI's share of foreign national welfare and pension taxes.
Typical transactions:
Debit with the amount of the NAFI's share of foreign national welfare and pension taxes.
Normal contra GLACs: 227.

617-US Employee Bonuses and Awards
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of U.S. employee bonuses, to include the amount of cash and non-cash awards.
Typical transactions:
Debit with the amount of employee bonuses and awards.
Normal contra GLACs: 245.

618-Foreign National Employee Bonuses and Awards
Used for: NAFIs outside of CONUS.
Normal balance: Debit
Purpose: Record the amount of estimated accruals for bonuses to be paid to foreign national employees, to include cash and non-cash awards.
Typical transactions:
Debit with the estimated amount of the bonuses or awards accrued for the accounting period.
Normal contra GLACs: 245.

619-Foreign National Employee Separation Pay
Used for: NAFIs outside CONUS.
Normal balance: Debit
Purpose: Record the estimated accruals for separation pay to be paid to foreign national employees.
Typical transactions:
Debit with the amount accrued each month for separation pay.
Normal contra GLACs: 271.

620-US Unemployment Insurance Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of NAFI unemployment compensation costs.
Typical transactions:
Debit with the amount of unemployment compensation insurance expense for the period.
Normal contra GLACs: 101 and 153.

621-US Compensatory Time Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of compensatory time earned by US employees.
Typical transactions:
Debit with the amount of earned compensatory time.
Normal contra GLACs: 247.

622-Foreign National Compensatory Time Expense
Used for: NAFIs outside of CONUS.
Normal balance: Debit
Purpose: Record the amount of compensatory time earned by foreign national employees.
Typical transactions:
Debit with the amount of foreign national employee earned compensatory time earned.
Normal contra GLACs: 248.

623-Home leave Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the expense when home leave is taken. Do not accrue home leave.
Typical transactions:
Debit with the amount of home leave expense.
Normal contra GLACs: 601

624-Other US Benefits
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of employee related expenses that can not properly be recorded in another GLAC. For example, quarters allowances and tuition fees for dependents.
Typical transactions:
Debit with the amount of expense for the accounting period.
Normal contra GLACs: 246.

625-Other Foreign National Benefits
Used for: NAFIs outside of CONUS.
Normal balance: Debit

Purpose: Record the amount of employee related expenses that can not properly be recorded in another GLAC. For example, expense for foreign national employee's recreation and welfare required by the foreign government.
Typical transactions:
Debit with the amount of expense for the accounting period.
Normal contra GLACs: 246.

626-Employer Share of 401K Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the employer share of 401K contributions on behalf of employees.
Typical transactions:
Debit with the amount of expense for the accounting period.
Normal contra GLACs: 101.

627-Employer Share of Thrift Savings Plan Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the employer share of thrift savings plan contributions on behalf of employees.
Typical transactions:
Debit with the amount of expense for the accounting period.
Normal contra GLACs: 101.

Other Operating Expenses

651-Manager's Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of reimbursable expenses incurred by the NAFI manager in the administration of the NAFI. This includes customer relation items and the cost of comparative shopping.
Typical transactions:
Debit with the amount of the expense.
Normal contra GLACs: 101 and 201.

652-Promotion Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of nonreimbursable incurred by the manager in the administration of the NAFI. This includes the cost of free food and beverages to members and the cost of sampling meals for the purpose of testing the quality of the food and service.
Typical transactions:
Debit with the cost of the promotion item.
Normal contra GLACs: 452 only.

653-Customer Rejected Goods Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of meals and beverages rejected by customers before sales are consumated.
Typical transactions:
Debit with the cost of rejected meals and beverages.
Normal contra GLACs: 453 only.

654-Resale Merchandise, Spoilage, Breakage, and Obsolescence Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of food and bar items or other resale merchandise broken or spoiled. This includes inventory obsolescence losses reported to the installation commander.
Typical transactions:
Debit with the amount of losses.
Normal contra GLACs: 454 only.

655-Warehouse/Storeroom Spoilage, Breakage, and Obsolescence Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of broken or spoiled warehouse inventory items recorded in GLACs 141, 151, 155, and 156. This includes inventory obsolescence losses reported to the installation commander.
Typical transactions:
Debit with the cost of the losses.
Normal contra GLACs: 455 only.

656-Inventory Shortage Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of inventory shortages identified in physical inventories. Individual DA Forms 1991 should show all adjustments.
Typical transactions:
Debit with the amount of losses.
Normal contra GLACs: 456 only.

657-Facility Maintenance and Repair Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of repairs and maintenance of facilities. This includes NAFI-owned and non-NAFI-owned facilities. Generally, amounts over $2,500 will be capitalized.
Typical transactions:
Debit with the cost of repairs and maintenance.
Normal contra GLACs: 201.

658-Equipment Maintenance and Repair Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of repairs and maintenance of equipment. This includes NAFI-owned and non-NAFI-owned equipment. Generally, amounts over $2,500 will be capitalized.
Typical transactions:
Debit with the cost of repairs and maintenance.
Normal contra GLACs: 201.

659-Vehicle Maintenance and Repair Expense
Used for: All NAFIs.
Normal balance: Debit

Purpose: Record the cost of maintaining and repairing vehicles owned by the NAFI.
Typical transactions:
Debit with the amount of the expense.
Normal contra GLACs: 201.

660-Training Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of training employees.
Typical transactions:
Debit with the cost of the training.
Normal contra GLACs: 201.

661-Bad Debt Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of returned checks and other receivables that can not be collected.
Typical transactions:
Debit with the uncollectible amounts.
Normal contra GLACs: 12X and 134.

662-Discount Loss Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of discounts lost because the payment was not made within the time shown on the vendor invoices.
Typical transactions:
Debit with the amount of discounts lost.
Normal contra GLACs: 201.

663-Bank Service Charge Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of keeping a bank account.
Typical transactions:
Debit with the amount of the expense.
Normal contra GLACs: 101.

664-Vehicle Operating Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of normal operating costs of vehicles such as gas.
Typical transactions:
Debit with the amount of vehicle operating expenses.
Normal contra GLACs: 101 and 201.

665-Printing Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of printing and reproduction costs.
Typical transactions:
Debit with the amount of the expense.
Normal contra GLACs: 101 and 201.

666-Vehicle License Plate Expense
Used for: USAREUR Vehicle Registration Fund only.
Normal balance: Debit
Purpose: Record the NAFI's cost of license plates bought for the vehicle registration program.
Typical transactions:
Debit with the cost of license plates bought for the vehicle registration program.
Normal contra GLACs: 101 and 201.

667-Vehicle Decal Expense
Used for: USAREUR Vehicle Registration Fund only.
Normal balance: Debit
Purpose: Record the NAFI's cost of decals bought for the vehicle registration program.
Typical transactions:
Debit with the cost of decals bought for the vehicle registration program.
Normal contra GLACs: 101 and 201.

669-Door Prize and Promotion Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of merchandise or other prizes given away, including bingo, which are not normally found in the NAFIs inventory.
Typical transactions:
Debit with the cost of door prize or promotion merchandise.
Normal contra GLACs: 101 and 201.

670-Sports Activities Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost incurred for running sports programs, such as travel and entry fees.
Typical transactions:
Debit with the cost incurred.
Normal contra GLACs: 101 and 201.

671-Awards and Trophies Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of cash awards and the cost of trophies and other non-cash awards. This does not apply to employee awards. See GLACs 617 and 618 for employee awards.
Typical transactions:
Debit with the amount of awards and trophies, both cash and non-cash.
Normal contra GLACs: 101 and 201.

672-Sports Officials Expense
Used for: All authorized NAFIs.
Normal balance: Debit
Purpose: Record the amount of officiating expenses incurred by the NAFI to include MSF activities and Army Athletic Association events.
Typical transactions:
Debit with the amount of officiating expenses.
Normal contra GLACs: 101 and 201.

673-Sports Recruiting Expense

Used for: All authorized NAFIs.
Normal balance: Debit
Purpose: Record the cost incurred in recruiting potential scholar-athletes.
Typical transactions:
Debit with the cost incurred.
Normal contra GLACs: 101 and 201.

674-Sports Scouting Expense
Used for: All authorized NAFIs.
Normal balance: Debit
Purpose: Record the costs incurred in the scouting of opponents sporting events.
Typical transactions:
Debit with the cost incurred.
Normal contra GLACs: 101 and 201.

675-Sports Training Table Expense
Used for: All authorized NAFIs.
Normal balance: Debit
Purpose: Record the cost incurred in feeding scholar-athletes.
Typical transactions:
Debit with the cost incurred.
Normal contra GLACs: 101 and 201.

676-Sports Visiting Team Billeting and Meals Expense
Used for: All authorized NAFIs.
Normal balance: Debit
Purpose: Record the cost incurred in feeding and housing visiting teams.
Typical transactions:
Debit with the cost incurred.
Normal contra GLACs: 101 and 201.

677-Program and Brochure Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the costs in buying and selling programs and brochures.
Typical transactions:
Debit with cost incurred.
Normal contra GLACs: 101 and 201.

678-Volunteer Service Expense
Used for: All NAFIs.
Normal balance: Debit (Credit for the child care center).
Purpose: Record the NAFI cost to care for the children of authorized volunteers who give their services to command approved MWR programs. The activity or fund receiving the benefit of the volunteers services is charged with compensating the child care program for costs incurred. Credit this account at the child care center. The resulting credit balance in an expense account will not require an explanatory footnote to the financial statements. Crediting the expense rather than an income account prevents overstatement of income and expense.
Typical transactions:
(1) Debit with the amount charged to the NAFI or activity for compensating the child care program.
(2) Credit for the Child Care program with the amount of revenue received.
Normal contra GLACs: 135, 136, 231, and 232.

679-Condolences/Memorials Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the costs for condolences and memorials.
Typical transactions:
Debit with the cost incurred.
Normal contra GLACs: 101 and 201.

680-Warehouse Price Variance Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the price adjustments when the amount to be paid to the warehouse for inventory purchases is more than the amount recorded as purchases. Use only for warehouse inventories under stock record control. Not to be used for retail inventories.
Typical transactions:
Debit with the cost incurred.
Normal contra GLACs: 101 and 201.

681-Commissions Paid Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the costs incurred by NAFIs under agreement with travel agencies, businesses, or individuals that provide business referrals.
Typical transactions:
Debit with the costs incurred.
Normal contra GLACs: 101 and 201.

682-Civilian Personnel Services Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the NAFI's share of the cost of civilian personnel services.
Typical transactions:
Debit with the NAFI's share of the cost of civilian personnel services.
Normal contra GLACs: 201.

683-Administrative Support Branch Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the NAFI's share of the cost of Administrative Support Branch Services.
Typical transactions:
Debit with the NAFI's share of the cost.
Normal contra GLACs: 231 and 232.

684-Central Procurement Office Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the NAFI's share of central procurement office services.
Typical transactions:
Debit with the NAFI's share of the cost.

Normal contra GLACs: 231 and 232.

685-Central Accounting Office Expense
Used for: All NAFIs that use an off site accounting office.
Normal balance: Debit
Purpose: Record the NAFI's share of the accounting office expenses.
Typical transactions:
Debit with the NAFI's share of the cost.
Normal contra GLACs: 231 and 232.

686-Contract Services Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost for all services performed for the NAFI on contract or agreement.
Typical transactions:
Debit with the cost of all services performed for the NAFI on contract or agreement.
Normal contra GLACs: 201.

688-Common Service Fund Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the NAFI's share of common service expenses.
Typical transactions:
Debit with the NAFI's share of expense.
Normal contra GLACs: 231 and 232.

689-Payroll Service Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the NAFI's share of the payroll service expense. Record at the department code level.
Typical transactions:
Debit with the NAFI's share of expense.
Normal contra GLACs: 231 and 232.

690-Data Processing Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the NAFI's share of ADP expenses.
Typical transactions:
Debit with the NAFI's share of the expense.
Normal contra GLACs: 201.

691-CDS/YA Meals and Snack Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of meals and snacks served by CDS when the cost is a part of the child development program. Do not use to record sales.
Typical transactions:
Debit with the amount of the expense.
Normal contra GLACs: 101 and 201.

692-Training Travel Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of travel by NAF civilian employees to attend training.
Typical transactions:
Debit with the amount of travel expense for training.
Normal contra GLACs: 101 and 119.

693-Claims Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of claims paid by the NAFI.
Typical transactions:
Debit with the amount of claims paid by the NAFI.
Normal contra GLACs: 101, 236, and 272.

694-Studies and Analysis Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of contract studies and analysis.
Typical transactions:
Debit with the amount of contract studies and analysis paid by the NAFI.
Normal contra GLACs: 101 and 201.

695-Annuity Expense
Used for: CFSC Only.
Normal balance: Debit
Purpose: Record the amount of annuities paid during the accounting period.
Typical transactions:
Debit with the amount of annuities paid.
Normal contra GLACs: 101 and 201.

696-Grants Expense
Used for: CFSC Only.
Normal balance: Debit
Purpose: Record the amount of grants provided to other NAFIs.
Typical transactions:
Debit with the amount of grants provided.
Normal contra GLACs: 101 and 201.

697-Dividend Expense
Used for: CFSC only.
Normal balance: Debit
Purpose: Record the amount of dividends provided to other NAFIs.
Typical transactions:
Debit with the amount of dividends provided.
Normal contra GLACs: 101 and 206.

698-Vending Machine Income Sharing Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of the NAFI's vending machine profits subject to profit sharing or other sharing requirements.
Typical transactions:
Debit with the amount of vending machine profits payable to state licensing agencies or other outside operations.
Normal contra GLACs: 208.

699-Major Construction Expense
Used for: CFSC Only.
Normal balance: Debit
Purpose: Record the cost of major construction projects.
Typical transactions:
Debit with the cost of major construction projects.
Normal contra GLACs: 201 and 237.

726-Supply Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of supplies bought for immediate use or issued from the warehouse for use.
Typical transactions:
(1) Debit with the amount of supplies bought for immediate use.
(2) Debit with the amount of supplies received from the warehouse.
Normal contra GLACs: 151 and 201.

727-Laundry and Dry Cleaning Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost for the cleaning linens, uniforms, and such.
Typical transactions:
Debit with the amount of expense for laundry and dry cleaning.
Normal contra GLACs: 101 and 201.

728-Ice Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of ice for operations.
Typical transactions:
Debit with the amount of expense for ice.
Normal contra GLACs: 101 and 201.

729-Utilities Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of electricity, gas, water, and other utilities billed to, or paid by the NAFI.
Typical transactions:
Debit with the amount billed to or paid by the NAFI for utilities.
Normal contra GLACs: 101 and 201.

730-Communications Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost for telephone service, tolls, telegraph service, and postage charges including cost of providing toll-free service to in-calling customers.
Typical transactions:
Debit with the cost incurred.
Normal contra GLACs: 101 and 201.

731-Freight Expense
Used for: ALL NAFIs.
Normal balance: Debit
Purpose: Record the cost of moving operating supplies and equipment by commercial carriers. Freight expense that can be identified to a specific fixed asset should be included in the cost of the asset and depreciated.
Typical transactions:
Debit with the amount of the expense.
Normal contra GLACs: 101 and 201.

732-Operational Travel Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of travel by NAF civilian employees as authorized by AR 215-1.
Typical transactions:
Debit with the amount of travel expense.
Normal contra GLACs: 101 and 119.

733-Insurance Premiums Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of premiums paid for vehicles, aircraft, watercraft, fidelity bonds, and money and security insurance coverage.
Typical transactions:
Debit with the amount of premiums paid.
Normal contra GLACs: 101 and 153.

734-Building and Contents Insurance Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of premiums paid for buildings and contents insurance coverage.
Typical transactions:
Debit with the amount of premiums paid.
Normal contra GLACs: 101 and 153.

735-Advertising Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of monthly calendars and flyers, general advertising, and advertising for special events and sales.
Typical transactions:
Debit with the cost of advertising.
Normal contra GLACs: 101 and 201.

736-Taxes and Licenses Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of taxes on alcoholic beverages and any other tax or licenses required by Federal and State governments.
Typical transactions:
Debit with the amount of taxes paid or billed to the NAFI.
Normal contra GLACs: 101 and 201.

737-Tort Claims Expense
Used for: All NAFIs.
Normal balance: Debit

Purpose: Record the cost of tort claims paid by the NAFI per Chapter 12, AR 27-20 and AR 215-1.
Typical transactions:
Debit with the amount of claims paid by the NAFI.
Normal contra GLACs: 101, 236, and 272.

738-Audit Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of audits performed by commercial firms if the NAFI is required to pay.
Typical transactions:
Debit with the cost of commercial audits.
Normal contra GLACs: 256.

739-Cash Shortage And Overage Expense
Used for: All NAFIs.
Normal balance: Debit if shortage, Credit if overage.
Purpose: Record the amount of shortages or overages of cashiers.
Typical transactions:
(1) Debit with the amount of cash shortages.
(2) Credit with the amount of cash overages.
Normal contra GLACs: 101 and 102.

740-Interest Expense-Prompt Payment Act
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of interest penalties paid for late payments.
Typical transactions:
Debit with the amount of the penalty paid.
Normal contra GLACs: 101.

741-Deposits Lost Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of deposits lost on containers due to breakage or loss.
Typical transactions:
Debit with the amount of the penalty paid.
Normal contra GLACs: 101 and 128.

742-Furniture and Equipment Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of furniture, fixtures, and equipment identified as expense items rather than depreciable fixed assets.
Typical transactions:
Debit with the amount of expense items.
Normal contra GLACs: 201.

743-Commercial Credit Card Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount charged by commercial credit card companies for handling member credit card charge sales.
Typical transactions:
Debit with the fees charged by commercial credit card companies.
Normal contra GLACs: 101 and 201.

744-General Entertainment Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of general entertainment activities.
Typical transactions:
Debit with the amount of general entertainment expense.
Normal contra GLACs: 101 and 201.

745-Special Events Entertainment Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of entertainment for special events for which an admission fee may be charged.
Typical transactions:
Debit with the expense of entertaining for special events.
Normal contra GLACs: 101 and 201.

746-Rental Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of renting equipment, buildings, vehicles, and other items.
Typical transactions:
Debit with the amount paid by or billed to the NAFI.
Normal contra GLACs: 101 and 201.

747-Flowers and Decorations Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of flowers, plants, floral arrangements, and other decorations.
Typical transactions:
Debit with the amount paid or billed to the NAFI.
Normal contra GLACs: 101 and 201.

748-Hosting and Memberships Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of official hosting and representation activities, dues in authorized organizations, and the cost of complimentary tickets.
Typical transactions:
Debit with the amount paid or billed to the NAFI.
Normal contra GLACs: 101 and 201.

749-Tableware, Kitchenware, Linen, and Uniforms Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of china, glassware, silverware, utensils linens, and uniforms bought for immediate use, issued from the warehouse, or transferred form the prepaid GLAC. This GLAC includes the cost of renting.
Typical transactions:
Debit with the amount of the expense.
Normal contra GLACs: 101, 155, and 201.

750-Bingo Prize Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of bingo prizes awarded.
Typical transactions:
Debit with the amount of the expense.
Normal contra GLACs: 101, 156, and 201.

751-Collection Agency Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of collection agency charges.
Typical transactions:
Debit with the fees charged by collection agencies.
Normal contra GLACs: 101 and 201.

752-Investment Expense
Used for: CFSC Only.
Normal balance: Debit
Purpose: Record the amount of expenses incurred in investing cash by the central investment funds.
Typical transactions:
Debit with the amount of expenses incurred.
Normal contra GLACs: 101, 117, and 201.

753-ARM Distribution Expense
Used for: CFSC only.
Normal balance: Debit
Purpose: Record the amount of slot machine revenues distributed to other NAFIs.
Typical transactions:
Debit with the amount of slot machine revenue distributed to other NAFIs.
Normal contra GLACs: 101 and 234.

754-PCS Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost related to PCS of NAF employees including travel, per diem, movement and storage of household goods, and any other related expenses.
Typical transactions:
Debit with the cost of the PCS expense.
Normal contra GLACs: 101, 119, and 201.

755-Interest Expense
Used for: CFSC only.
Normal balance: Debit
Purpose: Record the amount of interest paid by the fund to scintillations and to vendors.
Typical transactions:
Debit with the amount of interest paid.
Normal contra GLACs: 101 and 201.

756-Consignment Ticket Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of tickets which the NAFI sells on consignment.
Typical transactions:
Debit with cost incurred.
Normal contra GLACs: 101 and 201.

757-Commercial Communications Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost for commercial communication services incurred for customer paid services provided. Includes electronic mail, fax, etc.
Typical transactions:
Debit with the cost incurred.
Normal contra GLACs: 101 and 201.

758-Billeting Fund Surcharge Expense
Used for: Billeting NAFIs only.
Normal balance: Debit
Purpose: Record the amount of surcharge which is payable to the HQ Army billeting fund NAFI.
Typical transactions:
Debit with cost incurred.
Normal contra GLACs: 238.

759-Cable/Pay TV Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of cable and pay TV services purchased.
Typical transactions:
Debit with cost incurred.
Normal contra CLACs: 201

799-Miscellaneous Operating Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of operating expenses that can not properly be recorded in other operating expense accounts.
Typical transactions:
Debit with the amount of the expense.
Normal contra GLACs: 240 and 260.
Nonoperating Income

801-Interest Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of interest income earned on bank deposits and securities. Only record at fund administration level. Appreciation in the value of bonds not providing for periodic payments of interest will also be credited to this account.
Typical transactions:
(1) Credit with the amount of interest income accrued during the accounting period.
(2) Credit with the amount of interest income received in addition to the amount accrued.
(3) Credit with the amount of appreciation to the value of bonds not providing for periodic payments of interest.
Normal contra GLACs: 101 and 267.

803-Gain On Disposal Of Other Fund-Owned Property
Used for: All NAFIs.
Normal balance: Credit

Purpose: Record the amount received from the sale of NAFI-owned property that was expensed when bought. Record at the location where the property was located. This account is not to be used to record gains from the sale or other disposal of fixed assets.
Typical transactions:
Credit with the amount received from the sale of property.
Normal contra GLACs: 101.

806-Nonoperating Sources of Revenue
Used for: All NAFIs
Normal balance: Credit
Purpose: Record the amount of nonoperating revenue received by the NAFI. The revenue will be recorded under the fund administration location unless the funds are specified for a particular NAFI program. If the funds are designated, the revenue will be recorded in the administration department of the recipient location. An example is a cash distribution from a higher HQ to an installation NAFI.
Typical transactions:
Credit with the amount of the nonoperating revenue.
Normal contra GLACs: 101.

807-Contributions and Donations From Charitable Sources
Used for: All NAFIs
Normal balance: Credit
Purpose: Record the contributions received from the Combined Federal Campaign or other charitable organizations. Record the contribution in the administrative department of the recipient location.
Typical transactions: Credit with the amount of the contribution.
Normal contra GLACs: 101.

808-NAF To APF Conversion Income
Used for: All NAFIs
Normal balance: Credit
Purpose: Record the amount of accrued leave removed from the NAFI books when a NAF employee moves to the APF payroll and the NAFI is not required to transfer funds to the APF books for the accrued leave.
Typical transactions:
Credit with the amount of the accrued leave.
Normal contra GLACs: 243.

825-Miscellaneous Other Nonoperating Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of income that can not properly be recorded in another income GLAC. Only record at fund administration. Some examples are unclaimed wages held for 6 months, and amounts of checks that have not cleared the bank within 6 months after issue, or on which stop payment orders have been made.
Typical transactions:
Credit with the amount of the income.
Normal contra GLACs: 101.

Nonoperating Expenses

826-Interest Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of interest expense incurred. Only record at fund administration level.
Typical transactions:
(1) Debit with the interest expense accrued for the accounting period.
(2) Debit with the amount of interest paid in addition to the amount accrued.
Normal contra GLACs: 101 and 241.

827-Loss or Gain on Disposal of Fixed Assets
Used for: All NAFIs.
Normal balance: Debit if loss, Credit if gain.
Purpose: Record the amount of loss or gain on the sale or other disposal of fixed assets. Record in location where asset was used.
Typical transactions:
(1) Debit with the amount of the asset's current book value in excess of the amount received.
(2) Credit with the amount of cash received in excess of the assets current book value.
Normal contra GLACs: Fixed Asset GLACs.

828-Loss or Gain on Foreign Currency Transactions
Used for: All NAFIs.
Normal balance: Debit if loss, Credit if gain.
Purpose: Record the amount of losses or gains resulting from differences between foreign currency units and the equivalent US dollar. Only record at fund administration level.
Typical transactions:
(1) Debit with the amount of the loss.
(2) Credit with the amount of the gain.
Normal contra GLACs: 102.

830-Isolated Unit Dividend Expense
Used for: CFSC only.
Normal balance: Debit
Purpose: Record the amount of dividends paid to isolated units that keep their own accounting records.
Typical transactions:
Debit with the amount of cash paid to the unit.
Normal contra GLACs: 101.

831-Reserve Component Dividend Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of dividends reserved for or paid to reserve components.
Typical transactions:
(1) Debit for Major Commands with the amount of reserve component dividends reported by each NAFI.
(2) Debit for Major Commands with the amount of dividends paid directly to reserve component units.
(3) Debit for NAFIs with the amount of dividends paid to reserve component units.
(4) Debit for NAFIs with the amount of dividends due to non-troop program reserve component units.
(5) Credit with the amount of adjustments as applicable

Normal contra GLACs: 101 and 206.

832-Loss on Close of Business Locations
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record all costs associated with closing down a business, such as losses on disposal of buildings, improvements, and furniture, fixtures, and equipment. Record at the location that applies to the facility or business activity being closed. Also applies to base closure.
Typical transactions:
Debit with the amount of book value of assets written off as a result of closing down a segment of the NAFI's business.
Normal contra GLACs: Fixed assets and various other asset GLACs.

833-APF to NAF Conversion Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of the accrued leave which must be established on the NAFIs books when an employee transfers from APF to NAF and the NAFI must fund the employees transferred accrued leave.
Typical transactions:
Debit with the amount established as accrued leave for the employee.
Normal contra GLACs: 243.

850-Miscellaneous Other Nonoperating Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of nonoperating expense that can not properly be recorded in other expense GLACs. Record at fund administration level.
Typical transactions:
Debit with the amount of expense.
Normal contra GLACs: 201 and 260.

Depreciation and Amortization

851-Building Depreciation Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of depreciation expense for buildings financed by the NAFI.
Typical transactions:
Debit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 162.

852-Building Improvements Depreciation Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of depreciation expenses for building improvements that have been capitalized.
Typical transactions:
Debit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 170.

853-Furniture, Fixtures, and Equipment Depreciation Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of depreciation expense for furniture, fixtures, and equipment capitalized by the fund.
Typical transactions:
Debit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 164.

854-Vehicles, Aircraft, and Boats Depreciation Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of depreciation expense on vehicles, aircraft, and boats capitalized by the NAFI.
Typical transactions:
Debit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 176.

855-Land Improvements Depreciation Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of depreciation expenses for land improvements that have been capitalized.
Typical transactions:
Debit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 172.

856-Breeding Livestock Depreciation Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of depreciation expense on breeding livestock.
Typical transactions:
Debit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 168.

857-Other Government Titled Fixed Assets Depreciation Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of depreciation expense on fixed assets bought by the NAFI and then moved to the Government.
Typical transactions:
Debit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 178.

858-Government Titled Buildings and Improvements Depreciation Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of depreciation expense on buildings and improvements paid for by the NAFI and then turned over to the Government.
Typical transactions:

Debit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 176.

Extraordinary Items

891-Extraordinary Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: THIS ACCOUNT IS USED VERY SELDOM. Record the amount of the expense incurred for unusual and infrequent items. Losses must meet the following criteria to be considered extraordinary: material in nature, of a character significantly different from typical NAFI activities, and NOT EXPECTED TO EVER OCCUR AGAIN.
Typical transactions:
Debit with the amount of the expense.
Normal contra GLACs: Use as applicable.

892-Extraordinary Income
Used for: All NAFIs.
Normal balance: Credit
Purpose: THIS ACCOUNT IS USED VERY SELDOM. Record the amount of income received from unusual and infrequent items. Gains must meet the following criteria to be considered extraordinary: material in nature, of a character significantly different from typical NAFI activities, and NOT EXPECTED TO EVER OCCUR AGAIN.
Typical transactions:
Credit with the amount of income.
Normal contra GLACs: Use as applicable.

Income and Expense Summary

900-Income and Expense Summary
Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of expenses and income in order to compute the amount of net income or net loss for the accounting period. Amounts recorded in several accounts will be recorded as contra entries to this account. At the end of each period, this account is closed into fund equity.
Typical transactions:
(1) Debit with the amount of expenses at the end of each accounting period.
(2) Credit with the amount of income at the end of each accounting period.
(3) Credit with the amounts recorded in inventory GLACs.
Normal contra GLACs: Various and 292.

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APPENDIX B

ACCOUNTING PROCEDURES FOR AIR FORCE NONAPPROPRIATED FUNDS

This appendix of the DoD Financial Management Regulation is for use by all nonappropriated fund accounting offices which use systems developed by the Department of the Air Force. The appendix contains policies and procedures specific to those systems. General or non-system-specific policies and procedures are included in the core regulation and have been excluded from this appendix. For example, the requirement that nonappropriated fund instrumentalities (NAFIs) conform to generally accepted accounting principles is not system-specific and applies to all DoD NAFIs. Therefore, it is included in the core regulation and excluded from this appendix.

This appendix supersedes all previously published policies and procedures, in the event of conflicting instructions, the policies and procedures in the regulation itself should be followed.

CHAPTER 1

PRINCIPLES, STANDARDS, AND REQUIREMENTS

B0101 Accounting Entity. The NAF Accounting Office (NAF AO) summarizes financial accounting results in terms of the entities that conduct the operation.

A. NAFI. Consider each NAFI (established according to AFI 34-201, Use of Funds) a separate entity for accounting purposes. Maintain asset, liability, and equity accounts at the NAFI-level. Use subsidiary records to reflect the location within the NAFI where the assets are used.

B. NAFI Subdivisions. NAFIs consist of one or more subdivisions called cost centers. Do not confuse the accounting term "cost center" with the operational term "activity." Group financial transactions relating to one operational activity (e.g., an NCO club) into one or more cost centers (e.g., bar, restaurant, snack bar, etc.). See AFMAN 34-214 for standard cost center codes and descriptions. These codes are used for accounting purposes only. They do not imply any organizational or operational relationship. Changes or additions to these codes must be approved by AFSVA/SVF. Use an optional third digit to provide further subdivisions (if needed).

B0102 Document Flow and Control. The activity manager sends all accounting documents to the NAF AO the next workday after the transaction date. Off-base sites submit accounting documents to the servicing NAF AO using a prearranged schedule.

B0103 General Ledger. The NAF AO maintains a separate general ledger for each NAFI. Air Force NAFs use a uniform general ledger chart of accounts to summarize NAFI business transactions.

A. General Ledger Account Codes (GLAC). AFSVA/SVF develops and assigns standard three-digit GLACs to identify general ledger and balance sheet accounts. Changes or additions to these codes must be approved by AFSVA/SVF. The NAF AO uses an optional fourth digit to provide increased detail data within the guidelines of each GLAC description. See AFMAN 34-214 for GLACs and descriptions.

B. Authorized Changes. Changes to requests to combine history balances of individual accounts must be approved by AFSVA/SVF.

C. General Ledger Maintenance. The NAF AO maintains the general ledgers and prepares the financial statements. They post transactions to the general ledger each workday. Before publishing financial statements, the NAF AO:

1. Includes information from other systems, such as Point of Sales (POS) systems, into the NAF accounting system.

2. Prepares adjusting and closing entries.

3. Updates financial records.

4. Reconciles subsidiary records to general ledger control accounts.

D. Final Processing. The RMFC designates a central control point to compile all data for final processing. Before publishing the financial statements, the RMFC ensures that the NAF AO accomplishes the items listed in paragraph B0103.C.

E. Subsidiary Records. The NAF AO keeps subsidiary records on balance sheet accounts. Reconcile the balances in these subsidiaries to the general ledger control accounts before preparing the financial statement. Automate the subsidiary records where possible. If the subsidiary records are not in balance to the general ledger control accounts,

the RMFC annotates the financial statement before releasing to external users.

B0104 Nonappropriated Fund Standard Accounting Management System (NAFSAMS). AFSVA maintains the standard Air Force accounting system. They provide centralized software development, maintenance, and support. AFSVA releases software updates and is the single organization authorized to change Air Force standard software.

B0105 Interim Financial Statements. The NAF AO prepares reports monthly and provides the information to SV management. SV management uses the interim financial statement to assess each operation's current performance. SV management uses the interim financial statements to plan for the future.

A. Adjusting Entries. The NAF AO posts required adjusting entries before completing interim reports. Refer to AFMAN 34-214. Establish and use a checklist for all required adjusting entries and automated processing. Document and explain adjustments to the general ledger on AF Form 2541, NAF Journal Voucher. Number and control journal vouchers (JV) by NAFI. Enter the JV number on the transaction to provide an adequate audit trail. The RMFC or designee (e.g., office manager) approves AF Forms 2541. Before approving, ensure that the NAF AO correctly prepared the entries and that explanations or backup documents have sufficient detail.

B. Finalizing the Financial Statement. After the NAF AO posts all transactions to the G/L for the current accounting period, the NAF AO:

1. Prepares a preliminary trial balance.

2. Reconciles all subsidiary records.

3. Makes any necessary adjustments.

4. Prepares the final interim trial balance before the final closeout.

5. Maintains the original trial balance.

6. Provides each manager and the Nonappropriated Fund Financial Analyst (NAFFA) with a copy (or a copy of the interim financial statement).

C. Financial Statements. The NAF AO prepares a final financial statement for each NAFI at the end of each accounting period after they have produced and reconciled the trial balance.

B0106 Fund Equity. The RMFC limits transactions into and out of equity to:

A. Net income.

B. Net losses.

C. Approved prior year adjustments.

D. Entries associated with the establishment, disestablishment, distribution, or redistribution of capital (see AFMAN 34-214).

B0107 Fund Equity Adjustments. DFAS approves request to make adjustments to fund equity. The RMFC submits requests for prior year fund equity adjustments through the MAJCOM, AFSVA/SVF, and AF/SVF to DFAS. The NAF AO records the transaction only after DFAS grants approval. Footnote the financial statement with the adjustment. Refer to AFMAN 34-214 for additional details.

B0108 Reserving Fund Equity. The NAF AO establishes the following Reserved Equity accounts for each NAFI:

A. Reserved Equity-Current Purchases. At the end of each accounting period, adjust this account to reflect the total value of all outstanding orders which have not yet been received. Include outstanding orders from all obligation documents, such as outstanding purchase orders, blanket purchase agreement (BPA) orders, and purchase requests for goods and services, including fixed assets on order.

B. Reserved Equity-Capital Requirements. During the month of September for each fiscal year, close the current dollar amount in the reserved equity to Fund Equity-Prior Year and set up the dollar amount for the next fiscal year. As of 30 September this account should reflect one fiscal year of proposed capital requirements (for example 30 September 1993 would reflect a balance for FY 94). At any other time during the year, the balance reflects the amounts approved but not yet obligated for the current FY. The NAF AO posts a change to this account when:

1. The NRB changes (part I that deals with capital assets).

2. An activity orders a capital item.

3. The fiscal year closes.

a. At the close of the fiscal year, the NAF AO reduces the current balance to zero and establishes the amount for the next fiscal year based on Part I of the NRB.

(1) Base- level NAFIs record only that portion of their NRB that the base will fund.

(2) MAJCOMs record the dollar value of approved grants for NRB items which have not yet been paid. The MAJCOMs adjust these amounts as they transfer portions of these grants to base level.

C. Reserved Equity-Quantity (Bulk) Expendable Equipment. During the month of September for each fiscal year (FY), close the current dollar amount in this reserve equity account to Fund Equity - Prior Year and set up the dollar amount for the next fiscal year. As of 30 September, this account should reflect one year of proposed quantity purchases of expendable items (part II of the NRB) (for example 30 September 93 would reflect a balance for FY 94). At any other time during the year, the balance reflects the amounts approved but not yet obligated for the current FY. The NAF AO posts a change to this account when:

1. The NRB changes (part II that deals with bulk purchases).

2. An activity orders a capital item.

3. The fiscal year closes. Follow the guidance in paragraph B0108.B.

B0109 Income. Record income when earned. Record to the benefitting cost center, if practical and identifiable. Income collected before the accounting period in which it is earned is recorded as a liability. Transfer the liability to income in the period in which it is earned.

B0110 Expenses. Record expenses when incurred. Record expenses to the cost center incurring the expense, if practical and identifiable.

A. Certain expenses, such as general advertising, depreciation on equipment for general purpose use, and accounting support service charge, are "overhead" expenses. The NAF AO posts these expenses to fund administration as defined in the cost center codes for A1-A9. Do not prorate those overhead expenses to other activities (except CCC A9 and certain marketing expenses as defined in CCC A5). Do not record identifiable activity operating expenses into the NAFI's fund administration cost center.

B. Transfer merchandise, supplies, or services between activities at cost.

B0111 Grants. The NAF AO posts grants according to AFMAN 34-214.

B0112 Extraordinary Items. DFAS must give advance approval to record any transaction as an extraordinary gain or loss. The RMFC submits requests through the MAJCOM, AFSVA/SVF, and AF/SVF. The NAF AO does not post the transaction until DFAS gives written approval. Attach a footnote to the financial statements to explain the cause of the transaction and the effect it has on current operations.

B0113 Contingencies. Contingencies are

existing conditions, situations, or circumstances involving uncertainty as to possible gain or loss. The NAFI ultimately resolves contingencies when one or more future events occur or fail to occur. The RMFC works with SV management to determine the amount of the loss contingency. The NAF AO post accruals for loss contingencies where the outcome is probable and the amount is reasonably estimable. Do not record gain contingencies. When SV management identifies a contingency, the NAF AO footnotes the financial statements explaining the contingency and the potential for gain or loss.

B0114 Assessments. The NAF AO posts Air Force assessments to the activity being assessed.

B0115 Command Lodging Fund (CLF) Procedures. The NAF AO posts transfers of cash from the CLFs to base lodging funds and vice versa as transferred equity.

B0116 Morale, Welfare, and Recreation Fund Transfers. The NAF AO posts base or MAJCOM available cash transfers as transferred equity. When Air Force returns cash to the base or MAJCOM, each level records it as transferred equity.

B0117 Accounting in Small NAFIs. The NAF AO maintains NAF accounting records on the accrual basis of accounting, except as shown below.

A. The IUF maintains accounting records on a cash basis if total revenue is less than $36,500 per year, and authorization is received from MAJCOMs.

B. Small NAFIs that lack local accounting support, or those with limited programs such as MAJCOM or remote site NAFIs, may not need all of the detailed accounting records and procedures required by larger NAFIs.

C. Small NAFIs may use the cash receipts journal, check register, and adjusting, closing, and reversing journals, and other general purpose journals as required to support their financial statements.

B0118 Major Command (MAJCOM) Supplements.

A. MAJCOMs may supplement this instruction. AFSVA/SVF through DFAS approves drafts of command supplements to this instruction before publication. The MAJCOMs furnish a copy of the final publication to HQ AFSVA/SVF.

B. BRFs or CWFs. Coordinate command supplements involving BRFs or CWFs with the BOD AAFCWF before submitting to AFSVA/SVF. Send one copy of each approved command supplement involving BRF or CWF to the BOD AAFCWF.

B0119 Requests for Technical Assistance or Waiver. Submit requests for clarification or interpretation of this instruction through the MAJCOM/SVF or field operating agency (FOA), HQ AFSVA/SVF to DFAS. Submit each request for waiver, except those waivers authorized and granted locally according to AFI 34-201, through the MAJCOM/SVF or FOA to HQ AFSVA/SVF. Waivers granted according to AFI 34-201 must be approved by the installation commander through the custodian, SV commander or director, as applicable. MAJCOMs submit their requests for waiver concerning BRFs and CWFs to HQ AFSVA/SVF through the BOD AAFCWF, 21 Army Pentagon, Washington DC 20310-0021. In the request for waiver, outline the problem, identify the specific requirement to be waived, recommend an alternative, and furnish complete justification. Waivers to this AFI have no effect without a control number assigned by the approving authority.

A. Review waivers, at least annually or when conditions and circumstances change.

B. Waivers are valid for a period not to exceed 3 years. At the end of the 3-year period, reevaluate waivers through the custodian, SV commander or director, MAJCOM, FOA, or HQ AFSVA/SVF, as appropriate.

C. All waivers in effect before the date of this AFI are void and must be reaccomplished.

B0120. Forms. AFSVA/SVF approves request for changes to Air Force forms. SV may automate the AF and NAF forms if form content and requirement do not change.

CHAPTER 2

EXEMPT NAFIS

B0201 USAF Academy (USAFA) Athletic Association (USAFAAA). The USAFA Director of Services (HQ USAFA/SV) establishes and maintains the standard NAF accounting system according to Air Force directives. The USAFAA follows standard Air Force NAF accounting instructions to ensure consistency with generally accepted accounting principles and standards.

A. Fiscal Year (FY). The USAFAAA's FY is from 1 July through 30 June.

B. Reporting Requirements. The USAFAAA is exempt from reporting requirements specified in chapter 10 of this regulation.

C. Annual SVF Financial Report. The USAFAAA provides financial data to AFSVA/SVQ. AFSVA/SVQ includes the information in the annual MWR Financial Report, RCS: DD-M(A)1344.

B0202 USAFA Cadet Dining Hall NAFI.

A. Authority. This NAFI is established under the authority of DOD Instruction (DODI) 1338.17.

B. The NAF AO uses AFI 34-209, AFMAN 34-214, and AFMAN 34-215 to account for the cadet dining halls. When these directives conflict with DODI 1338.17, the requirements in DODI 1338.17 take precedence.

C. The fund is exempt from reporting requirements specified in chapter 10 of this appendix.

D. Reporting requirements.

1. The NAF AO uses report formats and preparation instructions found in DODI 1338.17 attachments. Prepare the report in three parts.

2. Reporting requirements are assigned RCS: DD-COMP(A)1291.

E. The commandant of cadets, or designee, coordinates this report with the USAFA Director of Financial Management and Comptroller and the USAFA Director of Services. The commandant of cadets sends the coordinated report to the Assistant Secretary of Defense (Comptroller), ATTN: Directorate of Military Personnel. Send this report not later than 90 days after the end of the FY.

CHAPTER 3

PROPERTY

B0301 Property. The NAF AO maintains accounting records and updates the subsidiary account for NAF property transactions. This includes:
(1) Maintaining property records on all fixed assets;
(2) Process payments to vendors; (3) Preparing asset lists for inventory purposes.

A. Non-reimbursable, Inter and Intra NAFI Transfers. Any activity that transfers property completes AF Form 2534, NAF Property Disposal/ Transfer Receipt. Authorized approval required by AFI 34-201 is adequate supporting documentation. The NAF AO receives the AF Form 2534 and posts the transaction according to AFMAN 34-214.

B0302 Defense Reutilization and Marketing Office (DRMO) Property. The NAF AO capitalizes acquisition costs of $1,000 or more for DRMO property. The property must have a useful life of two or more years. See AFMAN 34-214 for detailed procedures.

B0303 Leases. The NAF AO posts leases as either capital leases or operating leases. Use the criteria in AFMAN 34-214 to decide if leases are capital or operating. Amortize capital leases over the life of the assets. Post other leases as operating leases. Post rental expense when payment is made. See AFMAN 34-214 for detailed procedures.

B0304 Repair of Fixed Assets. The NAF AO capitalizes
repair of a fixed asset when the repair costs $1,000 or more. The repair must extend the useful life of the asset 2 years or more. If the repair does not qualify, post the cost as an expense. See AFMAN 34-214.

A. Equipment. Use the same property number with an alpha code A, B, C, etc., for the number of repairs. When the activity disposes of the property, the NAF AO writes off the related repairs.

B. Renovations. The NAF AO writes off the undepreciated value of previous renovations when new renovations completely change the previous one. Write off related renovations when an activity disposes of a facility.

B0305 Depreciation. The activity manager assigns the projected life for a fixed asset based on the depreciation tables in AFMAN 34-214. The RMFC helps the activity manager to determine the projected life. The RMFC and the civil engineers establish facility depreciation periods according to the depreciation table in AFMAN 34-214.

A. See AFMAN 34-214 for procedures on computing depreciation. The NAF AO posts depreciation expense to the cost center where the property is actually used. Do not charge depreciation expense to an administrative cost center code except when either situation applies:

1. The operation's business office physically uses the property.

2. More than one cost center uses the property. An example is a general purpose vehicle used by several cost centers in a club.

B. The applicable activity manager determines whether or not fixed assets have a salvage value. The RMFC, DRMO, and the SCO help to determine the salvage value. The NAF AO uses these values to determine the depreciable value.

C. The NAF AO continues to post depreciation expense for NAF capital assets transferred to APF records until the items are fully depreciated. Post the depreciation expense in the transferring activity's cost center.

B0306 Master Property Record Changes. The activity manager prepares an AF Form 2534 to physically move property items between cost centers or to dispose of property by any method. Forward the completed form to the NAF AO. The NAF AO processes the transfer in the accounting records.

B0307 Trade-In of Assets. The NAF AO posts the disposition of the old asset using the normal process. Post the newly-acquired asset at its full cost (before trade-in). When the trade-in value does not equal book value for the disposed asset, post the gain or loss in the disposed asset account.

B0308 Disposition of Assets. The NAF AO posts disposals of assets in the accounting system. Post any gain or loss resulting from the disposal on the financial statement. Use this procedure for all assets including those acquired by transfer or donation. See AFMAN 34-214 for detailed procedures.

B0309 Acquisition of Expendable Items. Expendable items do not meet fixed asset requirements. See AFMAN 34-214 for detailed procedures on acquisition of expendable items.

B0310 Government Surplus Aircraft. The NAF AO capitalizes initial repair costs to make government surplus aircraft air worthy. The repair must cost $1000 or more. It must have a useful life of two years or more. If it does not meet this criteria, post the repair cost as an expense.

B0311 Government Surplus Aircraft Engines. The NAF AO depreciates an aircraft engine only when the old unit is removed from the aircraft and replaced by a rebuilt or new engine. Depreciate the replacement engine only until the first overhaul is due or for a maximum useful life of three years.

B0312 Claims. AFSVA settles claims for insured assets that are destroyed or damaged. Once AFSVA settles the claim, the NAF AO adjusts the affected accounts. Usually claim settlements do not exceed the acquisition value less accumulated depreciation of the property destroyed (book value).

B0313 BRF/CWF. For acquisitions or disposal of assets belonging to a Base Restaurant Fund or Base Civilian Welfare Fund, see AFJI 34-122.

CHAPTER 4

REVENUE TRANSACTIONS

B0401 Revenue Processing. Activities use AF Form 1875, NAF Individual Cashier's Report (ICR), to provide accountability for individual cashiers. Activities use AF Form 1876, NAF Consolidated Cost Center Report (CCCR), or the daily cash reconciliation report (for lodging operations) to report deposits and consolidated income to the NAF AO. Activity managers control ICRs and CCCRs according to AFI 34-202, Protection of Assets. The NAF AO subsequently uses the AF Form 1876 to enter information into the financial records. AFMAN 34-214 contains detailed accounting procedures.

B0402 Service Charge Procedures for Lodging Funds. When TLFs charge several different rates, the NAF AO uses fourth-digit shredouts of the appropriate revenue GLAC to account for each rate within the TLF cost center.

B0403 Monte Carlo Night. The NAF AO accounts for Monte Carlo as a resale operation.

B0404 Quality Recycling Program (QRP). The NAF AO posts income and expenses to the QRP cost center. AFMAN 34-214 contains detailed accounting procedures.

B0405 Interest. AFSVA/SVF determines the interest rate paid on all cash within the CMIP and the amount of any end-of-year dividend. The NAF AO posts interest income in the applicable NAFI's administrative cost center code.

B0406 AAFES Simplified Dividend. The NAF AO does not accrue for distributions as they are made on a current basis. AFMAN 34-214 contains detailed accounting procedures.

B0407 Operating Subsidies. The NAF AO posts subsidies from foreign governments as nonoperating income in the applicable cost center. Post the associated expense to the applicable cost center.

B0408 Foreign Currency. NAF activities involved in accommodation exchange services buy foreign currency for resale at the wholesale rate established by the contracted military banking facilities (MBF) overseas. AFMAN 34-214 explains the computation.

B0409 Commercial Sponsorship Program. The NAF AO posts the sponsorship in the activity identified by the vendor. Use the administrative CCC of that activity if appropriate. If the vendor does not specify an activity, record the sponsorship in the NAFIs administrative CCC.

B0410 Randolph Sheppard Act-Vending Facility Program for the Blind. The NAF AO posts the NAFI's proceeds from vending machines as revenue in the applicable cost center. Show the payment to agencies for the blind as expenses in those cost centers. Use applicable GLACs to record these expenses.

B0411 Slot Machine. The NAF AO posts slot machine income and expenses in the activity having the slot machines. Use cost center codes A9, G5, W5, X5, Y5 and Z5 to record transactions involving slot machine revenue and expenses. See the guidelines in AFMAN 34-214.

CHAPTER 5

ACCOUNTS RECEIVABLE

B0501 Internal Accounts Receivable (A/R) Processing. The NAF AO maintains A/R subsidiaries except for lodging funds. The NCR 9300 User's Manual contains instructions for processing A/R. AFMAN 34-214 contains other A/R procedures. If problems arise in balancing the general ledger control accounts to subsidiary records, the RMFC or designee assists in reconciliation. If the NAF AO identifies variances but cannot correct them prior to publishing financial statements, the NAF AO footnotes the financial statements.

B0502 A/R Function Located Outside the NAF AO. AFSVA/SVF approves requests to locate the A/R function outside the NAF AO. The RMFC prepares an A/R operating instruction (OI) for each approved operation. Include instructions to ensure:

A. The operating location reconciles the subsidiary record to the control account, as a minimum, before preparing the financial statement.

B. The operating location prepares a proper aging of accounts receivable.

B0503 A/R Operating Instruction. The RMFC develops an OI to provide guidance on monitoring A/R. Include guidance on:

A. Follow-up actions.

B. Account write-offs.

C. Procedures to prevent fraud by collusion (more than one person working together to cause the fraud).

B0504 Billing Cutoff Date. Activity managers and the RMFC attempt to establish a billing cutoff date other than the end of the month. Do not make the cutoff date earlier than the 16th of the month. Ensure this date coincides for all clubs serviced by the NAF AO. The NAF AO posts dues for the current month, regardless of cutoff date, as of the 15th of the month (after posting all daily business for the 15th). Customers may pay dues and fees in advance. See AFMAN 34-214 for details.

B0505 Minimum or Maximum Purchase Requirement for Extension of Internal Credit. The SV commander or director approves minimum or maximum amounts that a customer may charge on internal credit.

B0506 Scope of Credit. Members of clubs may use their membership cards in any MWR fund activity. See AFMAN 34-214 for detailed A/R procedures.

B0507 Organizational Credit. The SV commander or director may authorize official organizations to purchase through an open charge account from NAFIs. The NAF AO keeps written authorization (includes project officer's name and number) on file.

B0508 Late Payment Charge. The MAJCOM/SV may authorize a late payment charge on member accounts. Do not authorize more than $20 for any one delinquent cycle (60 and 90 days). The NAF AO posts late payment charges as non-operating revenue to the NAF AO cost center to offset costs of collecting delinquent accounts. Do not charge more than $40 for the entire delinquency period. See AFMAN 34-214.

B0509 Reversal of Dues Incorrectly Charged. The NAF AO prepares the list with back-up documentation to request dues adjustments. If the NAF AO does not maintain the A/R subsidiary records, the activity manager of the operating location submits the list and back-up documentation to the RMFC. The RMFC approves any dues adjustments. Once approved,

the NAF AO processes the adjustment. See paragraph B0511 for procedures to write-off valid uncollectible accounts.

B0510 Collection Actions. The NAF AO performs collection actions except where waived. This does not prevent activity managers from helping the NAF AO collect delinquent A/R.

A. The NAF AO:

1. Processes collection actions according to AFI 34-202.

2. Maintains, controls and reports delinquent accounts and returned checks on AF Form 1708, NAF Dishonored Check Control Log.

3. Documents follow-up actions.

B. The NAF AO does not delay the minimum followup actions required in AFMAN 34-214. The installation commander approves requests to shorten the time-frame in AFMAN 34-214.

B0511 Bad Debt Write Off Procedures. If the followup procedures prescribed in paragraph B0510 and AFMAN 34-214 are not successful, the RMFC begins write-off procedures as stated in AFI 34-202. The NAF AO posts the bad debt write-off to the applicable activity's administrative cost center.

B0512 Commercial Debt Collection Contracts. RMFCs use the Air Force Nonappropriated Fund Purchasing Office (AFNAFPO) procured commercial debt collection contract to collect past due accounts, returned checks, and other debts owed to Air Force NAFIs. Use the contract for individuals where payment cannot be recover through DD Forms 139, Military Pay Order, or APF/NAF payroll systems. See AFI 34-202. When an account is sent to the collection agency, the NAF AO writes it off the financial statements. Use the applicable cost center to record the bad debt write off.

B0513 Reinstatement of Membership Privileges. The SV commander or director approves requests for reinstatement of membership privileges (see AFMAN 34-214).

B0514 A/R Aging and Reporting. The NAF AO prepares and reports aged A/R for all NAFIs and activities authorized internal credit systems. When a location outside the NAF AO maintains the A/R subsidiary records, the activity manager furnishes an aged A/R report to the NAF AO.

B0515 Dues Cutoff for Delinquent Accounts. The NAF AO does not post membership dues to a member's account after 3 months dues have been posted and remain unpaid. The NAF AO can only charge up to three months' unpaid dues in the following instances:

A. A member has an MPO pending.

B. A member turns in his or her club card.

C. A member leaves the base without clearing the club.

B0516 Allowance for Uncollectible A/R. The NAF AO posts bad debt expense at the end of each accounting period. Post the estimated value of uncollectible A/R. Use the applicable activity's administrative cost center. Record this same amount in an allowance for uncollectible A/R account. Base the estimate on the average write-offs of A/R using historical data.

A. Do not establish an allowance for uncollectibles that exceeds 1 percent of the A/R for the current period. If the estimate of average write-offs is greater than 1 percent, review collection procedures to ensure they are sufficient and timely.

B. The NAF AO reduces the allowance for uncollectibles account when an actual account is written-off. If the write-off reduces the allowance for A/R account to zero, expense any remaining amount in the current accounting period.

B0517 Allowance for Uncollectible Returned Checks. If the amount of write-offs is not significant, the NAF AO may post the expense at the time of write-off. If history indicates significant amounts written-off, establish an accrual according to paragraph 7.18.

B0518 Accounts with Credit Balances. The NAF AO reviews accounts with credit balances at the end of each accounting period. If the credit balances exceed five percent of total A/R due, the NAF AO posts this amount in an unearned income liability account. Reverse the entry the following month. If the credit balances are less than five percent of the receivables, net them in the A/R asset account.

B0519 Lodging A/R.

A. Lodging personnel send statements to TDY personnel on the last day of the month for:

1. Visiting officers' quarters (VOQ).

2. Visiting airmen quarters (VAQ).

3. Temporary lodging facilities (TLF).

B. Send statements only if patrons used the quarters for 15 days or more and the anticipated stay during the succeeding month exceeds 15 days (see AFMAN 34-214).

C. Collection actions required in AFI 34-202 remain the RMFC's responsibility. Use the time-frame in AFMAN 34-214 to complete follow-up actions. The Innkeeper processes collection actions on accounts that are 30 and 60 days delinquent. The RMFC ensures that the Innkeeper is performing collection actions in a timely manner. Once accounts become 90 days delinquent, the RMFC assumes responsibility for additional collection actions.

B0520 Returned Checks. For policy, follow-up, and collection procedures on returned checks, see AFI 34-202.

CHAPTER 6

PURCHASE AND CONTROL OF MERCHANDISE

B0601 Partial Shipments. The activity documents receipt of partial shipments on a DD Form 250, Material Inspection and Receiving Report. The activity completes the form and writes "Partial Shipment" across the top of the form. Annotate the form with the original purchase order (PO) number. Complete the partial receiving report with the item number, quantity received, and description of items received. Annotate the original PO to show items received in a partial shipment, the date received, and the date the partial receiving report was forwarded to the NAF AO.

B0602 Value Added Tax (VAT). Under United States and Federal Republic of Germany (FRG) agreement, authorized personnel may obtain exclusion from the German VAT if they make their purchases through an official US government contracting activity at USAF Europe (USAFE) installations. VAT offices are part of the MWR Fund. For currency conversion on VAT transactions, the NAF AO reimburses the Military Banking Facility (MBF) the difference between the bulk rate and the wholesale rate for its monthly VAT Deutsche Mark (DM) transactions. For procedures governing operation of VAT offices see USAFE AFR 176-1.

B0603 Stock Records. The NAF AO uses the NAFSAMS inventory system to maintain automated stock records to track inventory or highly sensitive items. Activities may use other automated systems to track in-house inventories.

A. The applicable activity manager maintains stock record cards on all transactions involving firearms. Report any discrepancies immediately to the RMFC.

B. When using stock record cards, limit access to the cards. Secure records during nonduty hours.

B0604 Stock Levels and Reorder Points. The activity manager and RMFC establish stock levels and reorder points. The NAF AO may include reorder points in the inventory subsidiary.

B0605 Stock Numbers and Standard Units of Measure. The NAF AO, with the assistance of the activity manager, assigns stock numbers and standard units of measure to control inventories on all resale, storeroom merchandise and supply items. Use consistent numbers throughout all NAFIs. The activity annotates the stock numbers on AF Form 2533, NAF Transfer Between Cost Centers, or uses order entry forms when transferring merchandise for resale or promotion. See the NCR 9300 User's Guide for the list of standard units of measure and their abbreviations used when processing inventory. Refer to AFMAN 34-214 for additional details.

B0606 AF Form 2533, NAF Transfer Between Cost Centers (TBCC). The activity manager or designee uses AF Form 2533 or an order entry form to transfer goods or stock between cost centers. The activity manager or designee may consolidate work orders to one TBCC (See AFMAN 34-214).

B0607 AF Form 1735, NAF Interfund Purchase Order (IPO). The activity manager or designee uses an AF Form 1735 or order entry form to order services or merchandise from other NAFIs. The ordering activity manager processes and numbers IPOs or order entry registers. The RMFC signs the IPO unless purchase authority was delegated to the ordering activity manager. The NAF AO processes the payment between the applicable NAFIs, using AF Form 1804, NAF Interfund Dollar Transfer. Process the payment not later than the following month (See AFMAN 34-214).

B0608 Spoilage, Breakage, and Out-Dated Material. The activity manager determines the amount of spoilage or breakage by incident, not by individual line item. The NAF AO posts reported losses in the month of occurrence. AFMAN 34-214 contains accounting procedures.

B0609 Commodities. The activity manager controls commodities received through the United States Department of Agriculture (USDA) Food Program. The requirements for ordering, receiving, and controlling inventory and payment vary from state to state. The activity manager, appropriate flight chief, and the RMFC, decide the method of inventory accountability (See AFMAN 34-214).

CHAPTER 7

ACCOUNTS PAYABLE PROCESSING

B0701 Establishment of Accounts Payable. The NAF AO posts accounts payable transactions when an activity has received goods or services on credit. The NAF AO makes payment to the vendor to clear the accounts payable.

B0702 Documents and Entries. The NAF AO does not record an obligation unless orders or agreements are in writing and supported by a receiving report (RR) or proof of shipment. Any activity using a POS system to maintain perpetual inventory enters receiving documents into the POS system before forwarding to the NAF AO. Activities using POS systems forward documents to the NAF AO no more than two workdays after the receiving date.

B0703 Payable Suspense File. The NAF AO establishes a suspense file for all payables. The NAF AO sets the file up to ensure they pay invoices timely and to help reconcile the subsidiary. The documents in this file make up the subsidiary record of the general ledger control account. The total should balance to the automated accounts payable subsidiary and the general ledger control account.
After processing RRs through the payable system, file them in the suspense file for matching with invoices and making payment.

B0704 Proof of Shipment. The NAF AO may need to pay vendors on shipment, rather than on receipt of goods. Review the contract terms to determine if the vendor requires payment on shipment. See AFMAN 34-214 for guidance.

B0705 Vendor Invoices. The vendor mails invoices directly to the NAF AO. When the NAF AO receives the invoice, the RMFC may provide a copy of it to the activity manager. See AF Form 2210, General Provisions, for required information for a vendor to include on invoices. The NAF AO uses the invoice as part of the documentation required for payment. Include vendor invoice numbers with the check to the vendor. See AFMAN 34-214 for overpayments and minor errors on invoices.

B0706 Discounts. The NAF AO posts discounts by reducing the cost of the item purchased. Take all discounts to which you are entitled. The discount period begins with the date of the contractor's invoice. For the purpose of earning a discount, the day that the NAF AO issues the check is considered the payment date. To comply with the Prompt Payment Act, mail checks to vendors on the same day they are issued.

B0707 Delivery Costs. The NAF AO posts freight costs to purchase expendable equipment, supplies, or resalable merchandise as supplies expense or cost of goods as appropriate. Include freight, postage, etc., as part of the purchase price. Include
freight cost associated with capitalized items (fixed assets) as part of the acquisition cost of the asset.

B0708 Preparing Accounts Payable for Payment. The NAF AO matches vendor invoices with the receiving reports. The activity manager or designee certifies AF Forms 1735 used to transfer merchandise between NAFIs. No invoice is required for AF Forms 1735. Pay AF Forms 1735 using interfund dollar transfers.

B0709 Documentation Required for Payment. The NAF AO usually requires three documents to substantiate payment to a vendor. They are: a contract, a receiving report, and a vendor invoice. The following qualify as a contract: (1) Purchase order; (2) Blanket purchase agreement (BPA), or a call or delivery order written against an NPA, etc.; (3) A single document that constitutes a contract.

A. When an Air Force agency or

a utility provides goods or services, the NAF AO does not receive a formal contract (for example, commercial telephone service or purchases from the commissary). The NAF AO uses the documents in this paragraph to support payment.

1. The NAF AO substantiates payments to government sources by their invoices and extended commissary subsistence requests (AF Form 287, Subsistence Request).

2. The activity manager or designee certifies the government invoices and commissary subsistence requests.

3. The designer certifies invoices for interior design contracts.

4. The lodging fund may request customer refunds using SIMS check requests.

B. Use of AF Form 2539, NAF Disbursement Request. Use AF Form 2539 instead of a purchase order, for items such as:

1. Loan payments.

2. Registration or entry fees.

3. NAF official travel.

4. Tax payments and Internal Revenue Service payments.

5. Workers' compensation claims.

6. Payments to other government instrumentalities.

7. Payments against special contracts, interior design, commercial telephone, utilities, etc. See AFMAN 34-214 for entertainers and NAF official travel.

C. Blanket Purchase Agreements (BPA). The NAF AO should pay amounts due vendors for calls placed against BPAs or interfund purchases monthly. This does not apply to meat or meat food products. Pay for meat or meat food products according to the Prompt Payment Act. See AFMAN 34-214 for other requirements related to paying vendors on BPA.

D. Signature Authorization. The RMFC or designee approves documents authorizing payments made from NAFs. The RMFC designates signature authority in writing. File the authorization in the LOF.

E. Filing Paid Documents. The NAF AO marks all backup documentation by stamping them paid after making disbursements. File one copy of the check, with all backup documentation, in the accounts payable disbursements file. File these chronologically by vendor.

F. Centralized Payment of Consolidated Purchases. AFSVA/SVFF pays vendors for AFNAFPO central buys and subsequently withdraws the amount paid from each base's CMIP account. See AFMAN 34-214 for details.

CHAPTER 8

INVENTORY

B0801 Inventory Maintenance. Activity managers control inventories at all times to prevent loss due to spoilage, obsolescence, or theft. The NAF AO maintains inventory records by updating the system with information from accounts payable, AF Forms 2533, or NCR order entry forms. To ensure the general ledger and the actual inventory contain the same data, the RMFC may establish a cutoff date for inventory related documents (see AFMAN 34-214). The types of inventories are:

A. Central storeroom. The NAF AO accounts for inventory maintained in a central storeroom as an asset until the storeroom issues the inventory. Once the storeroom issues the inventory, the NAF AO posts the expense in the applicable GLAC using the applicable CCC.

B. In-Use. Activities establish inventories for merchandise held for resale or consumption in sales outlets.

C. Decentralized Storeroom. Activities establish decentralized storeroom inventories as

1. Backup stock for in-use inventories.

2. High value or sensitive (such as POL and spare parts for aero club and slot machine operations) merchandise identified by management for additional control.

D. Consigned Merchandise. The consignor establishes consigned merchandise inventory to control items received on consignment. When consigned goods are received, the NAF AO does not post the receipt of, or any obligation for, the consigned items in the financial records. AFMAN 34-214 contains additional procedures.

E. Fixed Assets. The NAF AO includes furniture, equipment, and facilities. Show this inventory as the appropriate accounting type, APF or NAF. AFMAN 34-214 contains additional procedures.

F. Inventory-In-Transit. The NAF AO records items purchased but received by an agent outside the NAFI proper. When the NAFI receives the items, record in the correct accounts.

B0802 Establishing Inventory Dollar Levels. The SV commander or director approves maximum inventory levels for each cost center (See AFMAN 34-214).

B0803 Review of Storeroom and In Use Inventories. Activity managers review all inventories and stock records to identify slow moving items and dead stock at least semi-annually. The SV commander or director may authorize below cost sales (not promotional) for slow moving or dead stock inventory items.

B0804 Inventory Schedule and Frequency. Activity managers submit completed inventory count sheets to the NAF AO for extension. The NAF AO processes inventories promptly to obtain a dollar valuation of the physical inventory for inclusion in the financial reports. The RMFC uses the physical inventory to determine if variances exist and if analysis or investigation is required according to AFI 34-202.

A. Activities inventory all food or beverage activities, pro shops, audio/photo and tickets monthly.

B. Activities inventory other resale merchandise including centralized and decentralized storerooms and merchandise on consignment, as a minimum, at the end of each quarter.

C. Activities inventory

merchandise held for special events by type of event. Items include donations received from commercial sponsored occasions (see AFI 34-202).

D. Activities with firearms inventories them monthly. The activity manager accounts for firearms daily.

E. The SV commander or director may allow any activity having a point-of-sale (POS) system that maintains perpetual inventory to take only an annual physical inventory. As a minimum, an independent observation team must observe the taking of the physical inventory:

1. At the end of the FY.

2. On change of activity manager (unless waived).

3. When spot checks by the NAFFA indicate an inventory problem.

4. When required by an Air Force Audit.

B0805 Change of Activity Managers.

A. The NAF AO furnishes fixed asset property listings to the activity managers when management changes. Incoming activity managers must satisfy themselves as to the correctness of the property records. To verify the property records, the activity usually physically inventories the property. The incoming activity manager may waive this requirement. The NAF AO attaches the waiver to the change of custodian certificate (see AFMAN 34-214 for details).

B. The incoming activity manager also checks correctness of decentralized storeroom or in-use inventories. (See AFMAN 34-214 for details).

B0806 Change of Custodian (RMFC). Change of custodian does not require a physical inventory except for NAF AO assets. Transfer inventories by exchanging receipts between the outgoing and incoming RMFCs.

B0807 Decentralized Storeroom (Aero Club and Slots Operation). See AFMAN 34-214 for decentralized inventories for Aero clubs and slot machines.

B0808 Free Items or Donations. When vendors provide free items as bonuses or a purchase discount, the receiver notes the free items on the receiving report. The NAF AO records free items on the inventory. If an activity receives donations for special occasions and gives them away, the activity manager accounts for these items without having the NAF AO process them through the inventory and cost of goods sold. The RMFC or designee examines all transactions involving donations to ensure that the activity manager accounts for the items received.

CHAPTER 9

CHILD CARE

B0901 Reimbursement for Child Care Food Programs (CCFP). The NAF AO posts income, accounts receivable and subsequent reimbursement for child development program participation in the USDA CCFP. The USDA administers the program in all states and territories through the state or regional office. Follow regional USDA policies for completion and reporting purposes.

A. Reimbursement Requests for Continental United States (CONUS) Bases. At CONUS bases, the child development center director or designee completes the required forms requesting reimbursements (using state provided forms). Send the requests to the NAF AO. The NAF AO reconciles the forms to the subsidiary record and forwards them to the state's office for the USDA CCFP.

B. CCFP Sponsorship Family Day Care Providers. Air Force Child Development Centers (CDC) act as sponsors for family day care home providers participating in the USDA CCFP.

C. USDA, through the sponsoring CCFP, reimburses family day care providers for part of the costs of providing nutritional meals and snacks to the children. The NAF AO does not issue IRS Form 1099 for CCFP disbursements to family day care providers for USDA reimbursements.

D. The CDC receives compensation from the USDA to administer the program. The CDC can use the funds received from USDA to hire staff to administer the program.

B0902 Accounting for Child Care Service to Volunteers. The CDC or authorized family day care providers may provide child care services for volunteers when the volunteers serve the Air Force community.

A. When the CDC provides child care services to volunteers, refer to AFMAN 34-214 for accounting procedures.

B. The installation commander may approve, in writing, a specific number of family day care providers to care for children of volunteers when no space is available in the CDC. The NAF AO prepares a nonpersonal service contract, in advance, with the provider to specify the rate charged and other charges (for example, food, diapers). The NAF AO provides the day care provider an IRS Form 1099 at year-end according to IRS requirements. The NAF AO includes on the IRS Form 1099 the amount paid to day care providers for volunteer care. Do not include amounts paid relating to USDA food reimbursements.

CHAPTER 10

REPORTS

B1001 Temporary Lodging Facility (TLF) Assessment.

A. AFSVA/SVF advises the NAF AO of new or changed rates for assessment collection and reporting purposes.

B. The NAF AO computes the TLF assessment. Do not count or include visiting officers' quarters (VOQ) and visiting airmen's quarters (VAQ) used for permanent change of station (PCS) families unless AFSVA/SVP officially redesignates them as TLFs. Post all income from such units in the VOQ or VAQ cost centers of the lodging fund. See AFMAN 34-214 for computation and reporting. The NAF AO reports assessment data to AFSVA/SVFF before the 15th work day of the following month.

B1002 Employee Census Data (Quarterly). The NAF AO reports employee totals as of the last pay period of the quarter. Include foreign national information that is not included in the US employees' payroll system. See AFM 176-378 for format.

B1003 APF Support to Morale, Welfare, and Recreation (MWR) Activities, RCS: HAF-MWR(Q)7503. Financial Services Office (FSO) personnel prepare and submit this report according to AFR 177-101. The RMFC reviews the data for accuracy and validates the report. Include a footnote showing the amount of APF expenditures to cost centers supported by the NAFI in the quarterly financial statements.

B1004 Special Morale and Welfare Expenditure Report. The NAF AO prepares the SM&W Expenditure Report for each quarter according to AFI 34-201. The NAF AO reconciles the SM&W report to cost center "Q" on the MWRF financial statement.

B1005 Nonappropriated Fund Cash Management and Investment Program (CMIP) Report, RCS: HAF-DPM(D)7505. For reporting CMIP transactions, follow guidance in AFMAN 34-215.

B1006 Nonappropriated Fund Financial Statement, RCS: HAF-DPM(Q)7407. See AFMAN 34-214 for the format of the financial statement for all NAFIs.

A. The financial statement consists of four basic elements:

B. Balance Sheet. The NAF AO prepares a report of assets, liabilities, and fund equity (see AFMAN 34-214).

C. Income and Expense (I&E) Statement. The NAF AO prepares a consolidated statement of income and expenses for each NAFI and supports the consolidated statement with individual cost center reports. Use the same format for the consolidated statement and the individual cost center reports (see AFMAN 34-214). Report the amount of appropriated fund support provided for each NAFI on the quarterly consolidated statement.

D. Statement of Cash Flows (SCF). The RMFC or designee prepares this statement on a quarterly and annual basis. Prepare it either manually or by using an automated program.

E. Supporting Schedules. AFSVA/SVF, MAJCOM, and local management may require supporting schedules to the financial statements. As a minimum, the NAF AO prepares the following to support financial statements:

1. Schedule of aged accounts receivable.

2. A copy of AF Form 1736,

NAF Cash Management and Investment Program Account Verification, to support the quarterly financial statement.

F. Special Instructions, Frequency, and Distribution. See AFMAN 34-214 for special reporting instructions for unit funds, subordinate commands, MAJCOMs, BRFs, and CWFs.

G. NAF AOs transmit reports to MAJCOMs to arrive by the 15th calendar day after the quarter being reported. Each MAJCOM accumulates the data and submits reports to AFSVA/SVQ to arrive NLT the 20th of the month after the end of each fiscal quarter. (See AFMAN 34-214 for format for submission, MAJCOM submission and method of submission).

B1007 Quarterly Prompt Payment Report, RCS:DD-COMP(Q)1619. NAF AO's prepare quarterly Prompt Payment Reports (see AFMAN 34-214 for format). Submit the report to AFSVA/SVF by the 10th calendar day following the end of each quarter. Round all amounts to the nearest dollar. AFSVA/SVF prepares and submits the quarterly report to SAF/FMPB.

B1008 Annual Prompt Payment Report, RCS: DD-COMP(A)1607. AFSVA/SVF prepares and submits the annual prompt payment report to SAF/FMPB.

B1009 International Balance of Payments Transactions, RCS: DD-COMP(Q)743 (AF). This report applies to all Air Force NAF supported activities having transactions entering the international balance of payments (IBP) (whether abroad or in the US, its possessions, Puerto Rico, and Panama Canal Zone) except unit funds and those NAFIs whose quarterly purchases do not exceed $50,000. AFSVA/SVF prepares and submits the quarterly report for applicable bases. Follow guidance in AFMAN 34-214.

B1010 Tax Reports. See AFMAN 34-214 for reporting quarterly payroll tax returns. Use IRS Form 1096, Annual Summary and Transmittal of US Information Return, IRS Form 1099-MISC, Statement for Recipients of Miscellaneous Income (entertainers and personnel service contracts), and TD Form W-2G, Statement for Certain Gambling Winnings (bingo). See AFIs 34-201 and 34-202, AFM 176-378 (for reporting tips) and NCR 9300 Users' Guide for procedures in assembling and reporting information.

B1011 Certification of Financial Statements. Quarterly, the custodian certifies the financial statements for all NAFIs by signing the following certification, "I certify that the information used for preparation of and the balances in this statement are true and correct to the best of my knowledge." This certification includes all elements of the financial statement as defined in AFMAN 34-214. Forward the certification to AFSVA/SVF, through your MAJCOM, to arrive not later than 45 days following the end of the quarter.

B1012 Certification of Cash Management and Investment Program (CMIP) Accounts. Quarterly, the custodian certifies the accuracy of the CMIP account verification on AF Form 1736, CMIP Account Verification, and forwards it to AFSVA/SVF through MAJCOM/SVF to arrive NLT 45 days after the end of the quarter. Submit a certification statement on AF Form 1736. Use the statement described in paragraph 12.11. Include a separate AF Form 1736 for each account and NAFI, i.e., cash, severance, and cash in bank savings.

CHAPTER 11

DEPOSITS, CHECK WRITING AND CONTROL OF CHECK STOCK

B1101 Deposit Slips. The NAF AO receives the numbered deposit slips (validated and unvalidated) for CMIP processing. If the NAF AO receives an unvalidated deposit slip, suspense it until the bank sends a validated copy. The NAF AO should receive the validated deposit slip within 3 days after the day of business. Immediately notify the office manager of any variances between the suspended deposit slip and the validated deposit slip when received. If the NAF AO finds a difference in the amount actually deposited, process a deposit adjustment to the general ledger and CMIP.

B1102 Bank Fees and Charges. The NAF AO posts bank fees and charges to the NAFI's administrative cost center. Include those items that are not identified to a patron. This includes fees for deposit bags, keys or deposit slips and re-presented check fees absorbed by the NAFI (does not include return check service charge). It also includes the fee paid for armored car service.

B1103 Check Writing Function.

A. Check Number Control Log. The NAF AO maintains a log (either manual or automated) of all checks (written and voided) and related information for general, payroll, limited payee checks.

B. Check Writing. The NAF AO reports checks written to AFSVA/SVFB through CMIP transmission. Under CMIP, the NAF AO prepares all checks except payroll from a single general check stock. The individual responsible for check writing (check writer):

1. Uses checks in numerical sequence.

2. Writes checks for individual NAFIs and identifies the NAFI on each check. Include the NAF ID on each check stub (except payroll).

3. Spells out the dollar amount for checks typed manually or processes them through a check protector. They should not contain typing errors or strikeouts.

C. General Checks. The NAF AO normally writes checks on a weekly or bi-weekly basis to ensure compliance with the Prompt Payment Act requirements. The NCR 9300 automatic check generation program normally generates these checks. However, the NAF AO may prepare handwritten checks for out-of-cycle payments.

D. Foreign Currency Checks. Overseas locations use foreign currency and limited payee checks. The NAF AO uses a foreign currency checking account, established in a military banking facility in the overseas area, to satisfy local requirements for foreign currency and to make disbursements that require this medium of exchange. Use limited payee checks (LP) for change funds and accommodation sales (see AFI 34-202).

E. Distribution of Checks and Paid Documents. The check writer returns the signed checks with supporting documents to the accounts payable technician for distribution. AFMAN 34-214 contains mail, retention, and distribution instructions.

B1104 Control of Blank Check Stock. The NAF AO stores blank checks in a locked container or safe. Use AF Form 1249, Check/Bond Control Record, to record receipt, issue, return, balance on hand, and spoiled or voided checks. Maintain a separate check control record for each type of check. NAFIs not under CMIP obtain check stock from normal commercial sources.

B1105 Destruction of Blank Check Stocks.

When a blank stock of checks needs to be destroyed, two individuals independent of the check writing function witness the destruction (see AFMAN 34-214). The NAF AO notifies AFSVA/SVFB of the destruction according to AFMAN 34-214.

CHAPTER 12

MISCELLANEOUS TRANSACTIONS

B1201 Aero Club Liability Insurance Expense. The NAF AO computes liability insurance premiums for Aero Club aircraft based on the number of flying hours per aircraft. Compute the monthly expense by using the total flying hours reported on the status of Aero Club Aircraft and Operations Report, RCS: HAF-DPM(Q)7211. See AFMAN 34-214.

B1202 Aero Club Hull Insurance. The NAF AO computes hull insurance based on the declared value of each aircraft as reported on the quarterly RCS: HAF-DPM(Q)7211 report. See AFMAN 34-214.

B1203 Workers' Compensation (WC). The Payroll Retrieval Interface to General Ledger (PRIGL) program computes the accrued WC expense and produces the journal entries used to update the financial records. The PRIGL computes premiums based on US civilian gross payroll. The NAF AO posts the premium expense by the end of each accounting period to each applicable cost center. See AFMAN 34-214.

B1204 Unemployment Compensation (UC). The PRIGL computes the accrued UC expense and produces the journal entries used to update the financial records. The PRIGL program computes premiums base on US civilian payroll. The NAF AO posts the premium expense by pay period to each applicable cost center where personnel are assigned. See AFMAN 34-214.

B1205 Asset and Liability Insurance. The NAF AO records premiums at the end of each accounting period based on balances from the quarterly 7407 report. Use the fund administration cost center for each NAFI.

A. Asset Computation. The NAF AO computes asset premium payments based on the book value of assessable assets.

B. Liability Computation. The NAF AO computes liability premium payments based on the total gross income for each applicable NAFI.

B1206 Group Life Accidental Death and Dismemberment and Comprehensive Medical Expense Insurance Program. The PRIGL computes the employer's share of the Insurance Program. The NAF AO posts this expense each pay period to the respective cost center where personnel are assigned. Transfer the total employee and employer share of group insurance to the MWR fund. The NAF AO makes payment from the MWR fund to the Air Force Insurance Fund (AFIF) through CMIP.

B1207 Retirement Program. The PRIGL computes the employee's contribution of retirement and transfers it to the MWR fund. The NAF AO makes payment from the MWR fund to the Air Force Retirement Fund (AFRF) through CMIP.

B1208 Reimbursements from MAJCOMs. When MAJCOMs authorize reimbursements, the NAF AO does not net the reimbursement into the expense account. Record the expense in full on the NAFIs books. The MAJCOM does not reimburse for more than 100 percent of the actual cost.

B1209 Procedures for Aero Club Accruals. The NAF AO accrues the anticipated engine overhaul or replacement cost monthly. NAF AOs should also establish accruals in Aero Clubs for any other planned major maintenance such as repainting aircraft. To account for accrued maintenance, the NAF AO keeps two separate subsidiary ledgers, one for engine overhaul and one for other planned maintenance. See AFMAN 34-214.

B1210 Promotions. An activity uses the entertainment and promotional expense GLACs

to separate the expense of such programs. Use these accounts for programs or events held to further the growth or development of that activity. The NAF AO posts expenses for goods and or supplies only when an activity specifically advertises the items in connection with a promotion, or the item is used during a free program. Transfer labor expenses only if an activity specifically schedules labor that is used in conjunction with the promotion or giveaway. Post the cost of the entertainment or promotion to the activity receiving the benefit. See AFMAN 34-214 for additional details.

B1211 Severance Pay. The NAF AO accrues obligations for severance pay due employees according to AFMAN 34-214. Accrue severance for NAF foreign national employees during the period in which the entitlement is earned, whether or not the amount is currently payable. For other NAF employees, severance accrual begins when the NAFI knows it will incur such a liability in the future (for example, when announced for closure or major realignment). Set aside funds in the severance benefits investment program to pay for future liabilities. Contact HQ AFSVA/SVF to establish a severance benefits investment account.

ATTACHMENT B.1

ABBREVIATIONS GLOSSARY

AAFCWF	Army and Air Force Civilian Welfare Fund
AAFES	Army and Air Force Exchange Service
AFAA	Air Force Audit Agency
AFB	Air Force Base
AFFMF	Air Force Financial Management Fund
AFI	Air Force Instruction
AFIF	Air Force Insurance Fund
AFM	Air Force Manual
AFMWRAB	Air Force Morale, Welfare, and Recreation Advisory Board
AFNAFPO	Air Force Nonappropriated Fund Purchasing Office
AFPD	Air Force Policy Directive
AFROTC	Air Force Reserve Officer Training Corps
AFSVA	Air Force Services Agency
ANG	Air National Guard
APF	Appropriated Funds
ASD	Office of the Assistant Secretary of Defense
A/R	accounts receivable
BOD	Board of Directors
BPA	blanket purchase agreement
BRF	base restaurant funds
CBPO	Consolidated Base Personnel Office
CC	cost center (accounting term)
CCC	cost center code
CCCR	consolidated cost center report
CCFP	child care food program
CLF	command lodging fund
CMIP	cash management and investment program
CONUS	Continental US
CT	cash transfer
CWF	civilian welfare fund
DOB	date-of-business
DOD	department of defense
DODI	DOD instruction
DRMO	defense reutilization and marketing office
EDC	electronic data capture
EOM	end-of-month
FC	foreign currency
FM	financial manager
FMFIA	Federal Managers' Financial Integrity Act
FM&P	Force Management and Personnel
FOA	field operating agency
FY	fiscal year
GAAP	generally accepted accounting principles
GAO	general accounting office
GLAC	general ledger account code
GSA	general services administration

IAW	in accordance with
IBP	international balance of payments
ICR	internal control review
ICR	individual cashier's report
I&E	income and expense
IG	inspector general
IPO	interfund purchase order
IUF	isolated unit funds
JER	Joint Ethics Regulation
JV	journal voucher
LOF	life-of-the-fund
MAJCOM	major command
MBF	military banking facility
MPO	military pay order
MWR	morale, welfare, and recreation
MWRF	MWR fund
NAF	nonappropriated fund
NAFFA	nonappropriated fund financial analyst
NAFI	nonappropriated fund instrumentality
NAFSAMS	nonappropriated fund standard accounting management system
NAF AO	NAF accounting office
NLT	not later than
NRB	NAF requirements budget
NTE	not to exceed
OI	operating instruction
OPM	Office of Personnel Management
PCS	permanent change of station
PDO	Publications Distribution Office
PL	Public Law
PO	purchase order
POC	point of contact
POS	point of sale
PRIGL	payroll interface to the general ledger
RCS	report control symbol
RMF	resource management flight
RMFC	resource management flight chief
RRRP	resource recovery and recycling program
SAV	savings account
SCO	servicing contracting office
SEV	severance account
SM&W	special morale and welfare
SV	Services
SVF	Directorate of Financial Management and Comptroller
TBCC	transfer between cost centers
TDY	temporary duty
TLF	temporary lodging facility
TR	dollar transfer
UC	unemployment compensation
US	United States
USAF	United States Air Force

USAFA	USAF Academy
USAFAAA	United States Air Force Academy Athletic Association
USAFE	USAF Europe
USDA	United States Department of Agriculture
VAQ	visiting airmen's quarters
VAT	value added tax
VOQ	visiting officers quarters
WC	workers' compensation

ATTACHMENT B.2

TERMS EXPLAINED

B2.1. Accounting Period. An accounting period is from the first day of a given month through the last day of the same month.

B2.2. Accounting System. The NAF accounting system is based on commercial accounting practices modified to meet the needs of the Air Force. The principles underlying this system are based on experience, the needs within the Air Force NAFI environment, and generally accepted accounting principles (GAAP).

B2.3. Accounting Year. The accounting year is from 1 October of a given year through 30 Sep of the following year.

B2.4. Activity. This term describes operational organizations within the SV structure, such as bowling center, officers' club. It is also used when referring to specific functions within each operational organization such as, lanes operation, snack bar, bar, dining room, slot machines, ticket operations, etc. Do not confuse the operational functions of the "activity" with the accounting term "cost center."

B2.5. Assets. Assets are economic resources obtained or controlled by NAFIs as a result of past transaction or events. They are classified as either current or noncurrent items.

B2.6. Balance sheet. The balance sheet shows the financial position of a NAFI at a point in time. It lists the assets and claims against the NAFI. The balance sheet lists separate columns for current period (FY) and prior period data. This report also includes current and acid test ratios.

B2.7. Budget Working Committee. Individuals selected by the Services Commander or Director to review and prioritize items on NAF Requirements budgets.

B2.8. Cash Flow Budget. A formal financial plan which shows the beginning cash balance, the cash inflows and outflows, and the ending cash balance expected for a period of time. The purpose of the cash flow budget is to anticipate changes in the level of cash. The ANF AO prepares a cash flow budget for each NAFI.

B2.9. Cost Center. Term used to identify the accounting subdivision of a NAFI. This term is used for accounting purposes and should not be confused with the operational term "activity." A standard 2-digit identity code is assigned by Air Force for each cost center.

B2.10. Current Assets. Cash and other assets that can be reasonably expected to be converted to cash or consumed (accounts receivables and inventory) during the next 12 months.

B2.11. Current Liabilities. Debts that should be paid within the next 12 months; includes accounts payable, accrued payroll, taxes, and current portion of loans payable.

B2.12. Custodian. The Resource Management Flight Chief (RMFC) is the primary custodian for all NAFIs supporting a base with the exception of the base restaurant and civilian welfare funds, exchanges, and in some instances NAFIs at remote or isolated units.

B2.13. Depreciation. The method used to expense the acquisition cost of a fixed asset over the life expectancy of that asset.

B2.14. Financial Analysis. Analysis is a continuing process throughout the normal course of operations, with the manager as the focal point. The objective is to spot potential problems, identify root causes, and obtain solutions.

B2.15. Fixed Assets. Tangible items with an individual cost of $1,000 or more, and with a life span of 2 years or more, which do not lose their

identity through use. Includes items such as, furniture, equipment, tools, machinery, facilities, major repairs and improvements, etc.

B2.16. Fund Equity. Fund equity (net worth) is te excess of total assets over total liabilities.

B2.17. General Ledger. The general ledger is the core of the NAF accounting system and provides a detail of all accounting transactions for the current period. The system consists of control accounts for assets, liabilities, equity, income, and expenses.

B2.18. Host MWRF. Provides financial management and accounting services required by NAFIs at other locations. The host MWRF custodian is responsible for financial management assistance and accounting support, and serves as the focal point for fiduciary accountability.

B2.19. Income and Expense (Operating) Budget. A formal financial plan which reflects monthly and quarterly projected income and expenses for a fiscal year. It reflects the expected outcome of management's plans and decisions in financial terms. It shows the revenue and associated expenses an activity expects to generate over a given period. This budget gives the activity manager an estimate of the profit to be realized from the operation. (For this reason, the I&E budget is sometimes referred to as the "operating" budget.)

B2.20. Liabilities. Liabilities are obligations to transfer assets, provide services, or otherwise expense assets to satisfy responsibilities resulting from past or current transactions. They are classified on the financial statements as either current or noncurrent liabilities.

B2.21. Minimum Cash Balance. The minimum amount of cash that should be kept in cash-in-bank for efficient operations and sound cash management.

B2.22. NAF Requirements Budget. A formal 5 year financial plan which shows the estimated cost and time for buying new equipment, furnishing, renovating facilities, replacing and repairing fixed assets, buying bulk purchases of expendable equipment and buying bulk purchases of high cost supply items.

B2.23. Small Operations. Those with limited programs and gross revenues of less than $36,500 per year. Small operations may not require all of the detailed accounting records and procedures outlined for NAFIs at bases or stations.

B2.24. Statement of Cash Flows. The Statement of Cash Flows is a formal statement of cash received and cash paid out for the period being reported. It shows the uses and sources of cash. It is prepared by NAFI.

B2.25. Unprogrammed NAF Expenditures. Expenditures for costly capital assets (equipment and facilities) which are not included in the NRB of the NAFI (called "unprogrammed"). These can cause serious cash flow problems.

B2.26. In Use Inventory. In use inventory consists of merchandise maintained by operating activities for resale or consumption in sales outlets such as bars, pro shops, restaurants, and snack bars.

ATTACHMENT B.3

PRESCRIBED FORMS

AF Form 1708	NAF Dishonored Check Control Log
AF Form 1735	NAF Interfund Purchase Order
AF Form 1736	NAF Cash Management and Investment Program Account Verification
AF Form 1804	NAF Interfund Dollar Transfer
AF Form 1875	NAF Individual Cashier's Report
AF Form 1876	NAF Consolidated Cost Center Report
AF Form 2533	NAF Transfer Between Cost Centers
AF Form 2534	NAF Property Disposal Transfer Receipt
AF Form 2539	NAF Disbursement Request
AF Form 2541	NAF Journal Voucher

APPENDIX C

ACCOUNTING PROCEDURES FOR NAVY NONAPPROPRIATED FUND

This appendix of the DoD Financial Management Regulation is for use by all non-appropriated fund accounting offices which use systems developed by the Department of Navy. The appendix contains policies and procedures specific to those systems. General or non-system specific policies and procedures are included in the core regulation and have been excluded from this appendix. For example, the requirement that nonappropriated fund instrumentalities (NAFIs) conform to generally accepted accounting principles is not system-specific and applies to all DoD NAFIs. Therefore, it is included in the core regulation and excluded from this appendix.

This appendix supersedes all previously published policies and procedures. Therefore, in the event of conflicting instructions, the policies and procedures in the regulation itself should be followed.

CHAPTER 1

GENERAL INFORMATION

C0101 GENERAL

C010101 Purpose. This appendix prescribes financial management policies and a uniform accounting system for all nonappropriated funds within the Department of the Navy. These provisions are intended to increase efficiency and effectiveness, permit greater control by management, facilitate the conducting of audits by proper authority, and provide guidance to all participants in the system.

C0102 SCOPE

C010201 Policies.

A. Scope. The policies set forth herein are applicable on a worldwide basis to all nonappropriated fund instrumentalities (NAFIs) within the Department of the Navy, including the Navy and Marine Corps Morale, Welfare, and Recreation Support Activity and are to be followed unless specific request for deviation is submitted through and approved by the appropriate chain of command and the Defence Finance and Accounting Service (DFAS). The Navy Exchange and the Marine Corps Morale, Welfare, and Recreation Support Activity Manuals contain accounting procedures for their respective systems and are subject to DFAS review and approval. The Bureau Of Naval Personnel Recreation and Mess Central Accounting System (RAMCAS) Users Handbook contains detailed accounting procedures for NAFIs participating in the RAMCAS and is subject to DFAS review and approval. Recommendations for improvements, modifications and/or additions to this appendix are encouraged and should be submitted to the DFAS.

B. Private Organizations. Private organizations and funds thereof, established and operated by individuals acting outside the scope of any official capacity as officers, employees, or agents of the Government, and which are established to provide desirable morale enhancing facilities and services, are subject to DOD guidelines. The financial management policies and procedures set forth in this appendix are not applicable to private organizations, however, they maybe used as guidelines.

C. This appendix is not intended to approve the establishment or operation of any of the activities referred to herein. Military and civilian NAFIs are established and operated in accordance with instructions issued by the applicable program manager.

C010202 Basic Policies.

A. Establishment and Operation. The Department of the Navy advocates the establishment and operation of well-rounded morale, welfare, and recreational programs to insure the mental and physical well-being of its personnel. Adequate programs and facilities to carry out this policy should be provided, operated, and maintained through financial support tendered by the Department of the Navy. Appropriated and Nonappropriated funds will be used as appropriate to fund the cost of these programs and facilities. Provisions will be made to account for appropriated expenses by categories and activity types.

B. Immunities and Privileges. The programs and facilities provided through morale, welfare, and recreation functions are deemed by the Department of the Navy to be essential to the performance of its functions. As such, they are necessary adjuncts of the department. Morale, welfare, and recreation activities operated as Nonappropriated Fund Instrumentalities (NAFIs) are entities of the Government and as such are entitled to all the

immunities and privileges which are available to the departments and agencies of the Federal Government under the Constitution and statutes.

C. Civilian Employees. Morale, welfare, and recreation programs established primarily for civilian employees of the Navy are intended to provide food and other services where required, and to offer certain recreational activities as inducement to recruitment and retention of the civilian work force.

D. Administration of Programs. Morale, welfare, and recreation programs will be administered in compliance with applicable Federal laws and operate in concert with certain state and municipal laws. Questions involving jurisdiction and compliance which cannot be resolved locally, should be submitted to the appropriate authority for resolution.

E. Nondiscrimination. The facilities and/or services of morale, welfare and recreation programs will not be made available to any group which practices discrimination on the basis of gender, race, creed, color, age, physically/mentally handicap, or national origin. This will not prohibit the establishment of cultural or ethnic private organizations, providing membership is not restricted or discriminatory. Private organizations whose memberships are restricted on the basis of religion may be authorized to operate on DOD installations provided authorization is also approved for requests by similar organizations without preference.

F. Nonappropriated Funds are Government Funds. All nonappropriated funds are government funds dedicated exclusively to the collective welfare and recreation of military and civilian personnel and their dependents. These funds will not be donated to any individual, firm, group, or organization, charitable or otherwise, to the detriment of the joint welfare and recreation of all personnel and their dependents.

G. Cross-Service Borrowing. To the extent funds are not available from within the Department of the Navy, cross-service borrowing of nonappropriated funds is encouraged. Commercial borrowing will be obtained only as a last resort. Approval of either cross-service or commercial borrowing must be obtained in advance from the applicable program manager.

C0103 SYSTEMS APPROVAL. DFAS-HQ has the responsibility for final review and approval of financial management processing systems prior to implementation.

CHAPTER 2

FINANCIAL MANAGEMENT

C0201 GENERAL

C020101 Basic Functions of Management. The basic functions of management include planning, coordinating and controlling. Planning is directed toward the establishment of desirable future objectives and the formation of an organizational structure to be followed in their achievement. Coordination consists of integrating individual and group effort with the over-all objectives. Controlling results from the evaluation of individual and group effort in terms of the predetermined goals.

C020102 Discharge of Management Functions. The effective discharge of these functions is essential to sound business management and successful operations. In small activities the manager may personally supervise every phase of operations and the basic functions of management may be performed with little recourse to accounting data. In larger entities, direct personal supervision by one individual is seldom possible and it is necessary to establish a chain of command from top management to departmental supervisors. Under such circumstances, accounting becomes an indispensable tool of management. Accounting not only provides each level of management with relevant financial data, but it also furnishes basic facts required in planning, coordinating, and controlling.

C0202 BUDGETING AND MANAGEMENT

C020201 Nature of Budgeting. Budgeting consists of establishing specific future goals and periodically measuring actual results against the planned objectives. A budget is a formal written statement of management's plans for the future, expressed in financial terms. A budget charts the course of future action. Thus, it serves management in the same manner that the architect's blueprints assist the builder and the navigator's flight plan aids the pilot. A budget, like a blue-print and a flight plan, should contain sound, attainable objectives based on a realistic plan of operations rather than mere wishful thinking.

A. Accounting and Management. Probably no other instrument contributes more directly to management than a budget. A budget embraces both accounting and management functions. It is a management function because it is an expression of management's plans and an accounting function because plans are translated into financial terms for subsequent comparison with actual performance. Each of management's primary functions is directly served by budgeting. Planning is encouraged because careful study, investigations, and research must be given to expected future operations if the budget is to contain sound, attainable goals. Advanced planning, in turn, increases the reliance of management on fact finding in making decisions and lessens the role of hunches and intuition in managing a business enterprise.

B. Preparation. Coordination is facilitated as each level of management participates in the preparation of the budget. In addition, a budget enables top management to explain its objectives to each stratum of management. For example, planned merchandise purchases are developed in accordance with anticipated sales. Manpower requirements and salary costs can be correlated with anticipated income from services to be rendered.

C. Control. While managerial planning and coordination are important, they must accompanied by control. Budgeting contributes to effective management control through the preparation of frequent budget reports in which actual performance and budget of objectives are compared and variations are revealed. The disclosure of variations enables management to focus attention on the

areas which require immediate corrective action. Budget objectives act as a deterrent against waste and serve to encourage efficiency and cost savings.

D. Budget Revisions. For the budget to remain an effective management tool, revised budgets incorporating significant program changes for the balance of an accounting period should be prepared. Revisions should not be made solely to eliminate variations from planned performance.

C0203 BUDGETING PROCEDURES.

C020301 Responsibility for Preparation.

A. Budget Officer. The responsibility for actual preparation of the budget is assigned to the local budget officer and the MWR Director. Budgets are prepared for both appropriated and nonappropriated funds requirements in accordance with guidance established by the program manager.

B. Budget Input. Requests for budget estimates should be extended to the lowest level in the chain of command to enlist the participation and cooperation of all strata of management. After the estimates have been received, they are reviewed and incorporated into a master plan. This process usually necessitates a revision of some of the estimates, and each supervisor is given an opportunity to defend his estimates and requests. The various budgets are then agreed upon and approved by the commanding officer. Finally, the budgets are distributed and explained to each responsible supervisor as the operating plan against which their performance will be compared.

C. Sources of Information. Budgets are dependent upon the preparation of timely, clear, and accurate financial statements reporting operational results and financial condition of the business entity. The financial condition of an activity is presented in its balance sheet, while its earnings are reported in the income statement. The items appearing in these statements are major considerations in planning.

D. Elements of Financial Planning.

1. Management of Working Capital. The efficient administration and control of capital used in an activity.

2. Financial Plan. Determining the sources and required amount of initial or additional capital. This is an estimate based on past experience.

3. Operating Budget. The projection of income and expense for a future period. Permits comparison and analysis of projected data with actual data. This is an estimated view of future income and expense based on past experience. The estimate will be influenced by management policies such as a reduction of personnel costs which could increase the net profit. It could also be influenced by an anticipated reduction in patronage through military transfers which could result in a decrease in level of operations and net profit.

4. Cash Budget. A projection of cash receipts and disbursements for a specified future period. It is necessary to know how much cash will be necessary to operate during the coming months and at what times and in what amounts cash will be available to meet payment needs. Cash budget shall be derived from and reconciled with the operating and capital budgets.

5. Capital Budget. The projection of expenditures for acquisition, construction, renovation, and expansion of capitalized fixed assets such as furniture, fixtures, equipment, and building improvements. The source of funding and estimated completion date shall be indicated.

6. Annual Appropriated Fund Budget. An itemized listing of required appropriated fund support.

7. Balance Sheet Projection. The projection of assets, liabilities,

and net worth at a future date based on planned operational results.

C0204 OPERATING BUDGET

A. General. In its simplest, the operating budget is expected receipts less desired profits. Planning is designed to increase receipts or reduce allowable costs and expenses, or both, to achieve the desired profit objective. For instance, once the desired profit is determined, there must be planning to obtain this profit. It may be reached by increasing receipts through more aggressive promotion, additional facilities, or a rise in prices. The profit objective, through more effective management, may also be approached by cutting costs (allowable costs) through a reduction in personnel, tighter control on costs, or reduction of administrative expenses.

B. Profit Objective. The profit objective should be consistent with the need for maintaining the lowest possible price to customers, expansion requirements, and other management needs. An activity which has acquired elaborate, or even adequate facilities, may be in a position to budget profits at or near the break-even point, and pass along the usual operating gains to customers through reduced prices, dues, or other service charges. The purpose of the budget under such circumstances is to limit administrative expenses so as to increase the direct benefit accruing to customers through lower charges.

C. Forecasting Receipts. Forecasting future receipts is the most important element in the operating budget since all other elements are dependent upon this figure and must vary accordingly.

1. Basic Management Unit. A basic unit of measurement must be determined to forecast future receipts. This unit of measurement is obtained from data collected from past operations. The measurement unit may be selected from such data as the number of customers, meals, and guests applicable to each major activity (bar, dining room, golf course, barber shop, or any other department). Dollar amounts may be applied to measurement units upon determination of pricing and rate standard.

2. Forecasting Procedure. Future receipts from the sale of goods should be computed separately from income from other activities such as room service, greens fees, and membership dues, etc.

3. Other forecasts. Income from similar activities may forecast in a like manner. Income from nonresale activities may be forecast directly in terms of measured units and by the application of rates as determined by the board or council, or as prescribed in the by-laws in the case of membership dues and assessments. Consideration should be given to such factors as number of dependents, training schedules, seasonal variations, and holidays.

D. Limiting Expenses. When the total gross income from sales and other activity sources has been forecast, the dollar amount of net profit needed to support future requirements may be determined. The difference between these two figures (gross income and net profit) represents the maximum amount which may be used to defray all expenses during the budget period. Major costs such as cost of goods sold, wages and salaries, personnel benefits, utilities, and depreciation should be forecast separately for each month of the budget period. General and administrative expenses representing smaller amounts may be consolidated. The distribution of expense by activity should be accomplished when practicable. Prior experience should be the basis for apportioning expense allowances to the various activity accounts. Past expenses, however, should be examined closely as to propriety and necessity. Savings accomplished and reflected in greater profits may be converted to lower prices in subsequent periods. This factor actually may induce greater dollar volume gross income through increased patronage. Conversely, it may be found that the budgeted gross income is so low as to result in the forced reduction of essential expenses, adversely

affecting sales volume and patronage. These matters cannot be resolved by a predetermined formula but must be resolved by good management.

E. Presentation of Operating Budget. The final form of the operating budget is the same as the income statement, except that provision is made for monthly comparisons. All items should be expressed in terms of percentages of total sales for analysis and comparative purposes.

C0205 CASH BUDGET

C020501 General. A cash budget is an effective tool in planning cash requirements and resources of a business. It is important to note that the excess or deficit of cash receipts over disbursements for a given accounting period may not equal the amount of net profit or loss as reported in the income statement for the same period. Sales on credit, purchases on credit, and other accruals reflected in the income statements prevent a direct comparison.

C020502 Purpose. The primary purpose of the cash budget is to identify existing and anticipated cash resources to finance operations, pay debts as they mature, pay for desired expansion, and maintain the business in a satisfactory or liquid position. Sales volume, inventory levels, pricing, credit policies, and plans for replacement and expansion of fixed assets, should be critically reexamined in the light of the cash budget, and modified as necessary. When the cash budget indicates a deficit during all or part of the budget period, the entire plan of operations may be too ambitious for the resources available. Certain budgeted activities may have to be curtailed or deferred until additional capital can be accrued from future earnings.

C020503 Preparation. In estimating cash receipts and disbursements, other budgets must be carefully studied. Appropriate consideration should be given to future plans of management which will affect cash. After cash receipts and disbursements have been estimated, a minimum cash balance is established that will be adequate to meet cash requirements. The cash budget should be prepared progressively by monthly revision to provide a perpetual forecast. The period of time covered by a cash budget varies with the type of business and the activity's cash position. When the supply of cash is short, a weekly or even a daily cash budget may be necessary. Ordinarily, however, twelve separate monthly budgets are prepared for the year. Cash budgets are usually accompanied by detailed schedules of the major items summarized in the budget. Forecasts of total income as reflected in the operating budget must be adjusted for cash transactions. Cash receipts arising from credit sales and other charges will necessitate preparation of accounts receivable aging schedules, actual and projected. Monthly comparison should be made with actual cash receipts and disbursements for the purpose of planning future operations.

C0206 CAPITAL BUDGET

A. General. The capital budget is a summary of proposed expenditures of cash for depreciable assets for the following purposes:

1. Additions and extensions to property and equipment.

2. New property and equipment.

3. Replacement of property and equipment unit.

4. Furniture, fixtures, and office equipment.

B. Purpose. The objective of the capital budget is to increase or at least maintain future profits without jeopardizing the financial stability of the activity. Expansion or replacement proposals that do not further sales volume are not in themselves a sufficient basis for expanding capital investment, unless it is to be supported by a continuing high volume.

C. Long Range Planning.

1. Planning for capital expenditure must be considered from a long-range viewpoint to include the following considerations:

a. Long-term estimate of revenue, cost of operations, and profits.

b. Possibly serve an increased patronage without expansion of fixed assets.

c. Determine expansion of property and equipment required to serve increased patronage in terms of physical units.

d. Ability to obtain the required amount of capital when needed.

2. The capital budget may be forecast by calendar quarters for 1 year in advance, and for each year thereafter up to 5 years.

D. Sources of Capital. Failure to carefully budget capital expenditures is likely to result in the diversion of cash required for working capital to the acquisition of fixed assets, thereby impairing the ability of the fund to meet its current financial obligations. If cash required for operations is used for this purpose, it results in a diversion of working capital into fixed capital. The maximum funds available for capital expenditures, without impairment of working capital, are measured by:

1. Reinvested (Retained) earnings for a given period.

2. Annual allowances for depreciation (accumulated depreciation accrued through monthly charges).

3. Proceeds from loans (ultimately to be repaid from future earnings).

E. Financing Replacements and Expansion. Capital expenditures for replacement of fixed assets as a general rule should be limited to the accumulated allowances for depreciation, while expansion of amounts required as additions to working capital.

F. Preparation. The capital budget should be prepared in two forms.

1. A listing of individual projects or fixed asset items to be acquired during a future period stating the estimated cost of each, the date and amount of actual expenditures, and the unexpended balance of budgeted expenditure.

2. Summarized by Period. Capital budget summarized by period. The budgeted project may be summarized for each budget period and computation made of the total funds estimated to become available for capital expenditures.

C0207 BALANCE SHEET PROJECTION

A. General. The balance sheet projection is a preview of the financial condition on a specified future date, based on the plan of operations adopted. The balance sheet projection may be prepared as a culmination of other forecasts and budgets specified in other sections of this Chapter.

B. Purpose. The balance sheet projection may be used to:

1. Note the flow of reinvested profits into current and fixed assets.

2. Check on the accuracy of the operating budgets.

3. Aid in planning capital expansion.

4. Forecast cash balances and requirements.

5. Aid profit planning designed to secure an adequate return on the total investment.

6. Maintain the ratio of current assets to current liabilities and other financial ratios at a desirable level.

C. Preparation. The balance sheet projection should be maintained for periods coinciding with those of the operating budget. It should be prepared in substantially the same form as the balance sheet except that it may be condensed to show only the more significant items. If other budgets discussed in this chapter are regularly prepared, very little additional effort will be required for preparation of the balance sheet projection since most of the projected items have already been ascertained. Only a few additional items such as prepaid expense must be projected. Accounts receivable are estimated by adding to the opening balance the amount of estimated sales on account, less estimated collections during the period. Similarly, other balance sheet items are projected based on data contained in the operating, cash, and capital expenditure budgets.

D. Use of Financial Ratios. Financial ratios referred to in the following paragraph should be used in the analysis of the balance sheet projection. Comparisons of desired financial ratios with projected ratios may result in modification of operational plans and budget elements.

C0208 MANAGEMENT OF WORKING CAPITAL

A. General. Working capital management includes the following terms:

1. Current Assets. Cash and other assets that may reasonably be expected to be realized in cash, sold or consumed, within 1 year through the normal operations of the business. In addition to cash, the assets usually found in this group are accounts receivable, loans receivable, merchandise inventory, short-term investments, and prepaid expenses. They are customarily listed in order of liquidity, which is the order of their expected conversion to cash.

2. Current Liabilities. Debts that in the ordinary course of business will be liquidated within a year such as accounts payable, loans payable, salaries and wages payable, and collections received in advance for which goods or services will be given within a year.

3. Working Capital. The excess of current assets over current liabilities.

4. Fixed Capital. That portion of total capital (additional to working capital) consisting of relatively permanent assets acquired for use in the conduct of the business. Such capital is not intended for disposal in the ordinary course of events, and includes items such as furniture, fixtures, equipment, and building improvements.

B. Flow of Working Capital. Upon establishing a business, cash may comprise the total capital. A part of cash is invested in fixed assets such as equipment, furnishings, building improvements, etc. The remainder is retained in part as cash to meet operating expenses, and in part to purchase foods as the stock in trade. These goods are sold and converted into cash or accounts receivable, which are ultimately collected in cash, to complete the working capital cycle. Each time the cycle is made, from cash to goods to cash, it should yield a return. A constant and rapid circulation (cycling) of working capital is desirable to compound the yield and increase the return, in relation to the amount of working capital required.

C. Administration of Current Assets.

1. Cash. A cash balance on hand and in banks should be maintained at the minimum amounts required for change funds, petty cash and payables due in the next succeeding month. Additional amounts not used in current operations should be

invested in securities redeemable when cash is desired, and yielding maximum interest.

2. Receivables. The volume of receivables is determined by sales and credit policies and by the effectiveness of collection of outstanding accounts. The efficient collection of receivables is a vital part of working capital management. Laxity in this regard may tie up an undue amount of cash otherwise needed as working capital as well as increase losses from bad debts. It may be necessary to impose customer credit limits on accounts that are in excess of a reasonable period or amount.

3. Inventories. Inventory management involves regulation of the size of the invest-ment in goods on hand, the types of goods carried in stock, and turnover rates. The investment in inventory should be kept at a minimum consistent with maintenance of adequate stocks of proper quality to meet sales demand. Increases or decreases in the inventory investment must be tested against the effect on profits and working capital. Standard levels of inventory should be established as adequate for a given volume of business, and stock control procedures applied so as to limit purchase as required. Such controls should not preclude volume purchase of nonperishable items when price advantages may be obtained under unusual circumstances. The rate of inventory turnover is a valuable test of merchandising efficiency and should be computed monthly.

D. Required Working Capital.

1. The following factors generally affect the amount of working capital required:

a. Turn-over rate of inventories.

b. Turn-over rates of accounts receivable.

c. Terms of purchase.

d. Terms of credit sales.

e. Overall expansion.

f. Seasonal variations.

g. Changes in customer strength.

2. The approximate amount of working capital required to operate at a given date, and the amount of working capital excess or deficit, may be calculated as follows:

	Current Assets
Less:	Current Liabilities
Equals:	Working Capital
Less:	One Inventory Turnover
Less:	Net of 1 Month's Expenses and Revenues from other than Sales Activities
Equals:	Working Capital Excess or Deficit

E. Working Capital Ratios. The ratio analysis or working capital can be used by management as a means of checking upon the efficiency with which working capital is being applied. Important ratios for working capital management analysis are the working capital and inventory turnover rations and the turnover or average collection period for accounts receivable. The behavior of ratios, over a series of accounting periods, is indicative of trends which may signal the need for adjustments in the future. Some of the working capital ratios which may be computed are described below.

1. Capital Ratio. The relationship between current assets and current liabilities is called the current ratio. This ratio measures the ability to pay short term debts and is computed by dividing the total of current assets by the total of current liabilities. Marketable securities, receivables, and inventories may decline in value and there is no certainty as to when they will be converted into cash. On the other hand, current liabilities must

be paid at their face value and at specific dates. It is desirable, therefore, that current assets always be materially in excess of current liabilities. The excess of current assets over current liabilities is also frequently used as an index of current financial condition. It is referred to as working capital or net current assets. There is general rule that a current ratio less than a 2:1 is unsatisfactory. Like most generalities this one is subject to modification in certain specific cases. A ratio that is smaller would indicate that debts may be too high. On the other hand, if the current ratio is too large this means more current assets should be converted to other useful purposes.

2. Acid-Test Ratio. This ratio is the sum of cash, receivables, and marketable securities (called quick assets) divided by current liabilities. The acid-test ratio is a supplemental measure of liquidity. A ratio of 1:1 indicates that for every dollar of current debt there is available one dollar of quick assets to meet current liabilities. As a general rule, the acid-test ratio should be no less than 1:1. While it is generally desirable that the acid-test be high and improving, it is possible for it to be too high for the good of the business. Cash and most receivables are not earning interest and the return on most temporary investments is not large. Neither too little nor too much working capital is desirable. One of the arts of business management is the ability to determine and maintain the optimum amount of each type of asset.

3. Ratio of Net Sales to Assets. The ratio of net sales to assets is a measure of the effectiveness of the utilization of assets. Assume that two similar activities have equal amounts of assets but that the sales of one are double the amount of the sales of the other. Obviously, the former is making better use of its assets. In computing the ratio, any long-term investments should be excluded from total assets as they make no contribution to sales. The units of product sold may also be used in place of the dollar amount of sales, if sales can be stated in a common unit. Assets used in determining the ratio may be the total at the end of the year, the average at the beginning and end of the year, or the average of monthly totals.

4. Accounts Receivable Turnover. The relationship between sales volume and accounts receivable is stated as the accounts receivable turnover. It is calculated by dividing net sales on account by the average accounts receivable. The average of the monthly balances of accounts receivable should be used in the computation, as it gives recognition to seasonal fluctuations. When such data are not available it is necessary to use the average of the balances at the beginning and end of the year. Accounts receivable yield no revenue hence it is desirable to keep the amount invested in them at a minimum and the number of turnovers as high as possible. Prompt collection reduces the amount of loss from bad debts. The composition of accounts receivable changes continually during the business cycle. Accounts receivable are increased when charge sales are made and decreased when collections are received. Increases or decreases in the volume of sales will also affect the amount of outstanding accounts. Another method of expressing the result is to divide 365 (days) by the receivable turnover figure to get the average number of days that the receivables were on the books.

5. Merchandise Inventory Turnover. Most of the observations about receivables discussed in the preceding subsection (d. above) are also applicable to merchandise inventory. Inventory in excess of the needs of the business ties up funds that could be used in other ways to better advantage and may increase the amount of insurance, storage, and other related expenses. There is also added risk of loss through price declines and deterioration or obsolescence of the merchandise. The merchandise inventory turnover rate is computed by dividing the cost of goods sold by the average cost price value of the inventory. If monthly data are not available, it is necessary to use the average of the inventories at the beginning and end of the year.

F. Turnover of Working Capital. A close relationship exists between sales and working capital. As sales volume increases,

the investment in inventories and receivables increases and therefore, a larger amount of working capital is necessary. The turnover of working capital reflects the extent to which the business is operating on a small or large amount of working capital in relation to sales. This turnover or ratio is composite of number of relationships (inventories, receivables, current liabilities, etc.). These various component elements should be analyzed individually to account for changes from period to period. The turnover of working capital is computed by dividing the net sales for the year by the average working capital.

CHAPTER 3

OPERATIONAL STANDARDS

C0301 GENERAL

C030101 Responsibility.

A. Assistant Secretary of the Navy (Manpower and Reserve Affairs). As the overall policy director for NAFIs, authorizes the establishment of new type activities and assigns their program classification.

B. Program Manager. The program manager, as the administrative manager for morale, welfare, and recreation functions under his command, is responsible for the technical and administrative directives which will:

1. Set forth requirements for establishment of the programs and activities.

2. Insure implementation of budgeting, accounting analysis and evaluation, and auditing.

3. Implement report requirements and time frames.

4. Aid in the preparation of budgets for both appropriated and nonappropriated funds.

5. Specify management policies.

6. Specify formats and provisions of contracts.

7. Implement policies for the disposition of surplus property.

8. Establish policies for purchasing, contracting, investing, administering and protecting assets in accordance with this handbook.

9. Set forth liquidation and closing procedures for disestablishment activities consistent with this handbook.

10. Establish and maintain adequate systems of internal control that provide reasonable assurance that the objectives of internal control are met and reviewed periodically (for all functions; not solely financial management).

11. Establish audit programs and management review cycles for NAFIs under his command.

C. Commanding Officer. Fund administration and supervision are command functions. Consequently, commanding officers have the same responsibility for the proper administration of nonappropriated funds as for any other functional element of their command. Under the technical supervision of the appropriate program manager, and in accordance with applicable directives, the commanding officer has jurisdiction over, and is responsible for, the establishment, administration, operation, and financial condition (including solvency, stability, and dissolution) of NAFIs and will:

1. Direct the activity operation in accordance with policies and procedures set forth by the program manager and as delineated herein.

2. Review and evaluate financial statements and where applicable forward as directed to higher authority.

3. Appoint qualified managers and insure that an advisory group is designated for each morale, welfare, and recreation program to act in an advisory capacity to the commanding officer by observing the

overall operation of the activity and making recommendations to the commander for its improvement. Individuals responsible for either the receipt or disbursement of appropriated funds will not be appointed as a manager or custodian of nonappropriated funds. The custodian/treasurer or Other Membership Associations, such as, flying clubs, rod and gun clubs, etc., should be elected or appointed from the memberships of such activities, subject to the approval of the commanding officer.

4. Budget for appropriated funds which are authorized to support morale, welfare, and recreational activities.

5. Insure that technical advice and assistance in the supervision of activity functions is obtained from other staff members on matters in which they have functional responsibility.

6. Effect corrective action on recommendations made by audit, program managers, and/or advisory personnel.

7. Disapprove any recommendation of the manager/custodian or advisory group which is deemed not to be in the best interest of the Department of the Navy.

8. Ascertain that each activity is being properly administered and its monies and property safeguarded, that all income has been received in full, and insure that all disbursements are made only for authorized purposes.

9. Direct that inventories are taken as required by governing directives.

10. Designate a successor manager:

a. When the manager is absent by order, leave of absence, or any other cause for more than 30 days (and there is no designated assistant), the commander will designate a successor manager and require a physical inventory to be made in support of a statement of assets. Such inventory will be certified by the manager as correct to the best of his knowledge, and signed as a receipt by his successor subject to such exceptions, if any, as may be noted therein. The signed statement will be retained as a part of the activity's records. In the case of Navy Exchanges, successor managers (Navy Exchange Officers) are appointed by the Commander, Naval Supply Systems Command and relieving procedures are provided by the Navy Exchange Manual.

b. An inventory of the complete system is not necessary when the manager of a morale, welfare, and recreation activity (consisting of branches which have assigned managers with specific duties and responsibilities set forth in writing by the commander) is relieved at a time other than the normal termination of an accounting period. All cash on hand, however, to include receipts for petty cash and change funds rendered by branch managers, the bank accounts and any property with the central office, will be verified by both parties and invoice and receipt accomplished.

c. Unless there is an assistant manager, an acting manager will be appointed by the commanding officer when a manager is to be absent from duty for a limited period of 5 to 30 days. The acting manager becomes responsible by signed receipt for all assets as shown in the records as of the transfer date, subject to confirmation within 30 days thereafter. In the case of Navy Exchanges, an acting Navy Exchange Officer is designated by the commander as provided by the Navy Exchange Manual.

D. Manager. The manager as a direct representative of the commanding officer exercises executive control over the morale, welfare, and recreation function and is charged with the following responsibilities and specific duties and will:

1. Receive, and safeguard monies and other assets in accordance

with this handbook and other applicable regulations, directives and/or manuals.

2. Cause to be put into effect all management policies as directed by the program manager, the commanding officer, and other competent authorities.

3. Employ, train, supervise, and discharge personnel, and establish rates of pay and working hours, subject to the approval of the commanding officer, minimum wage legislation, and DOD wage surveys,

4. Establish a continuous training program for all personnel.

5. Develop, implement, and maintain an internal control system in accordance with this handbook.

6. Be financially liable for losses of monies and property when his dishonesty, fraud, or culpable negligence is established.

7. Insure the adequate protection of cash (including bank deposits) and proper investment of monies is in conformity with this handbook and applicable directives issued by the program manager. (see Appendix B).

8. Prepare necessary budgets in accordance with this handbook and as prescribed by the program manager.

9. Insure that inventories are taken as required by governing directives.

10. Be responsible for all purchasing and contracting and insure compliance with SECNAVINST 7043.5(series) and other pertinent directives.

11. Be responsible for all financial operations of the activity to include all income-producing or service functions.

12. Insure that each fund maintained in support of a retirement program is regularly reviewed by one or more qualified actuaries.

C0302 APPROPRIATED AND NONAPPROPRIATED FUNDS

C030201 Guidance. Guidance for the use of appropriated and nonappropriated funds support to military morale, welfare, and recreation (MWR) programs and activities is contained in NAVCOMPT Man. Vol 7. Base Comptrollers will prepare budgets for annual appropriated and nonappropriated fund support for morale, welfare and recreation programs in accordance with major claimant guidance consistent with the fund use rules prescribed and annual budget guidance provided in NAVCOMPT Notice 7111.

C030202 Use of APF. As prescribed on NAVCOMPT Man. Vol.7, appropriated funds may be used to provide support to morale, Welfare and Recreation Programs. The following outlines procedures used in accounting for appropriated fund support to morale, welfare and recreation activities.

A. Comptrollers will issue quarterly/yearly operating targets (OPTAR) to each Morale, Welfare and Recreation program manager permitting obligation of appropriated funds within the specified monetary limits.

B. The morale, welfare and recreation manager will initiate typical obligating documents (such as travel orders, DD Form 1348's, purchase orders, labor cards for Appropriated fund paid morale, welfare and recreation employees, etc.) when intending to directly cite OPTARED appropriated funds.

C. Order for Work and Services (NAVCOMPT Form 2275) may be issued against unobligated OPTAR balances to morale, welfare and recreation activities to cover anticipated reimbursements of nonappropriated fund costs by appropriated funds for authorized support. The NAVCOMPT Form 2275 should be issued in an amount based on estimated

reimbursement needs and carry an expiration date consistent with the OPTAR. The issuing activity must assign a Navy Standard Document Number to the NAVCOMPT Form 2275 and upon its acceptance, have it recorded as an obligation in the appropriated accounting records. The total OPTAR availability includes both the direct cite obligations and the anticipated reimbursements obligated under the NAVCOMPT Form 2275 (See Appendix C-2).

D. An APF entity may contract with the NAFI for services, functions, or goods that the NAFI is in the unique position to provide. Work and services must be processed by contract, activities will no longer be able to use reimbursable orders to pay for goods or services provided by NAFI.

E. At year-end, base comptrollers prepare reports of appropriated fund support to morale, welfare and recreation activities in accordance with this appendix.

F. When morale, welfare and recreation activities request supplies and services as authorized by NAVCOMPT Manual, Volume 7, they may use NAVCOMPT Form 2275 Order For Work and Services. The requesting MWR activity must completely fill the applicable blocks on NC Form 2275 except that block 12 will be annotated to indicate that the order is to be paid by nonappropriated funds. When an MWR activity requests work and services using Operating Target (OPTAR) appropriated funds, block 12 of NC Form 2275 will be annotated with applicable appropriated accounting data. In both cases, billings will be sent to the activity indicated in block 11.

C0303 FRAUD OR OTHER DISHONEST ACTS. Any employee or person connected with a morale, welfare, and recreation activity will report to the proper authority any suspected misappropriation, embezzlement, larceny or robbery of property or funds, or other improper matter for action in accordance with Article 1139, U.S. Navy Regulations, 1973 and applicable instructions.

C0304 INSURANCE

C030401 Self Insurance. The Comptroller General has consistently held that unless otherwise provided by law, appropriated funds are not available for insurance of government property as the government is a self insurer. This prohibition does not extend to nonappropriated funds used to insure nonappropriated fund purchased property. One of the most effective means of protecting assets is through insurance. Certain insurance coverage is mandatory while other types of protection are at the option of the fund or as specified by the program manager.

C030402 Morale, Welfare, and Recreation Activity Insurance Requirements. Activities will normally carry as a minimum the following insurance:

A. Worker's Compensation as required by state and territorial laws, and in the employment of foreign nationals as required by local laws. Where no provisions for worker's compensation are applicable, employer's liability insurance shall be provided.

B. Group life and comprehensive medical/health insurance.

C. Property insurance, including fire and extended coverage, sprinkler leakage, robbery, theft, and securities coverage. When the insurable value exceeds $10,000 it will be provided by commercial insurance or on a self-insurance basis. Insurance may be provided on an optional basis for insurable values of less than $10,000.

D. Bodily injury and property damage liability insurance (general and automobile) will be provided by commercial insurance or on a self-insurance basis.

E. The methods by which assets are protected will encompass sound risk management principles that will satisfy all applicable insurance laws (both domestic and foreign) while providing the broadest most cost-effective protection available.

F. Amounts of coverage and the techniques of handling risk of loss should be based on risks involved in transactions not protected by internal control procedures and as may be determined by the program manager and/or commanding officer.

G. A plan to provide funding for retirement payments. Program Managers will ensure that retirement plans are funded in accordance with sound actuarial principles. Independent external actuarial review is required every two years. Also required is an examination by a certified public accounting firm during scheduled audits every two years.

C030403 Concessionaire Insurance Requirements

A. Adequate Insurance Coverage. Morale, welfare, and recreation activities which carry on business through concessionaires within the United States will provide in their contracts that adequate worker's compensation, employers' liability, bodily injury and property liability insurance will be carried to protect the interest of the concessionaire, the activity, and the Federal Government. In overseas areas concessionaire contracts will provide that the concessionaire will comply with the local laws or customs of the country or political subdivision in which the concession is located.

B. Named As Additional Insured. With respect to bodily injury and property damage liability insurance, the concessionaires contract must contain a clause which provides that the activity concerned and the United States of America are named as additionally insured parties, in addition to the concessionaires. The activity will obtain from the concessionaire, a certificate of compliance, signed by the insurer, which clearly indicates that the type and amount of insurance stipulated in the agreement, has been issued to the concessionaire.

C030404 Performance Bond. Contractors or vendors under contract for construction or for the furnishing of supplies or services may be required to post a collateral or performance bond in order to protect the activity from loss by insuring the fulfillment of such contract.

C030405 Insurance and Federal Tort Claims. Procedures for processing insurance and tort claims will be in accordance with JAG Manual, Chapters XX and XXIII.

C0305 CONCESSION OPERATIONS AND CONTRACTS

C030501 Direct Operation. So far as practicable, all facilities, services, and functions should be a direct operation. Where circumstances would preclude realizing comparable service and a reasonable financial return, contractual agreements may be entered into between individuals or commercial organizations and activities with the consent of the commanding officer and/or program manager.

C030502 Utilities. A concessionaire is responsible for payment of the cost of all utilities in connection with his operations. Where utilities are furnished by the Government on a reimbursable basis, charges will be made in accordance with NAVCOMPT Manual, Vol. 3, Chapter 7, Part D or Navy Industrial Fund Procedures, as applicable and NAVCOMPT Manual, Vol. 7 paragraphs 075260 and 075261.

C030503 Policies. Policies regarding the control of concessionaire operations are prescribed in SECNAVINST. 7043.5A(series).

C030504 Commissions. Commissions from concessionaires to the nonappropriated funds will be based on a percentage of sales.

C0306 AUDIT AND INSPECTION

C030601 All Levels. Activities at all levels of command are subject to audit and/or inspection. Activity managers will cooperate with auditing and inspecting personnel. Mishandling of nonappropriated funds and property, and violations of standards of conduct in connection therewith, will be referred to the

commanding officer, and when deemed appropriate, to the Naval Investigative Service. Irregularities of a potentially serious nature will be reported through command channels to the Assistant Secretary of the Navy (Financial Management).

C030602 Audited Annually. Activities will normally be audited annually or as directed by the program manager whenever circumstances warrant and directives require such action in discharge of his responsibility.

C030603 Policies Regarding Audit. Policies regarding the audit of nonappropriated funds and related activities are prescribed in SECNAVINST 7510.7C(series).

C0307 RECORDS MANAGEMENT

C030701 Records Maintenance And Disposition. All records pertaining to the administration of nonappropriated funds will be maintained and disposed of in accordance with SECNAVINST 5212.5C(series).

C030702 Audit Trails. Computerized records are authorized so long as the required data are maintained and necessary audit trails are established.

C0308 LIQUIDATION AND CLOSING

C030801 Liquidation. Upon receipt of notification that an installation and/or activity is to be inactivated or placed in a standby status, the program manager, major claimant and the commanding officer will take such action as is deemed necessary to preclude careless or extravagant expenditure of assets prior to the dissolution of the fund. During the period between proposed inactivation and actual closing, disbursements will be limited to normal essential expenses, future commitments canceled, and the contractual agreements canceled or renegotiated when necessary. These responsibilities and procedures will apply also in the event a fund is dissolved for reasons other than inactivation of an accomplished: Applicable detailed liquidation procedures for exchanges are contained in the Navy and Marine Corps Exchange Manuals. Applicable detailed liquidation procedures for morale, welfare and recreation funds are provided by the program manager.

A. Question all creditors, past and present, to determine whether any liabilities exist and accordingly liquidate any outstanding payables.

B. Collect all accounts receivable, or charge off to operating expenses those found to be uncollectible.

C. Obtain settlement of all transportation and insurance claims owed to the activity.

D. Remit final withholding tax and social security payments and furnish employees with statements of earnings and deductions.

E. Convert all Government securities into cash. (Note: Some Government securities require time notices before redemption.)

F. Advise the depository to forward final bank statement to the applicable program manager, cognizant auditor, or other designated authority, as appropriate.

G. Perform a terminal audit of the activity.

C030802 Time Period. Within 60 days subsequent to receipt of notification to which reference is made in C030801 above, all outstanding payables will be liquidated and monies remaining forwarded as directed by the program manager.

C030803 Disposition of Property and Records. Upon the disestablishment of an activity the property and records thereof will be disposed of in the following manner unless otherwise prescribed by the program manager:

A. Merchandise may be sold to other activities or returned to vendors for credit, if possible.

B. Transfer merchandise and property to other activities as prescribed by the program manager. Receiving activities will be responsible for payment of all expenses incident to packing, crating, and movements of merchandise of property.

C. All records and related correspondence remaining after the terminal audit will be forwarded to the major claimant for subsequent forwarding to the nearest Federal Records Center.

C030804 Final Disposition of Residual Assets. Upon final dissolution, all residual assets which remain after the transfer of monies cited above, including proceeds from sale of property and merchandise, will be forwarded promptly by check as directed by the applicable program manager. Residual assets will be accompanied by a certified copy of the terminal audit of funds and, if appropriate, by notation of corrective actions taken hereon. Fixed asset disposal entries are normally based on the book values existing at the close of the last month of business operations for the dissolving NAFI and not the last month of the NAFI's existence as a fiscal entity, ie., a fixed asset is not depreciated over the final accounting periods required for liquidation and closing if normal business operations have ceased and the fixed asset is no longer being used or providing service.

CHAPTER 4

UNIFORM CHART OF ACCOUNTS

C0401 GENERAL

C040101 Uniform Chart of Accounts.

A. This Chapter establishes a uniform chart of accounts for recording transactions of all nonappropriated funds within the Department of the Navy with exception of those accounted for by the Navy and Marine Corps Exchange Systems. All NAFIs participating in the (RAMCAS) shall use the chart of accounts listed in the RAMCAS Users Handbook. All classes of transactions are normally first entered in books of original entry and subsequently posted to the ledger accounts.

B. Each type of account coding is listed, described, and categorized in paragraphs 401 and 402. Subclassifications may be established where needed provided all such subclassifications are standardized at the program manager level.

C040102 Schedule of Accounts.

A. To classify the accounts in an orderly manner in accordance with a definite plan for control of operations and facilitate analysis of operating results, a series of three digit account numbers has been assigned to the following major classifications appearing in the general ledger.

Account Categories

Series	Category
100	Assets
200	Liabilities and Net Worth
300	Sales Income
400	Cost of Sales
500	Activity Income
600-700	Operating Expenses
800	Other Income
900	Other Expense

C0402 UNIFORM CHART OF ACCOUNTS. General ledger accounts will be numbered and titled to conform to the below Uniform Chart of Accounts. These accounts are numbered in such a manner as to provide for the uniform addition of subaccounts by program managers. For example, account 100 Cash can be expanded with 101 Concentration Bank Account; 108 Imprest Bank Account-Payroll; 114 Petty Cash; etc. Program managers will also assign two-digit individual Activity/Department Codes to asterisked accounts so that they are uniform for each morale, welfare, and recreation program category. Some activities will need only a minimum number of accounts to maintain their records in an adequate manner, whereas, large funds may necessarily need to augment the number of accounts listed. Program managers may assign additional detail accounts not otherwise prescribed by this handbook that are consistent with its accounting policies. Requests for approval of any deviations will be submitted to the DFAS-HQ via the appropriate program manager.

ASSETS

CURRENT:

100 Cash

- 120 Investments
- 130 Inventories
- *150 Receivables
- 160 Prepayments

NON-CURRENT:

170 Fixed Assets

- 171 Vehicles/Aircraft
- 173 Furniture, Fixtures, and Equipment
- 175 Buildings and Facilities
- 177 Building and Facilities Improvements

178 Construction in Progress

180 Accumulated Depreciation

181 Vehicles/Aircraft Depreciation
183 Furniture, Fixtures and Equipment Depreciation
185 Buildings and Facilities Depreciation
187 Building and Facility Improvements Depreciation

190 Other Non-Current Assets

LIABILITIES AND NET WORTH

CURRENT:

200 Accounts Payable
210 Salaries and Wages, Personnel Benefits and Taxes Payable
230 Allocations
240 Loans Payable
250 Unearned Income
260 Other Current Liabilities

LONG-TERM:

270 Loans Payable (Long Term)
280 Other Long-Term Liabilities
290 Net Worth
291 Net Worth Beginning of Fiscal Year
293 Net Income (Loss)
295 Transfers In
297 Transfers Out
299 Distributions

INCOME AND EXPENSES

SALES INCOME:

*300 Sales Revenue
*310 Sales Returns and Allowances

COST OF SALES:

*400 Cost of Sales

ACTIVITY INCOME:

*500 Participation Fees and Charges Revenue
530 Dues and Assessment Revenue
550 Mission Support Revenue
560 Distribution Revenue
590 Concessionaire Revenue

OPERATING EXPENSES:

*600 Salaries and Wages
*620 Personnel Benefits
*640 Utilities and Rents
*660 Communications
*680 Maintenance and Repair (incl. Minor Construction)
*700 Supplies and Equipment (Expense Type)
*720 Transportation of Persons
*730 Transportation of Things
*740 Common Services
*760 Depreciation
*780 Other Operating Expenses

OTHER INCOME:

800 Interest Income
810 Miscellaneous Income
890 Extraordinary Income

OTHER EXPENSES:

900 Interest Expense
910 Miscellaneous Expense
950 Late Payment Penalty Expense
990 Extraordinary Expense

CLEARING ACCOUNT:

999 Profit or Loss Clearing Account

*Requires 2-digit individual Activity/Dept. Codes
Use Code 99 for G&A Indirect Expenses.

C0403 DESCRIPTION OF GENERAL LEDGER ACCOUNTS

A. This paragraph describes the accounts within the General Ledger structure and explains the purpose for which each type account is normally used. Accounts herein are

described only to a three-digit level. Program managers may assign and describe additional specific detail accounts not otherwise prescribed by this appendix.

100 CASH. This series of debit balance asset accounts is used to record cash balances, such as checking accounts; savings accounts; petty cash; change funds; etc. Accounts maintained in foreign currencies must be converted to equivalent U.S. dollars for financial statement reporting purposes.

120 INVESTMENTS. This series of debit balance asset accounts is used to show the value of temporary interest bearing investments, such as certificates of deposit; federal securities; etc.; that will be converted back into cash within one year. Supporting securities registers will be maintained to record details as to cost, purchase date, yield, maturity date, and other pertinent information.

130 RECEIVABLES. This series of debit balance asset accounts is used to record amounts which are owed to an activity and are expected to be collected within one year, such as accounts receivable-customers; accounts receivable-dues; accounts receivable-returned checks; commuted rations; etc. Subsidiary ac counts identifying amounts owed by individual debtors are maintained in support of these control-type accounts. When receivables are subsequently paid, this series of accounts is credited and cash recorded in the appropriate 100 series of accounts.

150 INVENTORIES. This series of debit balance asset accounts represents the monetary value of various types of merchandise on hand. The balance of warehouse/central storeroom control accounts must be in agreement with detail stock record cards. Differences between control totals in these central accounts and official physical inventories are adjusted to inventory shortages/overages accounts as General & Administrative expenses (Activity/Dept Code 99). Retail inventory accounts will be identified with program manager assigned 2-digit Activity/Dept codes uniform within the MWR category. Departmental inventory account overages/shortages are adjustment to cost of sales accounts.

160 PREPAYMENTS. This group of debit balance asset accounts is used to record the unused or unexpired portion of items other than fixed assets whose benefit extends beyond the current accounting period such as prepaid supplies; prepaid insurance; advances; etc.

179 FIXED ASSETS. This series of debit balance asset control accounts is used to record the cost value of fixed assets of durable or costly nature that have been purchased with nonappropriated funds. Detail property record cards will be maintained for each asset item in support of the value of these accounts. (Excepting Acct. 178). Designated accounts (171-177) group assets into depreciable life span groupings (See para. 572). Account 178 is used to accumulate the capitalized value of construction in progress until an item is financially complete. The value is the transferred to account 175 or 177 as appropriate.

180 ACCUMULATED DEPRECIATION. This series of credit balance control asset accounts is used to record the total accumulated depreciation on the assets recorded in the 170 series of accounts to show their diminished value due to usage, obsolescence, or passage of time. These accounts are credited with the amount of depreciation charged to operations during an accounting period.

190 OTHER NON-CURRENT ASSETS. This series of debit balance asset control accounts includes interest bearing investments that will be converted back into cash for more than a year and other receivables owed to an activity but not due or collectible within one year. This series of accounts also includes investments established to fund reserves for acquisitions to be made more than a year in the future. Subsidiary accounts or registers will be maintained in support of these control accounts.

200 ACCOUNTS PAYABLE. This series of credit balance liability control accounts is used to record amounts owed trade creditors or organizations for goods or services received

which will be paid within a year in the normal course of business. Also included are accounts for customer security deposits; payables due employees; collections due U.S. Treasury; assessments payable (e.g., on slot machines); etc. At the end of each accounting period supporting schedules and subsidiary ledger accounts will be reconciled to these accounts.

210 SALARIES AND WAGES, PERSONNEL BENEFITS, AND TAXES PAYABLE. This series of credit balance liability accounts is used to record the amounts for salaries, wage, and annual leave earnings of employees that have been accrued but not paid at the end of an accounting period. Accrued payroll and leave schedules will be prepared to support entries to these control accounts. Also included are accounts used to record accrued payroll related expenses such as taxes withheld or other amounts deducted from employees wages to pay for a variety of benefits. Employer contributions owed for any of these taxes or programs are included in the appropriate account with the employee portion.

230 ALLOCATIONS. This series of credit balance liability accounts is used to record the amount of monies held but available to be drawn upon by another activity such as for the use of units which are not authorized to maintain separate recreation funds. The value of funds allowed to activities is credited to these accounts with a debit to prepaid expenses and individual account amounts are supported by subsidiary records. As expenditures are made, by/or in behalf of the units, cash is credited and these accounts and the supporting subsidiary balances are decreased. An equal portion of the deferred (prepaid) expense is credited and an applicable program expense account is charged.

240 LOANS PAYABLE. This series of credit balance liability accounts shows the amounts owed on loans and notes which will be paid in full within one year. For payables with terms of more than a year, only the portion to be paid in the current year will be recorded in these accounts and the remainder of the liability will be recorded as a long-term payable in the 270 account series.

250 UNEARNED INCOME. This series of credit balance liability accounts is used to record amounts of dues, deposits, or other collections accepted in advance but not yet earned. As amounts are earned, they are transferred to an income account. Subsidiary records are maintained to determine the source of prepayments and when amounts will become earned.

260 OTHER CURRENT LIABILITIES. These accounts are used to classify and record amounts of other current short-term payables not categorized or described by any of the above specified liability accounts (e.g., bonuses).

270 LOANS PAYABLE (LONG TERM). This series of credit balance liability accounts represents the amount owed on loans and notes which are not due to be paid within one year. The portion of any of these payables that is to be paid within one year will normally be recorded as a current liability in an account in the 240 series.

280 OTHER LONG-TERM LIABILITIES. These accounts are used to classify and record amounts of long-term payables other than loans, such are retirement and severance allowances; unearned income/dues; advance collections; etc.

290 NET WORTH. This account series is limited to the recording of retained equity; net income (loss); entries associated with establishments, disestablishments, or consolidations of funds; and the distribution of capital (dividends/distributions) by Category C-Business Activities. The periodic closing of the nominal accounts (300 through 900 series of accounts) is made to account 293.

300 SALES INCOME. This series of credit balance income accounts is used to record revenues earned from the sale of merchandise. Two-digit individual Activity/Department codes are maintained for each retail activity/function (such as dining, hobby shop, bar, wine sales, etc.) with related cost of sales accounts in the 400 series, related inventory accounts in the 150 series, and related direct expense accounts in the 600-700 series; suffix codes 00 through 98. Sales

returns are recorded separately in the 310 account and not netted against the 300 sales revenue account for fuller disclosure of gross and adjusted sales revenue.

400 COST OF SALES. This debit balance account is used to record the cost of resale merchandise sold. Separate two-digit Activity/Department codes are maintained relating to each resale income account in the 300 series. The cost of free meals furnished to employees will not be charged to cost of goods sold but charged as either a direct or G & A expense in the 620 account series.

500 PARTICIPATION FEES AND CHARGES REVENUE. This series of credit balance income accounts is used to record use, rental, participation fee, or admissions revenue for various sports, recreation or other program services. Separate suffix accounts are assigned with related direct expense accounts in the 600-700 series.

530 DUES AND ASSESSMENT REVENUE. This series of credit balance income accounts is used to record revenues derived from membership dues and interfund assessments levied on particular activities (such as a percentage of slot machine or mess sales/profits, consolidated accounting offices revenue earned through the performance of services, etc.)

550 MISSION SUPPORT REVENUE. This series of credit balance income accounts is used to record revenues earned from the performance of appropriated funded mission responsibilities (janitorial services for common areas, etc. which are other than reportable morale, welfare, and recreation support costs by appropriated funds).

560 DISTRIBUTION REVENUE. This series of credit balance income accounts is used to record regular recurring revenue derived by a distribution or transfer from other units (such as exchange profit distributions, cafeteria allocations, package store profits) and/or central fund transfers or grants to field activities. It is deemed to be income to the recipient as distinct from amounts (such as initial establishment capitalizations) creditable as direct increases to net worth in the 290 series of accounts.

590 CONCESSIONAIRE REVENUE. This series of credit balance income accounts is used to record revenues earned from concessionaire agreements of sales functions contracted out vice performed in-house, such as tour desk, ticket services, cafeteria concessions, etc.

600-799 OPERATING EXPENSE. These debit balance expense accounts are used to record by type the direct and/or indirect nonappropriated fund costs of operations (based upon the nature of the services, articles, or other items involved). They parallel appropriated fund classifications and definitions described in DODI 7000.12(series), Financial Management of Morale, Welfare, and Recreational Activities and are structured to meet its reporting requirements. These accounts require the use of two-digit suffix codes 00 through 98 for identifying them as direct activity/department operating expenses. Suffix code 99 is assigned to identify indirect (G&A) operating expenses within these series classifications. Where expenses can be identified to a particular activity/department, they must be recorded as a direct expense.

600 SALARIES AND WAGES. This series includes the NAF cost of personnel compensation such as regular salaries and wages, overtime pay, severance pay, differentials for service abroad, and contract labor. (Excludes costs that are reported under another expense caption e.g., maintenance and repair labor).

620 PERSONNEL BENEFITS. This series includes payroll related costs of benefits and employer contributions for payroll taxes life insurance/health insurance/retirement contribution costs, awards, employee meals, cost of living allowances, relocation expenses of employees, etc.

640 UTILITIES AND RENTS. This series includes the cost of heat, light, power water, gas, electricity, steam and other utility services exclusive of transportation and communications services. Includes rental of equipment (except transportation equipment) and rental of real

property and charges under Purchases Rental Agreements for equipment prior to the time that the title to the equipment is acquired.

660 COMMUNICATIONS. This series includes charges for the transmission of messages, postal charges, (other than parcel post), messenger service, teletype service and telephone service including installation charges and use of telephone instruments and switchboards.

680 MAINTENANCE AND REPAIR (INCL. MINOR CONSTRUCTION). This series includes expenses for the maintenance and repair of equipment, facilities, and real property purchased through commercial contracts or base civil engineers. Maintenance and repair performed in-house will include direct labor and materials. Overhead allocation for G&A expense (supplies, miscellaneous materials, equipment usage) will only be allocated where such is necessary to prevent a gross underestimation of maintenance and repair costs. Minor maintenance and repair not separately identified as a maintenance and repair expense need not be allocated to this expense element series as long as such costs are included under other expense series of accounts (such as salaries, supplies, etc.). Minor construction costs are expensed in these accounts only if less than amounts to be capitalized and reported in the Fixed Assets series of accounts.

700 SUPPLIES AND EQUIPMENT (EXPENSE TYPE). This series includes costs (other than significant maintenance and repair supplies) of operating supplies (e.g., china, glassware, silver, linens, uniforms, and kitchen utensils), equipment, printing and duplicating, and materials ordinarily consumed in use, such as sports gear, office supplies, fuels, punched cards and checks, subscriptions, hand tools, etc. Includes expensed materials used to form a minor part of equipment or fixed property (such as repair parts).

720 TRANSPORTATION OF PERSONS. This series includes charges (such as commercial transportation fares, rental cars fees, per diem allowances, mileage allowances, tolls, charges for use of passenger carrying vehicles, etc.) for temporary duty (TDY) and permanent change of station (PCS) travel and subsistence for travelers conducting MWR program functions.

730 TRANSPORTATION OF THINGS. This series includes charges (such as those common carriers, parcel post, drayage, cartage, transportation of PCS household goods, rentals of truck and transportation equipment, etc.) for the transportation of things and for the care of such things while in the process of being transported for MWR programs (Where feasible such freight-in costs should be included in Resale Inventory or Fixed Assets accounts).

740 COMMON SERVICES. This series of expenses includes charges received from MWR Support Service Offices by any other benefiting category MWR for such services as accounting, procurement, personnel support, etc.

760 DEPRECIATION. This series includes the annually expiring cost value of fixed assets capitalized in the 170 account series. Expenses charged to these accounts are aligned to the various 180 series of accounts - Accumulated Depreciation.

780 OTHER OPERATING EXPENSES. This series includes all other charges for direct or indirect operating expenses not classifiable in any of the above 600-779 series of accounts (e.g., inventory shortage/overages, spoilage, uncollectible accounts, advertising, insurance premiums, etc.).

800-890 OTHER INCOME. These credit balance accounts are used to record sundry and extraordinary income gained from exceptional nonrecurring nonstandard business operations and not recordable as operating income (e.g., interest income, insurance proceeds, cash overage, bonus merchandise, gains on disposition of fixed assets, income from installation sale of recyclable materials, etc.).

900-998 OTHER EXPENSES. These debit balance accounts are used to record sundry and extraordinary expenses not recordable as direct or indirect operating costs (e.g., lawsuit losses,

fines, cash shortages, losses on disposition of fixed assets, etc.).

999 PROFIT OR LOSS CLEARING ACCOUNT. This account is used to accumulate all revenues and expenses for the purpose of determining the net profit/net loss for an accounting period. After all revenue and expense accounts (nominal accounts) have been closed to this account the final balance is transferred to account 293. A credit balance represents a net profit for the period and a debit balance represents a net loss for the period.

CHAPTER 5

PROCEDURES

C0501 TAXES

C050101 General. Taxable wages generally consist of all earnings (regular, overtime, service charges, and reported tips) by an employee for services performed for his employer. Managers should obtain each year a copy of "Employer's Tax Guide, Circular E", and comply with applicable provisions thereof. Other helpful information may be found in the publications "Your Federal Income Tax" and "Tax Guide for Small Business." These publications can be obtained from the Internal Revenue Service. Copies of circular covering state income taxes should also be obtained from appropriate state authorities.

C0502 FEDERAL TAXES

C050201 Reporting And Remittance. Reporting and remittance of Federal taxes will be as prescribed by the Director of Internal Revenue.

A. Federal Income Taxes - Withholding. Withholding taxes are based on the rate established by the Internal Revenue Service and are published in the "Employers Tax Guide, Circular E." Federal income tax will be withheld from nonappropriated funded compensation of civilian and off-duty military personnel employees in conformance with the Internal Revenue Code.

B. Social Security Tax. The Federal Insurance Contributions Act (FICA) tax on wages, imposed by section 3101 of the Internal Revenue Code, will be deducted from the wages of civilian and off-duty military employees; and the excise tax imposed by

section 3111 on employers will be paid on such wages as follows:

1. Within CONUS, Alaska, Hawaii, Puerto Rico, and the U.S. Virgin Islands - on wages of all civilian employees irrespective of their citizenship.

2. Within other areas - on wages of civilian employees who are citizens of the United States.

3. Deduction will be made from the wages of military personnel employed during off-duty hours.

4. Sickness or injury payments made under worker's compensation law or contract insurance or certain employer plan are exempt from Social Security tax. In the absence of an employer's sick pay plan, payments will not be exempt from Social Security tax until the lapse of six calendar months subsequent to the last calendar month the employee worked for the employer. Applicable rates and computation tables are published in NAVCOMPT Manual, Volume 3 Chapter 3, and "Employers Tax Guide, Circular E." Provisions must be made to discontinue deductions when the maximum annual deduction amount has been reached.

5. Social Security taxes should be withheld from the pay of Nonappropriated Fund Instrumentality employees for periods during which they are on sick leave.

C. Federal Unemployment Tax Act - FUTA. It has been determined that employees of Navy paid with nonappropriated funds are considered employees of the Navy for unemployment compensation and are covered by Title XV of the Social Security Act as amended 1 September 1954 (42 U.S.C. 1361 et seq.). Accordingly, filing unemployment tax returns and the payment of unemployment taxes are unnecessary. (See Appendix B concerning the Federal Unemployment Compensation Program for nonappropriated fund paid employees.)

D. Meals, Lodging and Other Facilities. The fair cost of furnishing employees with meals, lodging, or other such facilities, for the convenience of the employees will be considered paid to the employees for purposes of Federal income, FICA, and FUTA taxes. Conversely, the fair cost of furnishing employees such facilities for the convenience of the employer will not be considered wages paid if:

1. In the case of meals, they are furnished on the business premises of the employing NAFI, and

2. In the case of lodging, it is furnished on the business premises of the employing NAFI and acceptance of the lodging provided is a condition of employment.

E. Federal Occupational Taxes. Morale, welfare, and recreation entities located in the continental United States, Alaska, and Hawaii are subject to the following occupational taxes imposed by the Internal Revenue Code. (For the purpose of these type taxes, each category of MWR activity on an installation is subject to the following occupational taxes irrespective of the number of operational locations on the installation.)

1. The tax on a wholesale dealer in beer, imposed by section 5111(b).

2. The tax on a wholesale dealer in liquor, imposed by section 5123.

3. The tax on a retail dealer in beer, imposed by section 5121(a).

4. The tax on a retail dealer in liquor, imposed by section 5121(a).

5. The tax on fuel, imposed by section 4041

6. The tax on heavy trucks, imposed by section 4051

7. All other excise taxes that may be imposed as a result of changes to applicable tax laws.

C0503 STATE, TERRITORIAL, AND LOCAL TAXES

C050301 Immunity. Morale, welfare, and recreation activities of the Navy Department are entitled to immunity from the taxes of states, the District of Columbia, territories and possessions of the United States, the Commonwealth of Puerto Rico, and political subdivisions thereof.

C050302 Income Taxes Withheld From Civilian Employees. Income taxes of states and territories will be withheld from the compensation of all civilian employees whose regular place of employment is within the state or territory, when an agreement exists between the Secretary of the Treasury and the state or territory made pursuant to the Act of 17 July 1952 (66 Stat. 765, 5 U.S.C. 84b, 1952 (17 Fed. Reg. 10131). Upon the request by, and authorization of, a civilian employee not otherwise subject to withholding of pay under these agreements, voluntary withholding of income tax may be made in favor of the state of residence if that state has entered into such a withholding agreement.

C050303 Income Taxes Withheld From Off-Duty Military. State income tax must be withheld from off-duty military employees for the state in which the MWR activity is located. State and local income tax withholding for active military duty will be in accordance with the DoD Pay Manual.

C050304 State W-2. Copy of the W-2 will be filed with the state indicating taxable wages paid.

C050305 Requests for Rulings. Requests submitted to federal, state, territorial, or local authorities, such as pertaining to requests for rulings, interpretations of tax law, and advice as to procedures in tax matters, shall be cleared via official channels with the applicable program manager. Routine inquiries, for tax forms, filing dates, and such general information that do not

affect determination as to particular applicability or construction of tax laws in conjunction with Navy activities may be made directly to the local Internal Revenue Office and need not be cleared via the program manager unless so directed. In states where applicable, personal income taxes will be withheld and submitted as required by that state's law except as noted above.

C050306 Provisions of 4 U.S.C. 5104. Taxes of a state, the District of Columbia, or a territory of the United States upon, or measured by sales, purchases, storage, or use of gasoline or other motor fuels will be collected and paid according to the provisions of 4 U.S.C. 5104.

C050307 Enforcement. Commanding officers will prescribe and enforce necessary controls, including reasonable quantity limitations where appropriate, to insure that restrictions and limitations governing the sale and disposition of state tax-free items are strictly observed. Commanders will cooperate with state tax officials; will investigate all complaints; and will take prompt and appropriate corrective and disciplinary action with respect to any violation or abuse of the tax exemption privilege.

C050308 Report To State or Local Government. State tax office copies of the Internal Revenue Service Form W-2 will be sorted into groups as determined by the residence address of the employee and forwarded with a letter of transmittal to the appropriate address furnished in NAVCOMPT Manual, Volume III, paragraph 033010. In addition to the taxing authorities listed, naval activities are authorized to furnish withholding statements to any other city or taxing jurisdiction which requests such information provided such city or taxing jurisdiction is actually levying a tax on income and provided that the city or taxing jurisdiction will furnish a copy of its ordinance to the activity so it can be determined whether or not any employees are liable for taxes. When an employee is a resident of a state in which compensation for personal services is subject to income tax and is also subject to a tax levied by a city, county, or other taxing unit, extra copies of the Internal Revenue Service Form W-2 should be prepared for the use of the taxing units. These instructions are not to be construed as constituting a legal interpretation by the Navy Department of an employee's residence for purpose of taxation. The State Tax Office Copy of the W-2 form covering employees residing in a state, city, or any other taxing jurisdiction not listed nor otherwise requesting such information will be destroyed.

C0504 FOREIGN TAXES Activities located in foreign countries, including occupied areas and the Trust Territory of the Pacific Islands, will not pay to, nor collect for, any foreign country or political subdivision any tax unless the United States has consented to such levy collection by treaty, convention, or executive agreement.

C050401 Federal Income Taxes Relating To Guam Or The Northern Mariana Islands (NMI).

A. General.

1. Guam: 48 U.S.C. 1421h provides that Federal income taxes withheld from the compensation of employees of the U.S. Government employed in Guam shall be paid to the government of Guam.

2. Northern Mariana Islands (NMI): 48 U.S.C. 1681 note (P.L. 94-241, Section 703(b)) contains provisions applicable to NMI which are similar to those for Guam.

B. Defining Income Taxes Derived from Guam or NMI. The term "Federal income taxes" is interpreted to include the Federal income taxes imposed upon the compensation of civilian and military personnel of the U.S. Government for services performed in Guam, or NMI. This include the Federal income taxes imposed upon the compensation of those who are employed on a part-time basis.

C. Certifying of Federal Income Taxes Creditable to Guam. All departments and agencies of the Federal Government and service and social organizations associated with a military or civilian morale,

welfare, and recreation entity, having Federal civilian or military employees stationed in Guam or NMI, must certify each calendar quarter the total amount of Federal income taxes withheld from salaries or such employees, to the Commissioner of Internal Revenue, Attn: TX:R:R, Washington, D.C. 20224. Separate certifications will be required for taxes creditable to Guam and those creditable to NMI. The certification(s) may be in the form of a letter, citing as authority for the certification(s) Section 3-4085 of the TFRM (I TFRM 3-4000) and identifying the certifying entity, the employer identification number, the calendar quarter covered by the certification(s), and the dollar amount withheld. The certification(s) should be submitted as soon as possible after the close of the calendar quarter but not later than the end of the month after the close of the calendar quarter covered by the certification(s). The amount shown in the certification(s) must agree with the amount of income tax withheld included in the quarterly Federal tax return of the employer (Form 941).

C0505 TAX REPORTING PROCEDURES

C050501 Negotiations With Taxing Authorities. Except as consistent with the above paragraphs, all matters involving the attempt to impose taxes upon, or require collection from morale, welfare, and recreation activities by 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 through appropriate channels in detail prior to payment or collection to either The Judge Advocate General or The Office of the General Counsel as appropriate. Negotiations with taxing authorities will not be conducted by any Department of the Navy Personnel without the express authorization of the Judge Advocate General or The Office of the General Counsel as appropriate.

C050502 1099 Requirement. Activities making payments under personal services contracts aggregating $600 or more to anyone other than a corporation during a calendar year will report the aggregate amount paid, the name, address, and the social security account number of the recipient of such payments on IRS Form 1099. Contracts with entertainers are within the definition of a personal services contract. If an employee, to whom wages or salaries are paid and reported on IRS W-2, also engages in a personal services contract with his employing activity and receives compensation under such contract, it is the responsibility of the activity to report on IRS Form 1099 the total of such contractual payment (even though less than $600) if the combined total of the wages and the contract compensation was $600 or more in the calendar year.

C050503 Prizes and/or Awards. Individual prizes and/or awards which total $600 or more will be reported on IRS Form 1099. One-game winnings of $1200 or more from a bingo game or slot machine will be reported on IRS FORM W-2G.

C050504 IRS Forms 1096, W-2G, and 1099. Returns made on IRS Forms 1096, W-2G, and 1099 for a calendar year will be filled on or before 28 February of the following year with the appropriate Internal Revenue Center. In addition, a copy of IRS Form 1099 and W-2G will be sent no later than 31 January of the year following payment by the activity to the individual who rendered services or received awards or winnings.

C050505 Collection, Reporting and Payment. Managers must collect, report, and promptly pay all taxes required by law when due.

C0506 CASH

C050601 General. Cash includes: petty cash funds, change funds, bank accounts, and cash receipts. Purpose, policy, and procedure for use of cash are set forth in this part. Cash receipts are covered in paragraph C050702 of this chapter.

C050602 Petty Cash Fund.

A. Imprest Fund. Where a volume of small cash purchases is necessary, a petty cash fund operated under the imprest method may be established to be used for small payments, not to exceed $150 for any one transaction ($300 for emergency conditions). Petty cash funds shall not be used for payment of employee's or entertainer's wages. All other purchases shall be processed using purchase orders or contracts. Splitting of purchases to circumvent the limitation is prohibited. The commanding officer will authorize in writing the establishment of this fund, if needed, and specify the amount authorized. The manager will determine the Individual responsible for the petty cash fund.

B. Reimbursement. The amount of cash on hand plus the total of authorized paid petty cash vouchers must always equal the amount shown in the petty cash fund account. For example, the petty cash fund has been established in the amount of $200.00. The fund is inspected at month end and $151.25 in cash and vouchers totaling $48.75 are found. To reimburse the petty cash fund a check for $48.75 would be written. Thus, at all times cash or cash plus vouchers will equal $200.00. Before reimbursement is made, the vouchers are examined and it is determined which expense accounts are to be debited. If expenditures were made for minor repairs $20.75, supplies $8.00, and miscellaneous expense $20.00, the following entry would be required:

680-XX	Maintenance and Repair	$20.75	
700-XX	Supplies	8.00	
780-XX	Other Operating Exp	20.00	
100	Cash		$48.75

NOTE: The credit goes to cash, not to petty cash.

C. Establishment. Establishment of this fund and replenishment thereof will be made by checks drawn on the regular checking account. The individual responsible for the petty cash fund will obtain signed receipts for all funds advanced. No disbursement will be made from the petty cash fund without a supporting voucher approved by a responsible official and signed by the person receiving the cash. To prevent alteration, these vouchers should be typewritten, or made out in permanent ink, dated, and the amount written out in full in words, i.e., ten dollars, not $10.00. Each petty cash voucher will indicate the nature of the expense and be supported by vendor's receipts or invoices where appropriate.

D. Vouchers. Petty cash vouchers will be prenumbered in sequence. This fund will be reimbursed as of the last business day of each accounting period and at any other time when necessary. At the time of reimbursement, the petty cash vouchers shall be examined for possible evidence of fraud and canceled by perforation, date stamp, or some other satisfactory manner so as to prevent their possible reuse.

E. Commingling. Cash receipts shall never be commingled with the petty cash fund.

C050603 Change Fund.

A. Authorizations. The commanding officer will authorize in writing the establishment of each fund, if needed, specifying the amount authorized. The individual responsible for each fund will be determined by the manager and designated in writing, specifying the amount each individual is responsible for. The establishment of the change fund will be by check. This fund is established primarily for the purpose of making change. With proper documentation, it may be used to issue refunds. Other expenditures from change funds are prohibited. Should the commanding officer authorize cashing of checks from the change fund, the following information will be placed on the checks: name, rank, current address, social security number, organization, and telephone number.In the case of membership activities, (and for members only not guests) the above information is not required on each check if already on file within the activity. If the person cashing the check is a dependent, the information should be given on the sponsor. As required by the Privacy Act, of 1974, any request

made to an individual for disclosure of a social security number or other personal information must be accompanied by a privacy act statement at all check cashing locations consistent with the following:

"Note to check cashiers: disclosure of social security number and other personal information is mandatory if you wish to cash a check. All information furnished will be used to identify, to this activity, writers whose checks have been returned unpaid. Request for this information is made pursuant to the authority of Title 5, U.S.C., Section 301 and Title 10, U.S.C., Section 5031."

B. Establishment, Operation, Disestablishment. The manager provides each activity cashier with a separate fixed amount change fund and obtains a signed receipt in duplicate from the custodial cashier. When the activity cashier is reassigned or relieved, the custodian returns the change fund and obtains the original of his receipt. To preclude daily turn-in of change funds, a locked box in which to store change until the next duty day may be provided. When this procedure is used, the locked boxes containing cash should be stored in the activity's safe.

C. Employee Checks. Employee checks, including payroll checks, will not be cashed by the issuing activity except when the employee is utilizing the activity as an authorized patron.

D. Change Fund Balance. In keeping with the principle that the place for excess cash is in the bank, the change fund should be in the absolute minimum amount sufficient for normal operations.

E. Audit. The entire change fund must be available for audit and/or verification at all times.

C050604 Cash Counts.

A. Daily Verification. All funds and cash receipts must be verified daily. Surprise counts of all cash receipts and funds in custody of cashiers will be made on a periodic and at least quarterly basis (the designee must be independent of the cash function). This includes petty cash, change funds, and all cash receipts for deposit on hand. This count will be accomplished during duty hours while the fund is in operation and the cash counted reconciled to the applicable general ledger accounts and the daily activity records. Any checks included in such surprise counts shall be deposited by the counter or under his supervision. The bank should be requested to notify the counter directly if any such checks are returned for insufficient funds.

B. Surprise Counts. This requirement does not preclude additional surprise cash counts by disinterested personnel as may be prescribed by the program manager or the commanding officer.

C. Certification. A dated and signed certification of each cash count will be kept on file for at least one year to attest the fact that this requirement was accomplished.

C050605 Bank/Credit Union Accounts.

A. Purpose. Accounts with a local bank or credit union are primarily established for depositing daily receipts, making disbursements by check and obtaining change.

B. Policy. Local accounts will be established where necessary for each activity in accordance with policies and standards prescribed by the program manager and in accordance with this handbook. These accounts will be carried in the name of the activity. Activities are permitted to open checking accounts with financial institutions that do not return canceled checks.

C. Deposits. All cash receipts will be deposited daily in the bank. Where authorized, refunds and cash prizes may be made from change funds or cash receipts if proper safeguards are instituted with proper documentation. Weekend and holiday receipts will be deposited daily when there is access to a night depository, or if no night depository on the next first business day. Daily activity records

will be prepared daily to substantiate any deposit. When the amount to be deposited is less than $100 or exception is authorized by the program manager, an activity is permitted to defer the deposit of such small amounts until the amount to be deposited reaches $100. However, all undeposited receipts will be recorded at month end and be deposited on the last business day of the accounting period. In these cases, only one deposit slip is necessary. The regular deposit slips furnished by banks will be prepared for all deposits made. The activity identification will be indicated on each deposit slip. The original of the deposit slip will be retained by the bank. The duplicate, properly validated by the bank teller, will be returned and attached to the daily activity records.

1. Remote Locations. In instances where the location of the depository precludes daily deposits, a government check will be obtained from the local disbursing officer or arrangements made to purchase money orders from the nearest U.S. Post Office in exchange for cash. The cost of such money orders will be paid from petty cash; not subtracted from the daily deposit amount.

2. Authenticated Receipt. An authenticated receipt shall be obtained from the bank for each deposit and shall be retained on file as part of the official records. Normally, this will be a receipted copy of the bank deposit slip, but it may also be a printed receipt if a machine record system is used by the bank. The receipted copy of the deposit slip shall be signed by the person making the deposit and retained by the activity until the deposit slip/receipt, authenticated by the bank, has been returned and found correct. Cash, or deposits containing cash, shall not be entrusted to anyone for transmittal to banks unless a fidelity insurance bond covers such risks.

3. Receiving Checks. Each activity receiving checks shall insure that the following information is placed on personal checks by the person presenting the check prior to receiving cash or merchandise: name, rank, social security number, organization, and phone number. In the case of membership activities (and for members only - not guests) the above information is not required on each check if already on file within the activity. If the person cashing the check is a dependent, the information should be given on the sponsor. Immediately upon receipt, checks will be endorsed "For Deposit Only to Account of (Title of Activity)", thereby limiting the negotiability of the instruments.

4. Securing Cash. Cash on hand will be kept in locked receptacles and cash receipts must be physically segregated from petty cash and change funds. Classified material or personal property will not be kept in safes with cash.

5. Signed Receipts. Persons entrusted with cash will obtain signed receipts for funds turned over to other persons. Custodians of cash will be furnished with locked receptacles for the safekeeping of the funds and will be the only persons to have access to such funds.

D. Deposits By Mail. Since cash is not to be deposited by mail, an "Exchange for Cash" check from the local disbursing officer or money order from the local post office will be obtained. This check and personal checks included in the deposit will be listed individually, as required by the deposit slip. Only checks that are payable in U.S. dollars and drawn on banks of the United States will be included in the deposit.

E. Bank Service Charges. In the event a bank levies a service charge, the charge will be debited to a miscellaneous general and administrative expense account.

F. Returned Checks. When the local bank returns a check, the activity will prepare an entry to show the decrease (credit) in the bank account and an increase (debit) to the returned checks account (accounts receivable). The bank should be instructed to mail returned checks directly to the activity manager or his designee, who is independent of the cashier and bookkeeping functions. Returned checks that

remain uncollectible for a 6-month period will be written off (after the manager is satisfied that all efforts to collect the amounts have been made and the commanding officer has approved such write-offs in advance). The general journal entry will be a debit to a bad debt expense account and a credit to the returned checks accounts (accounts receivable).

G. Replaced Or Redeposited Returned Checks. When the returned check is redeposited or replaced by cash or a new check, it will be included in the applicable daily deposit and reported on the daily activity record as a debit to cash and a credit to the returned checks account (accounts receivable).

H. Check Cashing. The program manager will be responsible for prescribing policy for the cashing of checks. Where practicable, arrangements should be made with banking facilities for automatic redeposit of checks returned for insufficient funds the first time. Checks returned as nonnegotiable will be charged to an accounts receivable-returned checks account until subsequent collection or approved for write-off by the commanding officer and/or program manager.

I. Collection For Dishonored Checks. All debts arising as a result of dishonored checks issued to activities or instrumentalities shall be vigorously pursued by the activities or instrumentalities which have been issued the dishonored checks. This vigorous pursuit of the debt must be evidenced by issuing a written demand for payment; by affording the indebted member the due process rights prescribed by Title 37 USC 1007(c); and by assessing of interest, penalties, and administrative costs when permitted by law.

1. Debt Collections. In the case of debts owed by active duty and reserve personnel, notification of the member's commanding officer is also required in most instances. The offset of a member's pay may be undertaken only when all other reasonable collection action has failed. In those instances, the activity or instrumentality which holds the dishonored check will be responsible for preparing the forms necessary to effect the withholding from their pay and for certifying to the member's disbursing officer that the provisions of the Title 37 USC 1007(c) as applicable, have been fulfilled.

2. Debt Collection From Retirees. In the case of retired and reserve members, this certification should be made to the Navy or Marine Corps Finance Center, as applicable. The disbursing officer or finance center shall be responsible for executing the withholding and for informing the member of the reason for the withholding. Application of the proceeds of the charge will be by either credit to an appropriation or fund or by remittance of a U.S. Treasury check, depending upon instructions furnished to the disbursing officer by the activity or instrumentality.

3. Policies regarding Collection of Dishonored Checks Accepted by Commissaries, Ships' Stores, and Nonappropriated Fund Instrumentalities are prescribed in SECNAVINST 7200.18(series).

C050606 Reconciliation Of Bank/Credit Union Balances.

A. Monthly Reconciliation. A monthly reconciliation will be made between the checkbook, bank statement, and the general ledger cash account. The reconciliation should be performed by a person who is not a check signer and who is independent of the cashier and cash recording functions. This person should receive directly from the bank or credit union a statement and the canceled bank checks or equivalent listings. The standard procedure for reconciling a bank account is as follows:

1. Arrange checks in numerical sequence;

2. Compare checks or listings with list of checks outstanding at close of previous month as shown on the reconciliation statement and with checks issued during the month as shown in the cash disbursement journal, noting all checks outstanding or issued which are not reported or

returned. This comparison should include check number, name of payee, and amount;

3. List by date, number, payee, and amount, all checks which have not been paid by the bank. Stop payment orders should be filed with the bank, or, other appropriate action taken on checks outstanding for more than six months;

4. Determine that any amounts appearing in the previous month's reconciliation as deposits not credited by the bank are shown by the bank as credits on the current month's bank statement. Such credits should be dated within one or two days of the date deposited as shown by the books. Intervals longer than 2 days should be investigated by the reconciler and satisfactorily resolved;

5. Ascertain that all reconciling items other than checks outstanding and deposits not credited by the bank shown in the previous month's reconciliation are accounted for either as corrections by the bank during the current month or by appropriate entry to the general ledger cash account;

6. Compare amounts listed in the cash receipts journal with deposit amounts shown by the bank statements and list any amounts which have not been credited by the bank;

7. Determine what charges and credits, if any, have been made by the bank during the month which have not been entered in the accounting records;

8. If necessary, compare paid checks returned by bank with debits shown on the bank statement; and

9. Summarize the above information on the statement, or a separate sheet attached to the statement.

10. The person who makes the reconciliation will sign it and show the date the reconciliation was completed.

11. Reconciliations should be reviewed, approved, and dated by an official whose duties do not normally include the handling of cash. After such review and approval, appropriate entries in the accounts should be prepared for all reconciling items other than deposits not credited and checks outstanding, unless such items represent errors by the bank. Any such disclosed errors should be reported to the bank immediately for correction.

12. Savings account passbook balances shall be reconciled with the general ledger balance and the bank records each month for the purpose of timely recording of interest earned.

13. Bank statements, the bank reconciliation, canceled checks and credit union listings shall be filled in chronological and/or numerical order as part of the permanent records of the activity.

C050607 Foreign Currency.

A. Prohibited From Speculating. Morale, welfare, and recreation activities are prohibited from speculating in foreign currencies. They may however, acquire local foreign currency in accordance with the NAVCOMPT Manual, paragraph 042552, provided:

1. Currency held in support of construction and severance/retirement liabilities, as approved by program managers, is for the purpose of avoiding or minimizing losses due to currency fluctuations or revaluations;

2. Currency to pay payrolls and related costs is obtained as needed;

3. Currency holdings to pay the cost of supplies and inventories is held to an absolute minimum and does not exceed that amount required for expenditures occurring in a 30-day period. (Program managers may approve the holding of

a 45-day foreign currency requirement under exceptional conditions);

4. Activities shall not have direct access to the disbursing officer's accounts as means of converting any foreign currency into dollars; and

5. Foreign currencies on deposits are in accounts meeting the requirements set forth in this appendix.

B. Investing of Funds in Foreign Areas. If military banking facilities offer substantially less interest, other U.S. banks in the same foreign area may be utilized for the purpose of holding foreign currencies, when authorized under host country law. Factors to consider in making decisions regarding foreign currency include probability of fluctuations, revaluations, and the comparative rate of return on foreign currency holdings as opposed to dollar instruments. U.S. Military banking facilities or other financial institutions designated by the Treasury Department are to be used to hold currencies when authorized under host country law. In the absence of such institutions, funds shall be held in Foreign banks, as designated by the Treasury Department.

C050608 Borrowing Policies. The NAFI program managers will base all borrowing decisions on sound economic and financial management factors for the best possible cost/benefit relationship for both borrower and lender. To the extent funds are not available from within the Navy, interservice borrowing at DOD component level will be considered as an alternative to commercial borrowing. Applicable program managers will establish procedures to consummate interservice borrowing transactions when the services concerned determine that such loans are mutually advantageous.

C0507 INCOME

C050701 General.

A. Income Defined. Income is money or money equivalents (checks, money orders, bank credit cards, e.g., Bankamericard) earned or accrued during an accounting period. Receipts can take various forms: sales in the various departments, collections for surcharges, collections of accounts receivable, repayment of returned checks, loans received by the activity, etc. In most cases, income will be received by persons designated as cashiers.

C050702 Cash Receipts.

A. Control. Cash receipts require the fullest possible measure of control. Cash receipts of an entity relate to the receipt of currency, coins, checks, bank drafts, and money orders.

B. Records. It is vital that accurate and timely records be kept of cash receipts. Cash receipts accountability applies to money and charge documents. In order to segregate the functions of handling money and cash items and keeping the records, someone other than the bookkeeper prepares a list of departmental receipts. Cash registers will be used if available and feasible and each sale rung up in view of the customer. Employees receiving cash shall not be permitted to work out of an open register drawer. The drawer must be closed after every deposit of cash to insure proper ring-up and prevent pilferage. Where cash registers are not available, sales must be recorded on prenumbered sales tickets. The original copy of the sales tickets will be attached to the daily activity record as support.

C050703 Cash Registers.

A. Purpose. The cash register is used to safeguard activity funds in the custody of the individual cashiers during hours of operation and to furnish a record of each individual sale.

B. Policy. Each transaction will be recorded on the register at the time of the sale in conformance the internal controls cited in the Volume 13, Chapter 9.

C050704 Cashiers.

A. Individual Cashiers. Each individual cashier will be provided with a change fund. Sales will be recorded on the register and the cash deposited in the cash drawer and the drawer closed after each sale. Daily, upon completion of the cashier's scheduled working period, the cashier will count the receipts, prepare applicable parts of a daily activity record, and either turn in receipts and the daily activity record to a person designated by the manager, or deposit them in a night depository-type sale as directed. In those instances where daily receipts cannot be turned in at the close of business, each day the daily activity record and the receipts will be delivered the following workday prior to the opening of the day's business. The manager will designate a safe place where those receipts may be kept overnight.

B. Central Cashier. The central cashier will either receive the receipts and the daily activity record from the individual cashier or will obtain them from the night depository safe. The receipts will be verified and appropriate certification will be recorded on the daily activity record. This form will be forwarded to the person designated to read the register.

C. Person Designated To Read Register. The person designated by the manager (generally an assistant manager and never the individual cashier) will read the register upon completion of the cashier's scheduled working period but in all cases prior to another cashier's utilizing the register. The tape should be removed from the register and attached to the daily activity record. The register readings and appropriate certifications should be entered on the daily activity record. Cashiers shall not be permitted, at any time, to see cash register readings. The central cashier should never be designated to read the register.

D. Cash Boxes. When the use of cash registers is not practicable, the cashier will be furnished a cash drawer or metal box. When in use, the cash drawer or box will be in custody of the cashier at all times. In those instances when the cash drawer or box is also used to turn in the daily receipts, the cash drawer or box will be placed in a safe or other secure place until the cashier is able to present the receipts for verification and removal by the manager or his designated representative.

C050705 Credit Card Sales.

A. Purpose. Credit card sales reduce the amount of cash handling at activities and afford patrons the privilege of paying for their purchases on a delayed basis.

B. Policy. Appropriate regulations authorize certain activities and individuals to have credit card sales. The total of credit card sales will be recorded on a credit draft or invoice (furnished by the credit agency). The patron's credit card (furnished by the credit agency) will be used to imprint the necessary identification and the patron will sign the draft or invoice. The cashier will verify the signature with that on the credit card. The cashier will verify, reconcile, and ensure that the individual credit card sales total, agrees the register tape card sales. These drafts or invoices will be forwarded as directed by the credit card agency and will be recorded as charges on the Daily Activity Record.

C050706 Cash Receipt Vouchers.

A. Prenumbered cash receipt vouchers will be used for receipts of cash not recorded in cash registers or on sales slips. The receipt voucher will be prepared in triplicate for each cash collection. The receipt voucher will be distributed as follows:

Original--to the patron or the individual making the payment

First Copy--attached as support to the Daily Activity Record (used to post Cash Receipt Journal)

Second Copy--retained in numerical sequence

C050707 Cash Received In Mail. Provision must be made to record all cash

(checks, money orders, etc.) received through the mail by a person other than the cashier. As frequently as such cash is received a listing will be prepared in sufficient copies as deemed necessary to provide the required internal control. The person preparing the listing and the person receiving the cash receipts must both sign the form in acknowledgement of accountability.

C050708 Coin Operated Machines.

A. Vending and Amusement Machines. The keys to vending and amusement machines operated by the activity will be held in the custody of the manager or his designated representative. Machines should be emptied by the manager or his designated representative with another person as witness. Cash taken from vending machines will be reconciled with stock needed for refilling such machines. The manager or his designated representative and the witness will sign the daily activity records. Amusement machines will be controlled by nonresettable coin counters and the cash receipts reconciled with the meters each time the machines are serviced.

B. Slot Machines. Due to the sensitive nature of slot machines, close control and supervision over all aspects of operations must be exercised at all times. Slot machines must be owned by the activity in which located or another activity of the same installation and recorded on the appropriate property records in detail to include such items as make, model, serial number(s), and token or coin denomination. Commanding officers and managers must take all measures to insure that:

1. Slot machines are procured in accordance with the procedures prescribed by the program manager.

2. All keys to cash boxes, meter boxes, coin receivers, or internal mechanisms of slot machines are entrusted to carefully selected personnel. At no time shall any one person have available for his use or in his possession sufficient keys which will permit him to have access to either internal or external cash boxes.

a. The casement, meter boxes, and coin receiver keys to all slot machines and one key to one of the locks on the slot machine cash box (for those machines equipped with double locks on the cash box) will be entrusted to the custody of an officer designated by the command such as a command duty officer or other designated officer from a list that provides a frequent, preferably daily change. The designated officer will record each opening of a slot machine and must verify the cash count. One key to the other lock on the cash box shall be retained by the activity manager;

b. For those machines with only one lock to the cash box and access is through the casement, the key to the cash box shall be retained by the activity manager;

c. As indicated above, all keys except the one cash box key in custody of the activity manager shall be retained in the custody of the officer designated by the command such as a command duty officer or other designated officer. However, for those commands maintaining a separate officer list for the purpose of observing cash collections, keys will be transferred directly to and from the place of safekeeping. Control over keys will be established by maintaining a record of the name, social security account number (SSAN), and organization of the persons to whom issued. The record will also state the specific purpose for the issue;

3. Disinterested persons are appointed to collect cash, witness repair work, or free jams. This duty should be rotated to prevent collusion or compromise.

4. All funds collected from slot machines are property safeguarded and accounted for in accordance with provisions of this handbook.

5. The verification of cash removed from slot machines is made by two members of management and the officer designated above.

6. All slot machines are emptied as often as required, but not less than once weekly. Cash must always be collected on the last day of each month in order that income can be credited in the appropriate accounting period.

C050709 Bingo.

A. Bingo Receipts. Receipts will be controlled through the use of a cash register and/or the use of prenumbered coupons or tickets. The tickets will be issued by serial numbers to bingo cashiers, who will be responsible for missing numbers when turning in receipts. When cards are sold at a reduced price, management must take a reading of the ticket numbers or use tickets of a different color or series before the reduced price sale begins. A special Event Report will be prepared for each bingo event as required by this handbook.

B. Bingo Cards. Bingo cards should be marked or date stamped to indicate payment has been received for a card. Before a prize is presented to a bingo winner, the card will be checked to insure that payment has been received.

C. Bingo Awards. Every award shall be properly signed for by the recipient. For additional verification, include the recipient's name, rank (if applicable), social security number, organization, and telephone number. Cash prizes will be paid by check or from an imprest fund established for that purpose. For this purpose the fund limitation is waived.

D. Bingo Merchandise Prize Controls.

1. Procurement. Bingo prizes may be procured on a consignment basis when authorized by the program manager. The consignment basis is similar to a memorandum receipt where the activity has responsibility for the items not present at periodic inventories. The purchase agreement for bingo prizes should permit the return of unaccepted prizes to the vendor for full credit.

2. Inventory. A perpetual inventory of merchandise prizes shall be kept current at all times, and a proper identification number shall be affixed to each merchandise prize. Prizes should not be in a storeroom where employees have easy access. They must be kept under lock and key. Small expensive prizes require additional safeguards. When the display table is set up for the game, the manager or a designated responsible person should personally check the prizes out of the storage area, using the inventory records as a checklist.

3. Sale. The retail sale of bingo prizes is prohibited. Surplus or slow-moving bingo prizes should be returned to vendors for credit or disposed of as a special or consolation prize.

C0508 PURCHASING

C050801 General.

A. Prenumbering. Prenumbered purchase orders or consecutively numbered contracts will be issued for all purchases (including entertainment) made from commercial sources except for purchases paid from the petty cash fund. In certain instances where orders are placed with the vendor by telephone, a confirmation purchase order will be processed and forwarded to the vendor with the notation, "Confirming - Do not duplicate this purchase." Purchase orders will be used to document performance during a merchandise contract relationship. Purchase orders will not be used when purchasing merchandise from Naval Supply Systems sources or when requisitioning documents are prescribed by local supply activities. Sufficient copies will be prepared to enable the activity to process the requisition document in the same manner as prescribed for purchase orders.

1. Purchasing With NAF. To purchase merchandise with nonappropriated funds from the General Services Administration, either one of the following forms must be used: Single line Item Requisition System Document (DD Form 1348),

or Multiuse Standard Requisition/Issue System Document (Standard Form 344). A local fund code established by the Supply Department will be cited on each document to distinguish the transaction from a similar trans action utilizing appropriated funds.

2. Scope. All segments of the Department of the Navy procuring with non-appropriated funds will comply with SECNAVINST 7043.5A.

B. Authorization. The manager or other person specifically authorized in writing to be the purchasing/contracting officer will be responsible for all purchasing for the activity. The manager must approve the purchase of equipment and furnishings and/or services which will be recorded as fixed assets. The person designated should not be authorized to receive such merchandise, operating supplies, equipment, or furnishings. The commanding officer will establish a monetary limit the purchasing/contracting officer can expend at one time for a specific purpose without his prior and specific written approval. Activities shall not make purchases on the installment plan. Lease/purchase agreements, conditional sales contracts, and time contracts are not permitted unless authorized by the program manager.

1. Forms Control. All purchase orders will be numbered consecutively and strictly controlled and accounted for. They will be completed in their entirety before signature and will not be signed in blank.

C050802 Blanket Purchase Orders.

A. Tangible Goods. A purchase order may be issued as a blanket order for tangible goods. It may be used in the following instances where the purchase price remains the same:

1. No competition (one source of supply, e.g., Coca Cola) and frequent deliveries are required.

2. Source of supply is accepted on basis of bids and frequent deliveries are required.

3. When such a purchase order is used, all of the descriptive and unit price information except quantity and total cost should be included. In addition, the following type statement should appear on the purchase order: "You are hereby authorized to deliver the following products in the unit size specified and for the unit price indicated, during the period _____ to _____". Increments of delivery will be determined on a need basis by the purchasing/contracting officer or by the manager. Purchase action of a continuing nature must be documented by a contract.

C050803 Blanket Purchase Agreement.

A. Open Ended Charge Account. A blanket purchase agreement is essentially an open ended charge account kept with a supplier for goods which are usually price volatile in nature, and which necessitate frequent deliveries. Among the advantages of this type agreement are the invoicing terms (one billing a month vice frequent billings and payments) and the ability to "call-in" orders on a frequent basis. The use of blanket purchase agreements is to be limited to tangible goods meeting the criteria stated above (e.g., produce) where a fixed unit price order is not possible (i.e., the use of a blanket purchase is not feasible).

B. Calls. Calls against blanket purchase agreements generally will be made orally. Written calls may be executed on informal correspondence. Documentation of individual numbered calls (such as recording the calls in a log) is required but shall be limited to essential information. Memorandum type forms may be developed locally for this purpose.

C050804 Contracts, Agreements, Leases, Licenses, and Permits.

A. Contracts and Agreements. All contracts for construction

projects will be negotiated by the Public Works Department and will cite a single source of funds either appropriated or nonappropriated funds. Contracts for other than construction projects, negotiated on behalf of the activity, will be charged directly to the respective activity's nonappropriated funds and state that no appropriated fund of the United States will be charged or held liable thereunder. Each contract or agreement, other than construction contracts, will be signed by the manager or his designated representative, and the representative of the person or firm furnishing such work or services.

B. Examination of Contractor's Records. A standard "Examination of Records Clause" will be incorporated in all nonappropriated fund contracts except those with foreign contractors where precluded by the laws of the country involved or where the Secretary of the Navy determines that the inclusion of the clause would not be in the public interest. The wording of the clause will be in accordance with SECNAVINST. 7043.5A(series).

C. Leases, Licenses, and Permits. Instruction concerning the issuance of leases, licenses, and permits for use of government property or facilities, including property and facilities under the control of morale, welfare, and recreation activities, is given in Real Estate Administration, NAVDOCKS P-73.

C050805 Purchase Discounts. In determining the cost of purchased property, discount shall be deducted from the price billed. Such discounts are reductions of costs that represent savings achieved through payments of bills within vendor's stipulated time limits. They are not income and shall not be accounted for as such, since they do not produce an increase in assets based on the sale of goods or services. In determining the cost of purchased property, the amount to be recorded shall be net of discounts. The value of discounts not taken shall be charged to operations as "discounts lost". This instruction applies to inventory accounting systems maintained at cost value.

C0509 RECEIVING

C050901 Policy. Persons other than the purchasing agent or bookkeeper will be designated in writing to be responsible for receiving.

C050902 Procedures For Receiving.

A. Delivery. When delivery is made, the receiving clerk will:

1. Withdraw both filed copies of the purchase order from the "open order" file.

2. Inspect the merchandise to assure it is of the quantity and quality ordered.

3. Record on both copies of the purchase order the quantity received.

4. Record on both copies of the purchase order the serial numbers of all equipment received.

5. If satisfactory, certify both copies of the purchase order in the spaces provided on the bottom and mark on the vendor's delivery slip the purchase order number.

6. If any variance exists between quantity and/or quality of the merchandise ordered and that delivered, bring it to the attention of the purchasing agent prior to accepting delivery of the merchandise.

7. Record on both copies of the purchase order the storeroom or department where the merchandise is placed so the bookkeeper can record the correct account.

8. Obtain countersignature of departmental personnel to whom merchandise is turned over on delivery on both copies of the purchase order and the vendor's delivery slip.

9. Forward a copy of the annotated purchase order and vendor's delivery slip to the bookkeeper as evidence of receipt to support the bill-paying process.

10. Retain a copy of the purchase order at the receiving activity for future reference.

B. Receiving Procedures. Receiving procedures for partial or incomplete shipments are the same as those prescribed for blanket purchase orders.

C050903 Special Procedures. When a blanket purchase order or agreement is used, or as partial shipments occur, vendors delivery slips and the receiving copies of the purchase order will be certified and processed as outlined above. In addition, the receiving activity must indicate that the receiving documents are for a partial shipment, delivery increments (of a blanket purchase order or agreement), or the final increment of a partial shipment before forwarding the documents to the bookkeeper. A copy of the receiving documents will be retained at the receiving activity for ready reference concerning merchandise received. When a final shipment is received or when it is determined that no further shipment can be expected, the receiving activity will indicate final shipment or cancellation information on both copies of the purchase order and send a copy to the bookkeeper.

C050904 Procedures For Bookkeeper.

A. Receiving Documents. Upon receipt of receiving documents the bookkeeper will:

1. Partial or Incomplete Shipments. In the case of a partial shipment or uncompleted blanket purchases, delivery slips or invoices will be filed in the open order file pending shipment completion. Invoices will be inspected to insure merchandise received complies with the terms of purchase. When the receiving documents for the final shipment are received, all invoices or delivery slips will be compared with the final receiving copy of the purchase order.

2. Completed Shipments. In the case of a completed shipment, withdraw the open order file copy of the purchase order and compare it with the final receiving copy of the purchase order and attached invoices or delivery slips.

3. Receiving Documents. Compare the receiving documents with the open order file of the purchase order and the dealer's invoice. If the documents agree, an annotation of accuracy will be made on the documents, a check prepared and all documents submitted to the person designated to sign checks. If a discrepancy appears, it should be brought to the attention of the purchasing agent for resolution. After resolution the check will be prepared and documentation forwarded as noted above. When several purchases are made from a vendor and separate payments are not required, payments may be made by the issuance of one check.

C050905 Storing, Recording and Issuing.

A. Policy. Each storage facility will be kept locked under the custodian of one person designated by the activity manager. Access to the storage area will be governed so as to prevent unauthorized withdrawals. Stock records will be maintained to show perpetual inventory of each type item held in a warehouse or storeroom. Receipts and issues will be posted daily. Custodians and managers will be held responsible for the receiving and issuing of all merchandise. Receiving Reports will be executed promptly and forwarded to the accounting department to take advantage of any discounts. Damaged and short shipments will be investigated promptly to effect adjustments or replacements.

B. Procedure. Merchandise and operating supplies, when received, will be handled in one of two ways:

1. Future Use. Stored in a storeroom when purchased for future

use. The initial positioning of such material will be indicated by the receiving clerk on the receiving/bookkeeper copy of the purchase order and the bookkeeper will debit an applicable storeroom inventory account. When resale items (food, beverages, etc.) are subsequently issued to a department for sale, entries on a requisition will show a debit to the applicable departmental cost of sales account and a credit to the applicable storeroom inventory account. When operating supplies or replacements are issued to a department, entries on a requisition will show a debit to the applicable departmental expense account and a credit to the applicable storeroom inventory account.

2. Delivered to Department. Delivered directly to an operating department (for example, gymnasium, stables, etc.) for immediate use. The initial positioning of such material will be indicated by the receiving clerk on the receiving/bookkeeper copy of the purchase order and the bookkeeper will debit an applicable departmental cost of sales or departmental expense account, as appropriate. If items are subsequently transferred from one department to another, entries on a requisition will show a debit to the appropriate cost of sales or departmental expense account of the department gaining the items and a credit to the appropriate account of the department transferring the items.

C0510 DISBURSING

C051001 Cash Disbursements.

A. Prenumbered Checks. Disbursements will be made by printed prenumbered checks that are maintained under maximum security and issued in strict numerical sequence, however, minor miscellaneous expenditures may be made from a petty cash fund. Also, refunds and cash prizes may be made from change funds or cash receipts if proper safeguards are instituted with proper documentation. All checks will bear the name of the activity and be secured in a locked receptacle. All checks issued should be written in permanent ink preferably by a computer, check-writing machine, or typewriter. If an error is made in writing a check, the check shall be voided and another issued. Under no circumstances should checks be signed in advance or made payable to cash or bearer. Advance payments are authorized only when specifically approved by the program manager or designated representative. The routing and processing of check payments is vital and should include the following independent and documented steps:

1. Authorization of payment,

2. Preparation of checks,

3. Signing of checks,

4. Mailing or delivering of checks, and

5. Reconciliation of checking account.

B. Validity Check. Prior to the signing of any check, the person designated to sign will determine the validity of the voucher intended for payment. Validity shall be determined by comparing the amount of the voucher to the supporting documents (purchase order, receiving report and the vendor's invoice). All supporting documents will then be stamped with a "Paid/Date" stamp and the voucher annotated with the check number. After signature, the check will be mailed or delivered to the payee. It should not be returned to the bookkeeper or person who prepared it. Spoiled checks will not be destroyed but will be retained, marked "void", and rendered nonnegotiable by at least mutilating the signature area. Voided checks will be held until the account statement is received and then filed therewith. The general ledger cash balance will be reconciled monthly with the balance in the account statement.

C. Designation of signatory. Individuals authorized to sign checks will be

designated in writing by the commanding officer or his designated representative. A dated signature card will be filled with the financial institution for each person authorized to sign checks. Controls may be reinforced by requiring countersignatures. Rubber stamp signatures are not authorized.

C051002 Processing of Bills or Invoices.

A. Bookkeeping Procedures. Upon receipt of a bill, the bookkeeper will place it in the file with a copy of the purchase order, pending receipt of the material or services. The bill will be verified with the quantity ordered and received, unit price, extension, and terms of payment. Any transportation charges on the invoice are to be checked with the terms on the purchase order. Priority in processing payments will be given to all bills offering cash discount terms. After the bill has been matched to the order, the bookkeeper will indicate in writing on the bill that it is correct, initial the bill, prepare a check and submit the check with the order and all documents attached, to the person designated to sign checks. Any differences will be called to the attention of the person designated to sign checks. No bill will be paid unless covered by an order on which appears a certification of receipt and acceptance signed by the designated representative of the receiving activity concerned. Only invoices fulfilling the following requirements are acceptable for payment:

1. Original,

2. Formal invoice format,

3. Unaltered,

4. Addressed to the activity,

5. If covering multiple deliveries supported by delivery slips,

6. Dated and stating terms,

7. Quantity or quantities,

8. Description of merchandise or services,

9. Unit price or prices,

10. Extension of quantities and unit cost price,

11. Total amount of invoice.

B. Subsidiary Accounts. A separate account of each creditor will be maintained in a subsidiary ledger supporting the general ledger accounts payable controlling account. An appropriate ledger sheet (procured locally) will be maintained for each creditor in alphabetical order. Each month these subsidiary ledger sheets shall be totaled and reconciled to the general ledger control account. In a small activity where the number of creditors is minimal, the maintenance of a subsidiary ledger may be waived by the commanding officer.

C0511 PAYROLL

C051101 Control of Payroll.

A. Payments of Salaries and Wages. All salaries and wages will be paid by check except in those foreign countries where a formal working agreement indicates that subject employees must be paid in cash. In the case of a requirement to pay cash, one check will be drawn for the net payroll amount and employees will sign for the amount of cash received.

B. Notification Schedules. Written notification schedules must be made of the exact hours each employee is expected to be on the job each day.

C. Authorizations. The manager or designated representative must authorize, in writing, all employment, separation actions, changes in the approved work schedule,

or other changes that affect the pay of employees.

D. Reporting Hours Worked. A system will be devised locally whereby hours worked by each employee can be reported to the payroll clerk. Such a system might be as follows: Employees hours of attendance for work are punched on a time clock (smaller activities may use time sheets or a similar type log). Departmental supervisors certify in writing on the time card, time sheet, or time log, the number of hours worked during the period. These time records are then submitted to the payroll clerk, who computes the employees' wages and keeps their individual earnings records.

E. Pay and Earnings Statement. A check will be prepared for each employee, and when feasible, an individual earnings statement (format developed locally) itemizing information contained on the individual earnings record for each employee. Each check will be signed by the manager or other authorized person.

F. Accuracy Checking. The manager will appoint someone other than the payroll clerk to check the accuracy of the payroll. The manager or his designee will then approve the payroll and sign and distribute the pay checks and the individual earnings statements.

G. Payroll Checking Account. Whenever the size of the payroll warrants, a separate checking account should be established for payroll disbursements.

H. Items Not To Be Used For Payroll Payments. Current cash receipts, petty cash funds, or change funds shall never be used for payroll purposes.

I. Unclaimed Payroll Checks. After an appropriate interval (usually 2 weeks) all unclaimed payroll checks should be voided and recredited to the bank account. Checks issued but not presented for payment within one year will be canceled and upon proper notification to the bank recredited to the bank account. It is highly important that unclaimed pay be investigated to disclose any irregularities that may exist as the result of "payroll padding" and pocketing of unclaimed wages. Payroll checks should be marked "Not negotiable after 60 days from date of issue."

J. Abnormalities. The manager shall continually examine any abnormal increases in the number of employees, rates, and labor costs.

K. Signing of Blank Checks Not Authorized. Managers will not sign payroll checks in blank for emergency use during their absence.

L. Controls on Time Cards. Payroll time cards/sheets will be canceled or dated in order to prevent their possible reuse.

M. Verification. From time to time, the payroll should be checked to make sure that the number of names corresponds to the number of employees, that W-4's are on file for each employee and that gross pay and deductions are consistent with applicable laws and the employee's desired deductions from gross pay. At least once a year a person not normally associated with the payroll function will distribute the pay, requiring identification of each employee before distributing the check, and document the results.

C051102 Service Charge, Gratuities, and Cash Tips.

A. Service Charges. A service charge is an amount of money automatically added to a patron's bill by the activity. If the service charge is to be retained by the activity, it should be credited to the appropriate revenue account. If the service charge is to be paid to an employee, credit a Salaries & Wages, Personnel Benefits and Taxes Payable Account. The employee shall be paid the service charge on his regular payroll check. Service charges are subject to both the employee's and employer's share of FICA tax.

B. Gratuities. Gratuities are considered to be any charge tip voluntarily added by the patron to his bill. Gratuities shall be credited to a Salaries & Wages, Personnel Benefits and Taxes Payable Account. This type of income is not subject to the employer's share of FICA tax.

C. Cash Tips. Cash tips refer to tips given directly by the patron to the employee.

D. Reporting Gratuities and Cash Tips. Gratuities and cash tips are required by law to be reported by the employee to the employer on or before the tenth of the month following the month the tips were received by the employee if $20.00 or more for the month. These "Reported Tips" are posted and accumulated for purposes of determining income and FICA tax withholdings. Services charges are not to be included in this reporting as they are included as regular wages. Managers should obtain copies of "Reporting Your Tips For Federal Tax Purposes" (Publication 51) from the District Director of Internal Revenue for distribution to affected employees.

E. Reporting by Certain Large Food or Beverage Establishments with Respect to Tips. To promote full reporting of employee tip income, food and beverage establishments must estimate expected tips in relation to levels of gross receipts from food or beverage cash sales, charge receipts, and the retail value of complimentary food or beverages served to customers. Such establishments (as determined by program managers) are required, under Section 6053(c) of the Internal Revenue Code of 1954, to file an annual tip information return on or before the last day of February of the year following the calendar year for which it was made to the District Internal Revenue Service Center on Form 8027 with Transmittal Form 8027T. Required attachments to the return include photocopies of each employees' W-2 for whom an allocation is made and a copy of any written employer/tipped employees' good faith agreement applicable for the reporting year. Reporting establishments shall assign a unique 15-digit activity reporting number on each Form 8027 report. Additionally, employers shall furnish to each employee to whom a tip amount is allocated a written statement on the employees' Form W-2 showing the aggregate amount allocated to the employee for the calendar year.

C0512 PROPERTY ACCOUNTABILITY AND CONTROL

C051201 General.

A. Recording. Fixed Assets (nonexpendable property) procured with nonappropriated funds will be recorded at original acquisition cost less cash discount plus freight-in and installation cost plus the cost of additions, modifications, or enhancements thereto. If the original cost is not known, an estimated value will be assigned. In determining the estimated value, reference should be made, where possible, to manufacturers; price lists, cost of similar items, and such other sources of information as may be available. When the source of funds for the original procurement of property cannot be determined, it will be considered to have been purchased with appropriated funds. Property on loan will be controlled through use of appropriate issue and signed receipt documents. A Certificate of Disposition must be approved by the commanding officer or his designated representative before a fixed asset may be dropped from a Property and Depreciation Record (NAVCOMPT Form 742). Some fixed asset types:

1. Fixed Assets (Title Remains With Morale, Welfare, and Recreation Activity). To reflect acquisition cost (or estimated value if acquired by other than purchase), allowance for depreciation, and net book value.

2. Other Fixed Assets (Government real property facilities, improvements, and equipment procured with nonappropriated funds, title to which is transferred to the government). To reflect nonappropriated funded acquisition cost, allowance for depreciation, and net book value.

An explanatory footnote will be included in the balance sheet as follows: "The title of real property financed with nonappropriated funds and reported hereon is vested with the U.S. Government."

3. Fixed Assets (Purchased with Nonappropriated Funds to be reimbursed with appropriated funds). As of 1 October 1990 appropriated funds may not be used to reimburse a NAFI. In those instances when property is purchased with nonappropriated funds to be subsequently reimbursed with appropriated funds, such property will not be recorded on the books of the nonappropriated fund instrumentality(NAFI). To record a transaction of this nature, the NAFI will debit accounts receivable and credit cash or accounts payable.

B. Diversion of Assets. A building or structure constructed or purchased using nonappropriated funds will not be diverted to a use other than in direct support of the MWR purpose for which it was acquired without the prior concurrence of the program manager.

C. Proceeds From Sale. In accordance with U.S.C. 485(C) the net proceeds from the sale of a building or structure, acquired or constructed using nonappropriated funds and subsequently sold upon disposition of Government property, will be credited to the applicable fund as determined by the program manager. When it is uneconomical or impractical to ascertain the amount of net proceeds, the proceeds will be credited to Miscellaneous Receipts of the U.S. Treasury.

C051202 Classes of Property.

A. Nonexpendable Property. Nonexpendable property (minor fixed tangible assets) is that which ordinarily retains its original identity during its period of use, is not fully consumed in normal use, has a unit acquisition value of $1,000 or more and has a life expectancy of more than two years. Examples include furniture, fixtures and office equipment. When purchases are made in bulk for like items (example, a set of chairs) and the total cost is $1,000 or more, regardless of the unit cost, the items may be capitalized and depreciated. Nonexpendable property will be recorded in the general ledger as fixed assets and capitalized. Property and depreciation records will be maintained as subsidiary records to the general ledger controlling account. Only one item or group of like items will be recorded on each property and depreciation recorded. At least annually, the total value recorded on the subsidiary records will be reconciled to the corresponding general ledger account balance. Each nonexpendable item will be given a unique identification number which shall be permanently affixed with a tag or by some other method, to identify activity property. Assets in this group will be considered fixed assets for depreciation purposes.

B. Expendable Property. Expendable property consists of any property with a life expectancy of less than 2 years acquired by purchase, gift, or transfer that has a unit acquisition value of less than $1,000 such as:

1. Supplies and materials which after issue are immediately consumed in use or become incorporated in other property, thus losing their separate identities (examples: paints, glue, fuel, preserving materials, radio and TV tubes, etc.); or

2. Articles which, when issued for immediate installation, are used to repair or complete other articles and thereby lose their identity (examples: spare and repair parts and components).

a. Property obtained for immediate use will be charged directly to operating expense. However, if expendable supplies are purchased by a department to be consumed in future periods, such items must be recorded as prepaid supplies.

b. Those expendable property items in use having a unit value of $300 or more will be recorded on a consolidated property record with each item

supported by a separate property and depreciation or stock record. Each item in this group shall be permanently affixed with a number tag or identified by some other method. These items will not be recorded in the general ledger as assets but expensed upon receipt.

c. All other expendable property purchased and stored in the warehouse or storeroom will be recorded on stock records. Issues from the storage area will be based on numbered and controlled requisitions and expensed from prepaid supplies.

C. Appropriated Funded Property. Appropriated funded property purchased for or assigned to morale, welfare, and recreation activities will be accounted for and controlled in accordance with NAVCOMPT Manual, Volume 3, Chapter 6. The fund manager will provide guidance to insure that this property is safeguarded from theft, abuse, waste, and unauthorized use.

D. Resale Merchandise. Merchandise purchased and placed in storage for the purpose of resale is considered an asset of the activity and will be recorded by debiting the applicable general ledger inventory account. When merchandise is delivered to a resale department, the cost of goods sold will be charged to the appropriate account series. Stock records (NAVCOMPT Form 742-1) will be maintained for all merchandise carried in warehouses or central storerooms. Issues from the storage area will be based on numbered and controlled requisitions. Frequent reviews should be made to determine if stock is being purchased in economically sufficient but not excess quantities. Stock record cards will be reconciled with the general ledger inventory account at least monthly.

E. Surplus Property. Surplus/excess items are deemed to be those items which have been screened in accordance with current disposal regulations. Items acquired through surplus/excess programs remain appropriated funded property and will be accounted for and controlled as such in accordance with current regulations and as directed by the program manager. When no longer needed, these items will be turned in to the nearest Defense Reutilization Marketing Office (DRMO) with a statement that they were previously obtained from appropriated funded surplus/excess sources and that no part of any proceeds from sale or other disposition are due the returning activity. Likewise, when the Defense Property Disposal Office sells nonappropriated funded property the proceeds are returned to the activity disposing of the property.

F. Loss or Damage of Property. In instances involving loss or damage to insurable interests of nonappropriated funded property, insurance procedures, as prescribed by the program manager, will be adhered to. In those situations where the recovery involves both insured nonappropriated funded property, and other insured Government property, the recovery of nonappropriated funded property remains with the morale, welfare, and recreation activity. Recovery for appropriated damaged property should be deposited to the Navy General Fund Receipt Accounts as indicated in 2416A of the JAG Manual. Appropriate documentation should be included in every claims file.

G. Donated Property. Includes those assets that are given to an MWR activity at no cost by another MWR activity or a private donor (in accordance with SECNAVINST 4001.2F(series). Excludes property obtained from appropriated funds surplus sources as described above.

1. Donating MWR Activity Accounts to be Recorded

a. When initially purchased:

Debit: Fixed Assets
Credit: Cash

b. When donated to another activity:

Debit: Miscellaneous Expense
Debit: Accumulated Depreciation (where appropriate)
Credit: Fixed Assets

2. Receiving Activity. The receiving activity will record the receipt of donated property as follows:

a. When received from another activity:

Debit: Fixed Assets
Credit: Miscellaneous Income
Credit: Accumulated Depreciation (where appropriate)

b. When received from a private donation:

Debit: Fixed Assets
Credit: Miscellaneous Income

C051203 Depreciation.

A. General. Depreciation is the allocation of asset acquisition value or cost to present and future operations on the basis of some equitable and rational mathematical system. Although the purchase or acquisition of an asset occurs at one time, the benefits derived from an asset's use are received in future periods. Therefore, an asset's value or cost must be allocated to the periods that receive beneficial use. The income would be distorted if the total cost were charged to expense in any one accounting period.

To show these assets in the financial statements at their adjusted real value, (book value, or asset acquisition cost less accumulated depreciation) the amount of such depreciation is recorded in an accumulated depreciation account and is offset from the fixed asset account on the balance sheet.

B. Policy. The following accounting policy is applicable with respect to depreciation.

1. Fixed Assets. Fixed assets will be depreciated in accordance with the following schedule, until the accumulated depreciation account shows 100% of the cost of such assets. Local commanders or appointed designee will determine the estimated useful life of each fixed asset within the guidelines set forth in the following schedule.

Fixed Assets Value	Useful Life Span (years)	Assets	Depreciation
$1,000 or more	2-10	Furniture, Fixtures, Equipment & Livestock	Straight Line, No Salvage Value
$1,000 or more	2-10	Vehicles & Aircraft	Straight Line, No Salvage Value
$1,000 or more	20-40	Buildings & Facilities	Straight Line, No Salvage Value
$1,000 or more	5-20	Buildings & Facility Improvements	Straight Line, No Salvage Value

2. Depreciable Assets. Assets with remaining depreciable lives expensed in previous years will be capitalized in the general ledger by debiting the fixed assets account for the acquisition cost, crediting the accumulated depreciation account for the total accumulated depreciation since acquisition and crediting prior period income adjustment for the difference between the acquisition cost and the amount posted to accumulated depreciation. These assets will be depreciated during the remaining life of the assets by debiting depreciation expense and crediting accumulated depreciation.

3. Contributed or Donated Assets. Assets acquired from outside sources by contribution or donation will be recorded in general ledger fixed assets account for their fair market value and credited to Miscellaneous Income.

4. Used Assets. Used assets acquired including donated property will be initially recorded in the financial records and depreciated over their estimated remaining useful lives.

5. Computing Depreciation. Assets maintained on computer file are depreciated beginning in the month following acquisition. Assets on non-computer file are depreciated beginning in the first month of the fiscal year following the fiscal year of acquisition.

C. Method of Computing Depreciation. Within the Department of the Navy, all fixed assets will be depreciated by the straight-line method. Under this method, an equal portion of the cost of the asset is allocated to each accounting period of use; consequently, this is most appropriate when usage of an asset is fairly uniform from year to year. The possibility of a salvage value is ignored and the annual depreciation charge is computed merely by dividing the total cost of the assets by the number of years of estimated useful life.

D. Recording of Depreciation. At the end of each accounting period the following entries will be required to record depreciation:

Debit - Depreciation Expense
Credit - Accumulated Depreciation

Depreciation is not recorded as a decrease to the fixed asset account but as an increase to a contra-asset account, accumulated depreciation. The fixed asset account will always show the acquisition cost of the fixed assets. The accumulated depreciation account will show the estimated decrease in value of the fixed assets. The difference between the two accounts is book value. Accumulated depreciation is shown on

the asset side of the balance sheet as a reverse of norm amount.

1. Cash Sale of a Fixed Asset. Cash sales of fixed assets are not combined with the operating income from the sales of inventory or services because the activity is not in business to sell fixed assets. When a fixed asset is sold, everything relating to that specific asset must be eliminated from the books. The fixed asset and accumulated depreciation accounts will always be involved.If the market value (amount received) of the asset differs from the book value, a profit or a loss occurs.

2. Trade-ins. When one asset is traded in for another, the acquisition cost of the new asset is the cash value of the consideration parted with; that is, the cash paid and the amount that could be obtained by a sale of the old asset. Unless known, market value for assets traded in will be net book value. If the cash purchase price of the new asset and the market value of the asset to be traded are unknown, the book value of the asset traded will be considered as its market value.

C051204 Disposition of Unserviceable or Excess Property.

A. Navy Plant Property Procured With Appropriated Funds. Property recorded on the Navy Plant Property Records, including nonappropriated procured buildings and improvements, which have become unserviceable or excess to the needs of the activity will be returned to the appropriate accountable officer for disposition in accordance with existing regulations.

B. Other Property Procured With Nonappropriated Funds.
Other property procured with nonappropriated funds which has become unserviceable or excess to the needs of the activity will be disposed of as follows:

1. Used as a trade-in on a similar item.

2. Sold to or transferred to another MWR activity.

3. If not desired by another MWR activity within reasonable shipping distance or if it is deemed unfit for redistribution by the Program Manager, it will be disposed of in accordance with current Navy and base disposal regulations. To avoid collusion or chance for private gain at government expense, items for disposal must be advertised or announced using the current estimated price as a basis for the selling price.

C. Recyclable Material. Morale, Welfare and Recreation (MWR) activities are authorized to use the installation MWR contracting service to sell nonappropriated recyclable scrap such as aluminum cans, bottles and newspapers directly to local recycling firms or continue to use the Defense Reutilization Marketing Office (DRMO). However, prior to selling locally, get assurance from the servicing DRMO that no long term collection or surplus sales contracts are in effect for the installation for the specific types of recyclables. If a DRMO contract exists for this type of property, the contract takes precedence until expiration unless exception is granted by the servicing DRMO. All appropriated recyclable materials shall continue to be processed through the DRMO.

C051205 Inventories.

A. Inventory Systems. There are two systems of determining quantities of goods in the inventory, periodic and perpetual. The periodic system relies upon an actual inventory taken at the end of an accounting period to determine the cost of items sold during the period. The revenue from goods sold during the period is recorded in the sales account, but no concurrent entries are made to record the decrease in the inventory. It is therefore only by a count at the end of the period that the inventory can be determined. The perpetual inventory system uses accounting records that continuously disclose the amount of the inventory. Increases in inventory items are recorded as debits to the appropriate accounts

and decreases are recorded as credits. The balance is the book inventory of items on hand.

B. Valuation of Inventories. All inventories are valued at cost which is defined as invoice price plus freight charges less discounts. Inventory items received at no cost are recorded as a debit to the inventory account and a credit to Bonus Merchandise. End-of-period physical inventories are valued or priced on the weighted average or first-in first-out (FIFO) basis. In FIFO, requisitions are priced at the earliest invoice cost at which the items were placed in stock. Quantities on hand at the inventory date are considered to be those items most recently purchased. Under the weighted average method of inventory valuation, goods are valued at an average cost. Cost of goods on hand at the end of a period is assumed to be the weighted average of the inventory cost of goods on hand at the beginning of the period and all goods purchased during the period. Physical inventories of fixed assets are valued or priced at original acquisition unit costs including freight-in and related installation charges.

C. Inventory Frequency. Inventory frequency will be prescribed by appropriate program managers. However, as a minimum requirement, all merchandise, consumable supplies, fixed assets, and property on loan require an annual physical inventory; and, cash and resale merchandise will require an inventory at the close of each accounting period. The results of the inventory will be reconciled with property records and the general ledger controlling accounts.Upon the relief of the responsible person, as determined by the program manager, inventories as set forth above will be accomplished.

D. Types of Inventories.

1. Warehouse or central storeroom resale merchandise.

2. Departmental resale Merchandise.

3. Prepaid Supplies such as china, silver, glassware, and maintenance supplies.

4. Fixed Assets, capitalized nonexpendable property (includes such items as furniture, fixtures, and equipment).

5. Expendable property items which are recorded on property records although expensed at time of receipt.

6. Cash, which includes all cash at an activity (such as petty cash funds, change funds, and undeposited receipts).

E. Procedures For Taking A Physical Inventory.

1. General. A physical inventory, when possible, will be taken either before or after regular operating hours. If this is impractical, it will be taken at a time that will be least inconvenient to patrons. Sales will be made during inventory count only in the case of an emergency. Such sales will be included in the count and treated as sales of the subsequent accounting period.

2. Pre-inventory Procedures. Specific inventory instructions will be issued to employees at least ten days prior to the physical inventory. These instructions will describe:

a. Counting and listing procedures that will be utilized;

b. Inventory count forms

c. Pricing of inventory; and

d. Transaction cutoffs.

A pre-inventory meeting will be held with all employees who are to participate in the counting of the inventory. Inventory instructions and

procedures, personnel assignments, and working hours will be reviewed and discussed during this meeting.

3. Personnel. The manager will designate experienced personnel as inventory supervisors who will be responsible for a complete and accurate inventory. In fulfilling these responsibilities, supervisors will select and train the counters and verifiers and make certain that all preliminary preparations are made prior to counting the stock.

4. Layout Sketch. To assure accurate and expeditious inventory taking in the store, warehouse, stockroom, etc., layout sketches should be prepared in which each fixture (i.e., shelves, gondolas, bins, tables, etc.) is illustrated and identified by a number. Large areas will be prepared by inventory supervisors well in advance of the inventory date. A number, identical to the one entered on the layout sketch will be affixed to each fixture.

5. Cut-off Time.

a. A cut-off date for sale and receipt of merchandise will be established by the accounting office. The cut-off date for the receipt of retail merchandise may be set two or three days earlier than the close of the accounting period to permit arrangement and counting of stock prior to the inventory date. All merchandise received prior to the receiving cut-off will be included in inventory. Merchandise received after the cut-off date will be excluded. Vendors and transportation companies may be requested to delay deliveries until after completion of the physical inventory. If merchandise is delivered during the inventory, do not include or record its receipt. If any sale is permitted, the item must be entered on the inventory sheet.

b. A proper cut-off time (date and hour) will be established for each activity by the accounting branch for the return of merchandise to vendors and the transfer of merchandise from the warehouse or storerooms. All branch and activity locations will be notified by the warehouse at cut-off time of the number of the last requisition against which merchandise was transferred prior to inventory count. This will enable the activities to ascertain whether all the merchandise charged to them has been received.

6. Stock.

a. General. All merchandise on the selling floor and warehouse will be arranged, sorted, and consolidated by identical merchandise and price line to facilitate counting and listing. Merchandise sold but being held for pick-up will be segregated from regular stock and will not be included in the inventory.

b. Retail merchandise will be properly marked with the retail selling price. All other merchandise will be properly marked with the cost price.

c. All merchandise returned by patrons and for which credit has been given will be properly remarked and included in the appropriate departmental inventory.

d. All merchandise in the receiving room that has been received prior to the inventory cut-off date will be marked and sent to the warehouse, or selling floor, as appropriate, for consolidation with identical merchandise.

e. With the exception of cartons retained for packaging of merchandise on display, all empty cartons will be removed from the selling floor and warehouse, and collapsed so that they will not be included in the inventory count.

f. All slow moving, damaged, and obsolete stock will be properly marked down to the retail price at which it is expected to be sold and the changes will be effected prior to the inventory cut-off date.

G. Inventory Sheets. The manager will cause type written inventory sheets

to be prepared by department for all items. To the maximum extent possible inventory sheets will list the items according to the manner in which they are physically arranged at the inventory site. Nomenclature shall identify the items to be inventoried. Inventory numbers, manufacturer's serial numbers, and component parts of sets shall be shown on the inventory sheet, All sheets will be dated, pre-numbered, and accounted for. Only one department's merchandise or property will be listed on any one inventory sheet. Inventory sheets shall be distributed to the individuals assigned to conduct the inventory. Upon completion of the physical inventory, all sheets will be signed by each person participating in the inventory process.

F. Inventory Taking Procedures.

1. Counting the Merchandise.

a. General. Merchandise will be counted only after completion of all pre-inventory preparations. When possible, individuals familiar with departmental stock will be assigned to taking inventory. Counter will be indoctrinated thoroughly not only in the method of counting but also in the system of recording the count, for example, the count proceeds from left to right, top to bottom, in book-reading fashion. Normally, the work is done by a team of two people. One should call and inspect the inventory while the other enters (in ink) the quantities on the sheets. Each department will be inventoried separately. During the course of the inventory, independent test checks will be conducted to insure the maximum of accuracy. Items found to be on hand, which were omitted from the inventory sheet, will be recorded by the inventory team, provided such items can be positively identified as activity-owned property.

b. Unit Prices. Unit prices for retail department merchandise will be taken from price tickets at the time of count. All merchandise will be listed and counted in the same unit category as priced for sale; for example, if cakes of soap sell for 3 for 25 cents, the multiple retail sales prices will be used and recorded "25 cents for 3," (not "3/25"). Only the unit cost price will be shown for service department items. This will be taken from the unit cost price shown on the outside of the case or container or from the last invoice. The same person inserting the unit price amount also records the unit "type" such as dz., ea., gr.

c. Inventory Count. All counts, identification, and pricing of inventories are to be adequately rechecked by a disinterested party other than the one who recorded the original data. All inventory counts are to be supervised and audited by the accounting personnel.

d. Extension of Inventory Sheets. Inventory count sheets will be extended by personnel in the accounting office. All inventory sheets will be extended and footed.

e. Departmental Inventory Worksheets. After the inventory work sheets have been extended and footed, inventory sheets will be summarized in value by department. These values will then be compared against the book inventory. Retail variances will be converted to cost by multiplying retail variances by departmental cost ratios.

2. Items Excluded.

a. Merchandise on Order. Merchandise ordered but not received will not be included in the inventory even if the invoice is received prior to the inventory date.

b. Merchandise Sold--Held for Pickup. Merchandise being held for pick-up which has been sold prior to inventory time, including all lay-aways, will be removed from the regular stock so that it will not be included in the inventory count.

c. Items Charged to Expense Accounts. Items charged to

expense accounts, when received, will not be included in the physical inventories. Merchandise on hand that is to be returned to vendors will not be counted unless it has been charged to an inventory account.

3. Items Included.

a. All materials and parts used for rendering a service, all ingredients used for preparing a finished product, and all unsold resale merchandise in stock will be included in the physical inventory of the various departments.

b. The value of containers, empty or full, for which deposits have been placed with vendors will be included in the inventory of the applicable department. Containers which are so damaged that they cannot be returned to the vendor will be inventoried and a notation will be made of their condition so they may be disposed of. Items out on loan for which activity holds custody receipts will be counted as items on hand, after a reasonable sample of custody receipts are verified. Discrepancies will be investigated as required by the inventory team.

4. Cash Counts. A member of the inventory team shall verify by actual count the petty cash fund, the change fund, and undeposited receipts. The total amounts of each fund will be accounted for. All noncash items should be documented on a locally devised form and retained. I.O.U.'s and post dated checks will not be regarded as cash. The manager or designee will be continuously present during the count, and will affirm the return of the cash funds to his possession. Trace amounts of the petty cash and change funds to the general ledger balance. The amount of undeposited receipts should equal the amounts reported on the daily activity sheet since the last deposit plus current sales. Management and Command Evaluation Staffs/Audit Boards should make surprise counts as appropriate.

5. Inventory Discrepancies. All inventory variances will be investigated to the satisfaction of the commanding officer. The investigation will include, but not be limited to:

a. Review of inventory counts for proper quantity, measure, identification, and price;

b. Inventory extensions;

c. Footing and recapitulation of inventory sheets;

d. Physical inspection of facilities for inventory not counted or double counted;

e. Review of sales cut-off;

f. Review of purchase cut-off;

g. Review of price changes;

h. Review of departmental transfers; and verification of Inventory Summary worksheets and variance computation, Physical inventory variances will be charged or credited to the inventory shortages/overages account and the inventory account charged or credited to reflect the physical inventory value. The adjustment will be made based upon the physical inventory extended value after investigation of discrepancies has been completed.

C0513 ADJUSTING AND CLOSING ENTRIES

C051301 General.

A. End Of Accounting Period. At the end of an accounting period, before the financial position of an activity can be determined, it is necessary to make various accruals, adjustments, and closings to certain accounts to effect corrections, and to record transactions not previously made.

B. Accrual Method. Under the accrual method of accounting various income and expense items that have accrued (accumulated) from day to day must be recorded at the end of a period. It is not practical or convenient to record this information daily, but the complete information is needed at the end of a period. These end of period entries are called "adjusting entries". Adjusting entries are needed to record:

1. Prepaid items used and/or consumed during the period.

2. Salaries and wages earned but not paid.

3. Income earned but not received.

4. Decrease in the value of equipment, buildings, and vehicles.

5. Transactions not previously made.

C051302 Adjusting Entries.

A. Prepaid expense accounts will be adjusted by entries debiting the expense accounts for the amount that has been consumed during the accounting period and crediting the applicable asset account. When an activity buys and stores an asset which will be consumed or used in the future, the value of the item will be maintained in an asset account until it is used. When it is consumed or used, the asset account will be decreased (credited) and an expense account will be increased (debit).

B. Many activities will pay their employees in one month for hours worked in a prior month. This situation occurs when employees are paid every two weeks, regardless of calendar date. Using the accrual method of accounting, an expense must be recorded in the month it occurs.

C. The accrual of interest income is accounted for by an entry debiting receivables and crediting interest income. Investments earn interest on a periodic basis although the cash may not be received.

D. Whenever the activity receives an asset that it has not earned, the individual or business that gave the asset has a legal claim to either services or assets. Therefore, a liability exists, not income. When the activity has performed the service or given the assets to this individual or business, thus earning legal title to the original asset received, an entry will be made transferring the respective ownership from a liability account to an income account. All accrued liability accounts will be adjusted with entries to the appropriate income and expense accounts.

E. It may be necessary to adjust the General Ledger balances of the departmental resale inventories because of physical inventory valuations. These accounts, when approved by the commanding officer, will be adjusted to show only the annual closing inventory. When the closing inventory is greater than the opening inventory, it is apparent that more merchandise was received than was sold. The applicable cost of goods sold account will be decreased, and the inventory account increased by the amount that the closing inventory exceeds the opening inventory. An entry will be made debiting the inventory and crediting cost of goods sold. As a result the inventory accounts will be adjusted to the value of inventory actually on hand and the cost of goods sold account will show the cost of merchandise sold. The above entries will be reversed when the closing inventory is less than the opening inventory.

F. Issues and direct deliveries to a department will be charged to its cost of goods sold, not to an inventory account. At the end of the period, an adjusting entry will be required if the department has used more or less inventory than has been issued during the period.

G. If an activity's inventory increases, the value of all of the goods received has not been used; if it decreases, the value of all of the goods received and part of the beginning

inventory have been used. This procedure is summarized in the cost of goods sold section of the profit and lost statement.

H. Warehouse or storeroom perpetual inventory records normally should agree with the value of the merchandise on hand in storage. However, if the value of the physical inventories is greater than the value of the perpetual inventory, an entry will be made debiting warehouse inventory and crediting an inventory overage account for the difference. If the value of the perpetual inventory is greater than the value of the physical inventory, an entry will be made debiting an inventory shortage expense account and crediting warehouse inventory for the difference. All adjustments will be investigated to the satisfaction of the Commanding Officer. Appropriate documentation for the adjusting entries will be retained for subsequent utilization during investigations or disciplinary actions.

C051303 Closing The Books.

A. Income and expense accounts (nominal accounts) are used to accumulate information concerning current period changes to net worth. At the end of the period, the net worth account does not reflect the true balance. It is necessary to transfer the amount in the income and expense accounts to the net worth account. This process is called "closing the books," and accomplishes two objectives.

1. Clears income and expense accounts of transactions of the past period.

2. Shows the proper balance in the net worth account.

B. To close the books, the following entries are required:

1. Decrease each income account by the full amount with a debit and a credit to Account 999 Profit or Loss Clearing Account.

2. Decrease each expense account by the full amount with a credit and a debit to Account 999.

3. Credit net worth by debiting Account 999 with the difference between income and expense (net profit). If expenses exceed income, the amount of the loss would be a debit to net worth and a credit to Account 999.

C. Notice the accounts closed are the income and expense accounts. Closing the books eliminates the balances in all accounts on the profit and loss statement - the income and expense accounts are thus summarized to arrive at a net profit or loss figure. The profit or loss is transferred to the net worth section of the balance sheet. Formal closing is not required at the end of each month. However, all income and expense accounts must be closed at least annually.

C051304 Post-Closing Trial Balance. After the closing entries have been posted to the accounts, another trial balance is prepared to prove debits equal credits. This is necessary to insure the ledger is in balance before posting the next month's transactions.

C0514 SPECIAL PROCEDURES

C051401 General. The procedures contained in this Section are applicable to the groups or types of activities indicated. They are supplemental to procedures contained elsewhere in this appendix.

C051402 Bachelor Officers Quarters/Billeting Fund.

A. Room Registration. A registration record (NAVCOMPT Form 2104) will be used to register each guest of the activity. As accountable documents, forms will be prenumbered to control occupancy and revenue.

B. Room Rental Charges. Certain individuals (as designated by BUPERS) authorized to utilize housing are required to pay a user fee while occupying quarters. These rents

are collected and accounted for and deposited in a billeting fund. These collections will be used to partially defray operational and facility costs normally paid from appropriated funds.

C. Housekeeping Services. Housekeeping services, including maid and janitorial services or common use areas, will be provided initially through the use of a nonappropriated funded cleaning service. Nonappropriated funded costs for the common use areas will be reimbursed by station operations and maintenance funds to the Billeting Fund. The costs of services for individual room cleaning will be supported with nonappropriated funds derived from charges upon the residents of the activity.

D. Linen Charges. The laundering or dry cleaning of government-owned room linens and equipment will be at the expense of appropriated funds. Certain individuals (as designated by BUPERS) are required to reimburse the activity for these expenses. These costs shall be included in service charges levied upon the individuals as mentioned above and will be retained in the billeting funds.

C051403 Military Student Subsistence and Commuted Rations.

A. NROTC Midshipmen, Contract Students, and Third Class USNA Midshipmen. NROTC midshipmen, contract students, and Third Class USNA midshipmen while on training under orders away from their unit are entitled to rations in kind only. Accordingly, when they are ordered to subsist in a nonappropriated funded mess, the mess will be reimbursed for their subsistence by the host activity submitting a bill to the local disbursing officer for the cost of meals consumed in accordance with the procedures outlined in NAVCOMPT Manual, par. 046397.2.

B. First and Second Class USNA Midshipmen and Aviation Cadets. First and Second Class USNA midshipmen and all Naval Aviation Cadets will either join the mess or pay cash for meals consumed.

C. Army and Air Force Cadets. Payment for subsisting Army or Air Force cadets will be accomplished by submitting a bill to the appropriated military academy for meals consumed following the general guidance contained in NAVCOMPT Manual, par 046397.2 for Naval midshipmen.

D. Commuted Rations. Commuted rations for assigned enlisted personnel detailed to work at the activity will be paid in the manner prescribed in NAVCOMPT Manual, par. 046397.1.

C051404 Guest Houses, Hostess Houses, and Navy Lodges.

A. Room Registration. A registration record will be used to register all guests of Marine Corps temporary lodging facilities and Navy lodges.

B. Room Charges. Each guest will be given a receipt for funds collected for room charges. Receipts will be procured locally, prenumbered, and used in numerical sequence with each number accounted for.

C051405 Transient Family Accommodations.

A. Occupancy Procedures.

1. General. A registration record will be prepared for an signed by each tenant and filed by tenant's name, for ready reference, until the unit is vacated. A visible index file is preferred. When the unit is vacated the registration record will be removed, completed, and filed by month of vacancy for audit purposes. Each tenant will be furnished an inventory of the contents of the unit occupied, and the condition thereof, and will acknowledge receipt in writing.

2. Occupancy Record. The accommodations officer or designated representative will maintain an occupancy record of each unit. The record will indicate the move-in date and the intended date of vacancy. The intended date of vacancy will

be changed to the actual date of vacancy when the tenant actually vacates. The accommodations officer, or designated representative, will verify that the unit is vacated on the date specified and inspect the unit and its contents for loss or damage before the tenant receives a refund or leaves the premises.

B. Charges.

1. General. Each tenant is required to pay rent for the premises occupied which will include furniture, fixtures, and utilities. In addition, each tenant is required to pay for the loss of or damage to the premises occupied, including contents when such loss or damage is caused by deliberate or negligent acts of the tenant, members of his household, or his guests. The tenant will sign an agreement that he accepts financial responsibility.

2. Unit Rental Rate. A daily fixed unit rental rate for each type of unit will be established by the accommodations officer and approved by the commanding officer. The rate will include the following items:

a. Estimated cost to maintain each unit,

b. Estimated depreciation cost of the contents of the unit,

c. A one-time cleaning and linen charge,

d. Estimated cost of common services,

e. Estimated cost of utilities furnished, and

f. Amount to cover the cost of overhead expenses.

3. Direct Charges. The tenant will be required to pay directly for services furnished from sources other than those furnished by the transient family accommodations officer.

4. Advance Payments and Security Deposits. The tenant will be required to pay, in advance, for the estimated number of days he intends to occupy the premises. The establishment of a security deposit to forestall delinquencies, or to cover loss or damage of government property, will be optional and within the discretion of the commanding officer, and, if required, will be in addition to the advance rental payment. The amount of the security deposit, when required, will be established by the accommodations officer and approved by the commanding officer.

5. Refunds. The tenant will be refunded the difference between the advance payment made and the actual rental charge, and the amount of the security deposit or the difference between the amount of the security deposit and any charges assessed for loss or damage to government property. Such refunds will be made in cash from the departure fund, cash receipts, or a change fund when accompanied by proper, documentation. In those instances where the charges for loss or damage to government property exceed the amount of the security deposit, the additional funds will be collected from the tenant before he leaves the premises.

C051406 Host Nation Support-Master Labor Contract (MLC) Cost Sharing. In those cases where a foreign country is committed to fund part of the personnel allowances for its nationals, then the NAFI shall be obligated only for the NAFI portion of the cost.

CHAPTER 6

RECORDING FINANCIAL TRANSACTIONS

C0601 GENERAL

C060101 Journals, Ledgers and Forms. This chapter describes basic journals, ledgers, and forms which will be maintained locally for the purpose of recording and accumulating financial data and preparing related statements and reports. MWR activities participating in centralized accounting systems under the control of the Bureau of Naval Personnel will use program manager prescribed forms and procedures.

C060102 Illustrative Examples. The various records described, and in some instances shown herein, are presented as illustrative examples and, as such, may be modified to fit the type of accounting equipment utilized, the type and volume of transactions processed, and the requirements of program managers. The diversity of operations makes it impractical to prescribe internal records to meet the operational requirements of all morale, welfare, and recreational activities. Commercial type journals, ledgers, and forms may be procured or devised locally.

C060103 Journalizing Rules. The fundamental rules for journalizing are listed below:

A. Debit entries are to record:

1. Increases in assets;

2. Decreases in liabilities;

3. Expenses or losses;

4. Decreases in net worth.

B. Credit entries are to record:

1. Decreases in assets;

2. Increases in liabilities;

3. Income or gains;

4. Increases to net worth.

C0602 JOURNALS.

A. General Journal. The general journal is the form for recording all financial occurrences and value changes not within the scope of the other books of original entry. Activities in a centralized accounting system submit a general journal voucher to an accounting unit rather than post to this journal. Most financial transactions will be recorded in one of the special journals, limiting the use of the general journal to the recording of unusual transactions. Unlike the special journals, postings from the general journal to the general ledger may be made as they occur and not at the end of an accounting period. NAVCOMPT Form 730 may be used for this purpose.

B. Cash Receipts Journal. The cash receipts journal is the daily record for recording all cash receipts and bank deposits for activities not participating in a centralized banking system. The journal will contain columnar headings to show the date, description, total amount received, amount deposited, and separate columns to provide credits to the most commonly used accounts. All cash received regardless of source will be recorded in this journal. The journal will also include a general ledger credit column for receipts that are not provided for under the separate columnar

headings. At the end of the accounting period, all columns will be totaled and balanced. Each column total is then posted to the general ledger, except the general ledger credit column for which individual entries are posted by account classification. NAVCOMPT Form 732 may be used for this purpose.

C. Cash Disbursements Journal. The cash disbursements journal is used by activities not utilizing a central banking system to record all disbursements. Columnar headings will be provided for the date, description, check number, voucher number, the amount of the check, discounts earned, and separate columns to provide for debits to the most commonly used accounts. This journal will also include a general ledger debit column to record disbursements other than those provided for in the separate columns. At the end of the accounting period, all columns will be totaled, balanced, and posted to the general ledger except the general ledger debit column for which individual entries are posted by account classification.

D. Purchase Journal. The purchase journal is used to record the liability (accounts payable) and make distribution of charges at the time goods or services are received. Columnar headings will be provided for the date, the name of the vendor, invoice number, purchase order or voucher number, accounts payable credits, and separate columns to provide for distribution to the most commonly used accounts. A general ledger debit column will be included for distribution to accounts not provided for under the separate columnar headings. At the end of the accounting period, each column will be totaled and posted to the general ledger except the general ledger debit column for which individual entries are posted by account classification. Activities in a centralized system post all unpaid bills to an accrual journal voucher at the end of an accounting month.

E. Purchase Journal - Check Register. The purchase journal check register may be used in lieu of the purchase and cash disbursement journals. The NAVCOMPT Form 734 serves to combine the functions of these two journals. A section is provided to record the liability for purchases and make distribution of charges at the time goods or services are received. The disbursement section is used to document the payment of funds. Columnar headings are provided for dates, description, name of vendor, invoice, voucher and check number, and separate columns are provided for the most commonly used accounts.

F. Payroll Journal. A payroll journal is used to record all the information necessary for the preparation of an activity's payroll. The use of a payroll journal is not mandatory but is prescribed as an optional procedure where the number of employees is sufficient to justify its maintenance as a desirable practice. Activities employing a small number of employees may record the payment of salaries directly in the cash disbursements journal. The data concerning each employee contained in the payroll journal or the cash disbursements journal are posted to individual earnings records, which must be maintained for each employee. Summary totals from this form are posted directly to applicable accounts in the general ledger or onto a payroll summary form used by a mechanized system. When the use of a payroll journal is deemed appropriate it must contain as a minimum the information recorded when a NAVCOMPT Form 2210 is used.

1. When utilized, this form is prepared for each payroll period. This form consists of two parts; Part A (which is used to record employee work and leave information and gross earnings (including free meals received and tips reported by employees)) and Part B (which is used to record deduction information, net wages, check number and expense distribution). To complete the form, if an employee works more than one shift or more than one job in a single pay period, the information should be recorded for each job or shift on separate lines of the form. An additional line should then be used as a total line for columns (15-29). Part B will then be filled out for this total line only. Though it takes up additional space, this procedure eliminates the most common payroll errors made by payroll

clerks. For example, if an employee works two separate jobs, two individual lines and a total line would be used. Similarly if an employee works two different shift differentials a total of three lines would be used. If an employee works only one job or one shift and works overtime, only one line is used.

2. Note that annual leave expense is the dollar amount for the number of hours of annual leave earned during the pay period (column 6 x column 14) while sick leave expense is the amount of sick leave paid during the pay period (column 21). In general an employee's wages are charged to the department in which he works. If the employee performs an administrative function, record that employee's wages under Salaries and Wages Administrative.

G. Combination Journal - Ledger. This is an alternative record used as a book of original entry. Activities that have a limited number of transactions may utilize the combination journal-ledger. All receipts and disbursements are recorded daily. All entries must be supported by valid receipt and disbursement vouchers. Columnar headings are provided to show the date, explanation, check and voucher numbers. Debit and credit columns are incorporated to meet the operational needs of the activity. As a minimum, the format contains the following three sections: cash in bank, general ledger and net worth. The total of all debit columns must always equal the total of the credit columns. A separate general ledger is not required. Prepare the trial balance and financial statements directly from the information contained in the combination journal-ledger. Subsidiary ledgers for accounts receivable and accounts payable must be maintained.

C0603 LEDGERS.

A. General Ledger. The general ledger is the record in which all accounting entries are ultimately summarized. The accuracy of the information recorded must be absolute in all details. The data contained in this record is used as the basis from which the financial statements are constructed. A separate ledger sheet will be maintained for each account used. NAVCOMPT Form 733 may be used as the general ledger. At the end of the accounting period, a trial balance will be prepared and each control account reconciled with its related subsidiary ledger.

B. Subsidiary Ledger. A subsidiary ledger is used to support a general ledger account balance. It is mandatory that subsidiary ledgers be maintained for accounts receivable and accounts payable and any other account which management deems necessary for control purposes. The NAVCOMPT Form 733 may also be used as a subsidiary ledger form.

C0604 FORMS.

A. Expenditure Voucher (NAVCOMPT Form 740). This form will be used for recording all purchases and other expenses when a voucher system is desirable. When invoices are payable separately under discount, a voucher will be prepared for each. One voucher is prepared for each vendor when all invoices for that vendor are paid by one check.

B. Property and Depreciation Record (NAVCOMPT Form 742) The property and depreciation record is used to record nonexpendable property (property valued at $1000 or more per item or set of items) and related depreciation, and may be used to record expendable property and special property items when deemed necessary for control purposes. As a minimum, this record must show a complete description of the asset. Only one item or number of like items will be recorded on each form. Property and depreciation records supporting the fixed assets general ledger accounts must be maintained separately from stock record cards for merchandise inventory.

C. Stock Record (NAVCOMPT Form 742-1). The stock record (NAVCOMPT Form 742-1) is used to record resale merchandise and supplies in a warehouse for storeroom. It may be used to record expendable property. The form is designed to accommodate recording of like items of merchandise and supplies. The stock record

must show a complete description of the merchandise and all pertinent information regarding receipt and issues.

D. Petty Cash Voucher (NAVCOMPT Form 743). This form is used to support all disbursements made from the petty cash fund. Vouchers are prenumbered sequentially and controlled. When the payment is to be charged to more than one control account, the amount applicable to each account is shown on a separate line. These separate lines must total to the amount paid. Persons requesting reimbursement from the petty cash fund must complete a petty cash voucher signing the "Received By" block and attach a valid receipt.

E. Individual Earnings Record (NAVCOMPT Form 2209). This form is used to accumulate payroll information for each employee on a quarterly and annual basis and facilities the preparation of social security and W-2 earnings statements, which must be furnished as required by federal law. A signed statement of working conditions or a contract of the terms of employment should be obtained from each employee.

F. Daily Activity Record (NAVCOMPT Form 2211). The daily activity record is used to record all activity income, and when properly used creates a built-in internal control system which protects the cash assets. All individual cashiers responsible for receiving cash and charge sales record the required information on a daily activity records upon completion of their assigned work schedule and turn the cash and the NAVCOMPT Form 2211 in to the designated person. The person designated to receive the cash verifies the cash and charge sales and records the required additional information on the NAVCOMPT Form 2211. The person designated reads the register, records the readings on NAVCOMPT Form 2211, and computes cash overage or shortage. All entries on the daily activity record must be made in ink. No corrections may be made to lines 1 through 6. If errors are made on these lines, the cashier must either destroy the form (or if locally required void and surrender the erroneous form) and prepare a new one. Authorized corrections on other lines of the form are made by drawing a single line through the error and writing the correct amount immediately above. Corrections may be made only by the person making the original and must be initialed and dated.

G. Certificate of Disposition (NAVCOMPT Form 2212). Nonappropriated fund procured property that is controlled by use of a property and depreciation or stock record which has become unserviceable or missing may not be dropped from an activity's records until a certificate of disposition is prepared by the activity and approved by the commanding officer or his designated representative. Annotations are made on the form to indicate the cause of the condition and substantiating documents including custody receipts are attached. In the cases where individual culpability is known or suspected, an investigation concerning the property should be conducted. The safeguards of the Uniform Code of Military Justice (UCMJ) Article 31 must be followed if the individual is a member of the Armed Forces and is suspected of any offense.

H. Purchase Order (NAVCOMPT Form 2213). A purchase order must be used for all purchases of supplies, services, materials and equipment from commercial sources except for purchases made by contract or from the petty cash fund. When requisitioning merchandise from the Naval Supply System, forms are prescribed by the local supply activity. The activity's designated purchasing agent completes NAVCOMPT Form 2213 to initiate the purchasing process. After completion, the original is sent to the vendor. The duplicate is forwarded to the bookkeeper for inclusion in the numerical "open order" file maintained in that department. The triplicate and quadruplicate copies are forwarded to the area where the merchandise will be received, where an "open order" file will be maintained by vendors' name until delivery. The last copy is retained by the purchasing agent for reference purposes. After receipt of goods, the purchase order copies are circulated as described in Chapter V. Activities participating in a centralized system use 2147 in lieu of

NAVCOMPT Form 2213. NAVCOMPT Form 739 may be used by all other activities until present stocks are exhausted.

I. Requisition (NAVCOMPT Form 2214). A requisition must be used to document the transfer of all merchandise or operating supplies from one department of an activity to another department (warehouse to resale location or resale location to resale location). It may also be used to document transfers from one activity to another. Requisitions are prepared by the department or activity requesting the items in a sufficient number of copies to provide copies for the issuing activity, the requesting activity, the accounting department of each of these activities, and an additional copy for a stock control point if different from the issuing or requesting activity. In most instances, requisitions between departments of a single activity are prepared using the three copies of the form. For requisitions between activities, an extra copy must be prepared so that both bookkeeping departments have documentation to support the accounting records. The forms are sequentially prenumbered by stamping, overprinting, or typing and are issued in blocks to the individual departments. Continuation sheets, where necessary, are prepared by the use of a locally developed form that utilizes the same format as the requisition, or by voiding the next successively numbered requisition and annotating it with the requisition number of the original, the words "continuation page" and indicating the number of each page. For example, if three sheets are used in a requisition, the tops of all copies of the first sheet are marked "1 of 3", the second "2 of 3", and third "3 of 3". DD Form 1149 may also be utilized for this purpose.

J. Inventory Record (NAVCOMPT Form 2215). An inventory record is used to list the value and quantity of an activity's inventory as shown by stock records or a physical sighting and count of the resale items, operating supplies, and replacements. This listing is then reconciled with the valuation for these accounts shown in the general ledger. Valuation is made on a first in, first out basis for both cost and retail values. Last invoice price may be used to price merchandise located in sales outlets. Discrepancies between the valuations shown on the inventory record and the general ledger and/or stock records must be investigated and proper adjustments to the accounting records made. This investigation should ascertain the cause of the discrepancy and the corrective action necessary to prevent it. Investigation results must be documented and made a part of the official records of the activity. Locally developed or procured forms may be substituted as an inventory sheet, provided the information shown is equivalent to the information requirements of the NAVCOMPT Form 2215.

K. Property Receipts. To facilitate control and to insure maximum use of property, the commanding officer or his designated representative will specify time limits for the use of items of property in great demand.

1. Temporary Periods. A signed custody receipt (NAVCOMPT Form 744) will be obtained from each individual borrowing property without charge. This receipt will be returned to the individual when the property is returned. Prenumbered sales vouchers for rentals (such as boats, trailers, golf clubs, etc.) should be used. Returns should be annotated on customer's voucher.

2. Issues for an Indefinite Period. The custodian will maintain a file of signed custody records (NAVCOMPT Form 745) obtained from individuals charged with the accountability of property issued for an indefinite period.

L. Consolidated Property Record. This memorandum record will be maintained to show a complete listing of each expendable item purchased by the activity and stored in the warehouse or storeroom, and special items as defined in Chapter V. Property and depreciation records (NAVCOMPT Form 742) or stock records (NAVCOMPT Form 742-1) will be maintained as subsidiary records to the memorandum consolidated property record.

M. Receipt Voucher. A receipt voucher (procured locally) will be used for receipts of cash not recorded in cash registers or on sales slips. These forms will be prepared in triplicate for each cash collection. The original receipt voucher will be given to the individual making payment. The second copy will be used to post the cash receipts journal. The third copy will be retained for numerical accountability. As a minimum, the form will contain the date of receipt, number of receipt, amount received, received from, received by and received for.

N. Special Event Reports. A special event report (procured locally) will be prepared in ink for each special event and will show the date of the event, collections made, tickets sold, list of prize winners, prizes won, dollar value, signature of persons winning prizes, and any other pertinent data deemed necessary by management. The report will be signed by the individual in charge of the event and one other person who will verify sales and cash collected. If the special event is of a recurring nature, i.e. weekly bingo, then the report is unnecessary provided equivalent data is maintained through Daily Activity Records, Receipt Vouchers, etc. to enable construction of the report if need be.

O. Registration Record (NAVCOMPT Form 2104). The registration record must be prepared for and signed by the tenant of BOQ'S transient accommodations, guest houses, etc.

C0605 REPORTS. In order to provide management with current information pertaining to the financial condition of the activity, the submission of financial statements periodically is of utmost importance. Financial statements are prepared at the end of each accounting period; monthly, quarterly, or as prescribed by the program manager. The accounts prescribed in this handbook have been designed to facilitate the preparation of such statements. All financial statements are prepared from the official accounting records. Financial statements must be submitted by each activity in accordance with instructions issued by the applicable program manager. A sample balance sheet and income statement are shown in chapter VII, for illustrative purposes only. Reporting requirements and formats for MWR program managers are specified by the Secretary of the Navy and the Comptroller of the Navy, respectively. SECNAVINST 7000.22(series) and Appendix H provide guidance for reporting requirement and formats.

C0606 PROCUREMENT OF FORMS.

A. NAVCOMPT Forms. NAVCOMPT forms prescribed or mentioned in this handbook may be obtained by submitting a DOD Single Line Item Requisition (DD Form 1348), citing the ordering number of the form desired to:

Commanding Officer
Naval Publications and Forms Center
5801 Tabor Avenue
Philadelphia, Pennsylvania 19120

The names, form numbers, and ordering numbers of NAVCOMPT Forms commonly used in morale, welfare and recreation programs are listed on the following page.

B. Other Forms. All other forms deemed necessary at morale, welfare and recreation activities must be procured and/or developed locally, except as prescribed or made available by applicable program managers.

Form Name	NAVCOMPT Form Number	Ordering Number
General Journal	730	0104-701-1900
Cash Receipts Journal	732	0104-701-2100
General Ledger	733	0104-701-2200
Purchase Journal-Check Register	734	0104-701-2302
Budget Record	735	0104-701-2400
Expenditure Voucher	740	0104-701-3000
Property and Depreciation Record	742	0104-701-3200
Stock Record	742-1	0104-701-3250
Petty Cash Voucher	743	0104-701-3300
Custody Receipt	744	0104-701-3400
Custody Record	745	0104-701-3500
Status of Nonappropriated Fund Balances	2062	0104-702-3601
Registration Records	2104	0104-703-8300
Retail Price Change	2145	0104-704-2500
Purchase Order	2147	0104-704-2700
Individual Earnings Record	2209	0104-706-5100
Payroll Journal	2210	0104-706-5150
Daily Activity Record	2211	0104-706-5200
Certificate of Disposition	2212	0104-706-5250
Purchase Order	2213	0104-706-5300
Computer Purchase Order	2213	0104-706-5330
Mess Requisition	2214	0104-706-5350
Inventory Record	2215	0104-706-5400
Order for Work and Services	2275	0104-702-2751
Voucher for Disbursement and/or Collection	2277	0104-702-2770

CHAPTER 7

INVESTMENTS

C0701 GENERAL

C070101 Policies. This chapter establishes NAF investment policies as prescribed by DoD program policies and assigns the program managers' responsibilities for financial management of their NAF investment programs. DFAS-HQ/A will annually review and monitor selected investment information provided by program manager.

C070102 Applicability. The policies set forth herein apply to exchanges and all military and civilian Morale, Welfare, and Recreational (MWR) investments within the Department of the Navy, except retirement funds. Policies pertaining to the management, investment and administration of retirement plans are contained in SECNAVINST 5300.22A(series), Navy and Marine Corps Personnel Policy Manual for Nonappropriated Fund Instrumentalities (NAFIs).

C070103 Limitations. Nonappropriated funds may be invested, only as provided for in DoD program policy. The size of the investment program must not exceed the projected need to fund otherwise unfunded MWR requirements. Funds will not be accumulated solely for investment income. However, cash assets in excess of immediate operational needs will be invested as soon as possible after receipt. Program Manager will ensure that adequate investments are established to fund replacement of tangible fixed assets, employee severance pay, pension plans, constructing and alteration of facilities, mobilization contingencies, and new operational programs that may be introduced.

C0702 RESPONSIBILITIES.

C070201 Program managers. Program managers (Commandant of the Marine Corps, Commander, Naval Supply Systems Command, Commander, Naval Military Personnel Command; and Commander, Military Sealift Command) will:

A. Establish and maintain adequate systems of internal control that provide reasonable assurance that the policies set forth herein are complied with.

B. Establish an investment steering committee and appoint competent membership.

C. Appoint investment officers who are financial management specialists with training in investment banking.

D. Review and approve, at least annually, an investment plan (strategy) prior to authorizing funds to be invested. The plan should also identify the projected requirements for which the funds are being invested. Such annual plan will be modified by the Program Manager as internal and/or market conditions require.

E. Establish a system to review, evaluate and track the investment portfolio performance.

F. Ensure that the procurement and/or sale of investment instruments is conducted on a competitive basis. This process, at a minimum, requires obtaining multiple telephonic quotes and rotation among qualified bidders to assure:

1. Maximum yields subject to risk evaluations and forecasted cash positions;

2. Equitable treatment of bidders. All bids and consummated transactions will be documented.

G. Require an annual review and/or inspection of investment funds to include the evaluation or internal controls and follow-up on corrective action taken on recommendations in Naval Audit Service (NAVAUDSVC) and private sector audits and any other inspection recommendations.

C0703 REPORTING REQUIREMENTS

C070301 Annual Report. Annually, program managers will be requested to submit a summary of NAF investments to DFAS-HQ/A for review.

A. The annual report will be as of 30 November.

B. The report will be submitted for each year in time to reach DFAS by the 5th workday in January.

C. The report will include identification of:

1. Investments placed with financial institutions and a certification that they are properly insured and collateralized as required by DoD program policy.

2. Investments made with foreign financial institutions; and

3. Investments made by field activities.

C070302 Format. In addition to the reports, addressees will provide a copy of all audits performed, by internal as well as external auditors.

ATTACHMENT C.1

RULES RELATIVE TO THE PROTECTION OF BANK DEPOSITS (CHECKING ACCOUNT)

1. Responsibility. The manager as a direct representative of the commanding officer is responsible for the protection of all nonappropriated funds including deposits with financial institutions and the associated collateral requirements.

2. Deposits with Insured Institutions in the United States. Only banks insured by the Federal Deposit Insurance Corporation, savings and loan associations insured by the Federal Savings and Loan Insurance Corporation, or credit unions insured by the National Credit Union Administration, shall be selected as depositories for nonappropriated funds. Deposits up to $100,000 may be deposited in such insured institutions for each time account (savings and certificate of deposits), and deposits up to $100,000 may be made for each demand account (checking).

a. Banks. A deposit in excess of $100,000 is required to be collateralized, prior to the depositing of the funds, by the institution pledging acceptable collateral with the district Federal Reserve Bank or a third party custodian approved by a Federal Reserve Bank. (Refer to paragraph 5 and 6 of this Attachment).

(1) Insurance coverage for any interest or dividends received during the life of the certificate will not be required until the certificate expires. If the dividends are paid quarterly, then time certificates should only be executed for a one year period.

(2) Provision is made under Section 10 of the Act of June 11, 1974, 56 Stat. 356 amended, (12 U.S.C. of 265) whereby banks insured by the Federal Deposit Insurance Corporation which have been designated depositories by the Secretary of the Treasury may deposit securities in the form of United States Treasury bonds or, otherwise, any other Federal funds. The deposit is subject to the control or regulation of the United States or any of its officers, agents, or employees. Under regulations of the Treasury Department, such bonds or securities must be deposited with a Federal Reserve Bank of the United States Treasury Department or a designated third party custodian.

b. Credit Unions and Savings and Loan Associations. Although insured credit unions and savings and loan associations are eligible to receive deposits of nonappropriated funds, such deposits are limited to the maximum amount covered by insurance namely, $100,000. Deposits in excess of insured amounts must be collateralized in accordance with paragraph 5 of this Attachment.

3. Deposits with Overseas Branches. Deposits in overseas branches of United States banks are not insured when deposits are only payable in a foreign country or at an office of the bank located in areas outside the United States, District of Columbia, Puerto Rico, and the Virgin Islands. Therefore, collateral in the full amount will be required to cover such uninsured deposits. Deposits in the currency indigenous to the country may be made in branches of United States banks or in foreign depository banks without collateral but are limited to the amounts required for current operating expenses and construction and severance/retirement liabilities, as collateral cannot normally be obtained from foreign banks.

4. Insured Deposits. The term "insured deposit" contained in the Federal Deposit Insurance Act means the net amount due to any depositor for deposits in an insured bank, after deducting offsets, less any part thereof which is in excess of the maximum coverage. The net amount shall be determined according to such regulations as the Board of Directors of the

Federal Deposit Insurance Corporation may prescribe. The above method also applies to funds deposited in insured credit unions and savings and loan associations.

In determining the amount due any depositor, there shall be added together all deposits in the insured institution maintained in the same capacity and in the same right for his/her benefit either in his/her now name or in the name of others. Deposit maintained in the same insured institution in different rights or capacities are not so added together for insurance computation. When a custodian has custody of several funds/accounts and each fund/account is maintained in a different right or capacity, each fund/account is entitled to the maximum insurance coverage. The foregoing provides that one or more funds/accounts can be administered by a single custodian without impairing the insurance protection.

Under Section 10 of the Act of June 11, 1942, and subsection 2(m) of the Federal Insurance Act, each officer, employees, or agent of the United States having official custody of public funds and lawfully depositing these funds in a bank insured by Federal Deposit Insurance Corporation is, for the purpose of determining the amount of the insured deposit, considered a depositor in such custodian capacity separate and distinct from any other official custody of public funds, and lawfully depositing these funds in the same insured bank in custodial capacity. Since nonappropriated funds under military control have been held to be public funds within the meaning of this Act of June 11, 1942, as amended, each person acting as official custodian of such nonappropriated funds and lawfully depositing then in any insured institution will be insured up to the maximum limit on such deposits maintained in each different right or capacity provided that separate records are maintained for each nonappropriated fund account.

5. Pledge of Collateral. For deposits of Navy or Marine Corps organizational funds in excess of insured amounts, depositors shall request the bank, savings and loan association, or credit union to immediately pledge the necessary collateral with a designated third party custodian and require that the depositor be notified by message within two (2) days after deposit. If necessary collateral is not pledged as requested, the funds should be removed and no funds in excess of $100,000 should be deposited in the financial institution.

6. Third Party Custodians. The third party custodian relationship is between the Federal Reserve Bank and the financial institution and is supported by a standard third party agreement. Prior to using a third party custodian you should obtain a copy of the Agreement and advise the Federal Reserve of your intention to use the custodian. You should also have an agreement whereby the custodian will provide you monthly statements which show the type and amount of collateral pledged by each institution for your account.

7. Utilization of Banking Facilities. The services of banking institutions operating on military installations will be utilized to the extent there is a need for such services and the services and the on-base banking institution can provide the types of service needed at a competitive price. The on-base banking facility was established and justified, in part, as a means of providing convenient banking services to custodians of nonappropriated funds. The use of other banks would tend to defeat the purpose for which the facility was established by denying it the support that comes from the maintenance of deposit accounts. This practice is necessary in fairness to the banking facility and to avoid possible subsidy by the Treasury Department and the Department of the Navy relating to such accounts. If an activity has approval to automate its payroll system with a commercial bank or service center and such services are not available at the installation banking facility, such limited service may be contracted for elsewhere.

8. The Investment of Funds. The investment of funds in excess of current operating requirements in insured accounts or in the U.S. Government securities is authorized, subject to the
conditions described in paragraph 2 above. See Chapter 8 for investments.

9. Savings and Loan Associations. Savings and Loan Associations which are insured by the Federal Savings and Loan Insurance Corporation are eligible to receive deposits of nonappropriated funds up to a maximum of $100,000. Because there is no way to obtain collateral from savings and loan associations, deposits are limited to the amount covered by insurance - namely, $100,000.

ATTACHMENT C.2

FEDERAL UNEMPLOYMENT COMPENSATION PROGRAM FOR NONAPPROPRIATED FUND PAID EMPLOYEES

1. GENERAL

a. Authority. 5 U.S.C. 8501 to 8508 amended the Social Security Act by adding an unemployment insurance program for Federal civilian employees. The Secretary of Labor administers the program through agreements with state employment security agencies. Under terms of each agreement, the state agency, as an agent of the United States, takes claims and pays benefits to eligible Federal service employees under the same terms and conditions of its state unemployment compensation law which apply to industry employees who are covered by and file claims under the state law. In those instances where the Secretary of Labor does not have an agreement with an individual state, the Secretary, under regulations prescribed by him, shall pay a claim in the same amount, on the same terms, and subject to the same conditions as would be paid under the unemployment compensation law of the State if an agreement did exist.

b. Eligibility. Nonappropriated fund paid civilian employees and military personnel employed voluntarily during off-duty hours are considered as having rendered "Federal Service" thereby entitling them to unemployment benefits. To be eligible for unemployment benefits under any state law, a claimant must be ready, willing and able to work, in addition to meeting other conditions prescribed under the state law.

c. Base Period. The amount of unemployment benefits to be paid and the number of weeks for which benefits will be paid is based on the amount of "Federal Service" (and state covered) wages earned in a 52 week period (base Period) preceding the claim. "Base period" is a 52 week period defined in each state law, is variable among the state, and in most states is the first four of the last five completed calendar quarters preceding the claim.

2. COVERAGE. All employees paid nonappropriated funds within the United States, Puerto Rico, Virgin Island, and all United States citizen employees wherever located perform "Federal Service" for unemployment compensation purposes. The program requires no contributions from MWR employers or employees and provides unemployment benefits similar to those provided to workers in private industry. The Department of the Navy pays the cost of any benefits paid to its employees.

3. NOTIFICATION TO EMPLOYEES. Standard Form 8, Notice to Federal Employees about Unemployment Compensation will be issued on or before the last day of active duty to employees whose services terminate for any reason, who transfer to an activity served by a different payroll office, or who are placed in a non-pay status for seven or more days. Additionally, a personnel separation statement will be issued showing the employee's name and social security number, salary rate, date of separation and specific reason(s) for separation or placement in a non-pay status. (The employing unit should maintain a copy of this locally produced personnel action document for reference purposes.) Activities will ensure that the payroll unit designation and address and Navy MWR identification code 426 are inserted in the space provided on SF-8 is current and complete. On presentation of the SF-8 when claim is filed, the state agency addresses its request for wage and separation information (Form ES-931) to the payroll unit address shown on the SF-8.

4. REQUEST FOR WAGE AND SEPARATION INFORMATION

a. Responsibility. Pursuant to 5 U.S.C. 8501-8508 requirements, Navy activities will furnish information requested by state employment security agencies concerning civilian

employees wages and employment to determine claimant's entitlement to unemployment compensation benefits.

b. Submission of Request. The state agency will send Form ES-931, Request for Wage and Separation Information, to the payroll office address shown on SF-8 when a claim is filed by a former employee. The activity will complete all Form ES-931 items on the basis of its payroll records and personnel action documents. Navy Identification Code 426 will be entered in Section II, Item 4, on all Forms-931. One complete form will be retained in a separate alphabetical file by name and the remaining Form ES-931 copies returned to the state employment security agency address shown on the form. The file copy of the Form ES-931 copies and related unemployment compensation forms will be retained for a period of at least two years.

c. Control of Form ES-931. A control (register or card file) will be established to ensure that the completed Form ES-931 and related forms (Form ES-934), Request for Information or Reconsideration of Federal Findings (Form ES-936), and Request for Verification are returned to the state agency within four working days of receipt of the form. If the Form ES-931 cannot be completed and returned within four working days of receipt, the activity will immediately inform the state agency that completion and return will be delayed and will include an estimate as to when the completed form will be returned. If another activity has the wage employment records required for completion of Form ES-931, the form should be sent to that activity for completion and the state agency should be advised of the transfer. If there is no record of employment, all forms should be returned promptly to the state agency with the notation "No record of employment."

5. SOURCE OF INFORMATION TO COMPLETE FORM ES-931. Information for completion of Form ES-931 will be obtained from the individual pay record. The pay record should be retained for 30 days in the event that the state agency may request information in addition to that reported on Form ES-931. If a Request for Additional Information, Form ES-934 is pending, the pay record should be retained until such request has been processed.

6. COMPLETION OF FORM ES-931

a. Information furnished by state agency. The state agency will have completed the parts of the form which identify the claimant for whom wage and separation information is being requested and which specify the base period for which wage data are needed.

b. Completion of entries by activity payroll office

(1) Item 1a, Federal Service. Check "yes" or "no" as applicable. If no employment was performed during base period specified, briefly explain, complete item 3, sign the form and return to state agency. Any question concerning whether or not a specific type of service is "Federal service" will be referred to the office of Civilian Manpower Management for determination.

(2) Item 1b, Location of last employment. Enter the state or foreign country in which "duty station" was located as described on Form ES-931.

(3) Item 2a, Base Period - Wage Information. Enter gross wage information before reductions for the base period indicated. Complete the item in the manner and only to the extent specified. Include in "base Period wages" all remuneration including cost of living allowances, post differentials, back-pay awards, payments for sick leave, allowances in kind, and retroactive pay increases (allocated to the period in which paid). Report lump-sum terminal leave payments exclusively in item 3a, Form ES-931.

(4) Item 3, Terminal Leave and Separation Information

(a) Item 3a, enter information as to whether or not lump-sum terminal leave payment was made. If "yes", enter dates or period covered by terminal leave

and enter the dollar amount of the lump-sum payment for terminal leave and the date of payment. If "no", so indicate. Also enter the hourly rate of pay and the claimant's hours of regular duty per workday and basic work week hours.

(b) Item 3b, enter the date on which the employee was separated.

(c) Item 3c, enter the date of the employee's last day of active pay status, if earlier than date of separation or if employee has not been separated.

(d) Item 3d, enter reason for separation or non-pay status. If past experience with Forms ES-934 in similar cases shows the information in "Remarks" is inadequate for state agency adjudication purposes (such as "Suspended", "Retired", "Personal Reasons"), enter, in addition, clarifying findings obtained from the personnel office.

7. BACK PAY AWARDS. Back pay awards may require a redetermination of a claimant's benefit rights, or the recovery of benefits already paid. Therefore, the state agency to which a Form ES-931 has been sent for such employee should be informed by letter of the date, amount, and period covered by the back pay award. Upon receipt of this information, the state agency will determine whether such back pay wages are in the claimant's base period. If the back pay wages are in the claimant's base period, the state agency will request a corrected assignment of wages by Form ES-931 to include the amount of back pay wages determined to be in the claimant's base period along with other wages for the period. The activity will not attempt to deduct unemployment compensation benefit payments form back pay awards (35 Comp. Gen 241). Recoveries will be made exclusively by state agencies.

8. REQUEST FOR INFORMATION OR RECONSIDERATION OF FEDERAL FINDINGS, FORM ES-934. It is essential that the sate agency have adequate information on which to base its determination of entitlement. If for any reason the information supplied on Form ES-931 is not adequate, the state agency or state administrative appeal authority will request additional information. Provision is made also for a claimant, within the time limits specified in the state law, to request a Federal agency to supply additional information or to reconsider its findings. The claimant's request will usually be made through the state agency with which his claim was originally filed. These requests may be made by Form ES-934, Request for Information or Reconsideration of Federal Findings, by letter, or by other state forms. To expedite processing, all requests should be subject to the same control as Form ES-931. If an answer cannot be made in 4 days, the state agency should be notified when an answer can be expected. The Federal agency shall furnish any relevant information requested which it is not otherwise prohibited by law from releasing. If the request is for reconsideration of findings, the Federal agency should consider any information supplied by the claimant, the state agency, or the state administrative appeal authority, and should review its findings. It should promptly correct any errors or omissions and should reverse, modify, or affirm its findings, and should advise the state agency of its action and the basis thereof. The Forms ES-934 pertaining exclusively to separation information should be referred to the personnel office for its action. The personnel office should return the completed Form ES-934 should be retained and the remaining completed forms returned to the state agency.

9. VERIFICATION OF WAGE AND SEPARATION REPORTS. Each state agency will request verification of a sampling of Forms ES-931. These requests will be made on Verification Letter Form ES-936. This form should receive the same prompt attention as Form ES- 931. In order to provide a proper check, it is desirable that Form ES-936 be completed by an employee other than the person who prepared the original Form ES-931. The state agency will send a representative to visit any activity if a reply to Form ES-936 indicates that there has been a lack of understanding of the program, that errors have been made, or that the activity desires to discuss reporting problems.

10. NOTICE TO STATE AGENCY OF REFUSAL OF WORK OFFER. When an offer of reemployment is refused by a former employee who worked for the activity in the area covered by the personnel and payroll offices where the offer is made, the personnel office should promptly notify the payroll office of the refusal. On receipt of such notice, the payroll office will review its alphabetical file of completed Forms ES-931 to determine whether the file contains a form pertaining to the person who refused reemployment. A copy of a completed Forms ES-931 should be maintained in this file for every former employee in the area covered by the payroll office who filed a claim for unemployment compensation benefits. If the file reveals that the former employee filed claim for unemployment compensation benefits and if the "Date of Request" in the upper right-hand corner of the Form ES-931 is within 12 months of the date on which reemployment was offered, a notice should be sent to the state agency which initiated the Form ES-931, giving the following information: The employee's name and social security number, the date of the job offer, the nature, location and salary of the job offered, and the reasons for the refusal, if known.

11. OTHER STATE FORMS. In addition to receiving Forms ES-931, 934, and 936, payroll units will receive several types of state agency forms furnishing information or requesting information. Two of these forms may be as follows:

a. Notice to Claim Determination. Most state laws require mailing of this form to former employers notifying them about a state decision on a claim filed by a former employee. If it appears from the notice that the state agency may pay benefits where, in the opinion of the payroll or personnel officer, the facts concerning separation should prevent such payment, the activity should file an appeal from such determination as instructed on the form.

b. Request for Wage Information for a Specific Week. When a claimant reports earnings from part time work, state agencies will request employer verification of the amount of such earnings. Request are also made when the state believes that the claimant had earned wages but failed to report such earnings.

12. DISTRIBUTION OF UNEMPLOYMENT COMPENSATION COSTS TO FORMER EMPLOYING NAFIS. The Department of Labor assigned Federal Agency Codes (FAC) to identify "Bill to Navy Activities". Each "Bill to Activity" must identify each claimants former employing activity and work related information, i.e., wages earned, social security number, period worked, job title, reason for dismissal, etc. The following FAC(s) are assigned to the Navy and should appear on all documents used to process claims.

Federal Agency Code	Bill To Activity	Includes NAFIs Under the Command of
807	Navy Exchange Service	The Navy Exchange System and Military Sealift Command
808	Navy Rec. & Club System	Bureau of Naval Personnel Command and Chief of Naval Operations
809	Marine Corps MWR Support Activity	The Marine Corps Exchange System

FAC 426 should not be used after 30 September 1985.

13. BILLING PERIOD. Billing by the Department of Labor is accomplished on a quarterly basis and started on February 1986. The program manager has the discretion to reimburse the Department of Labor from either the central activity or individual NAFI.

14. REPORTING REQUIREMENTS. The Bureau of Labor Statistics requires an initial identification of all NAFI,s by name and address that fall under each FAC. Subsequent reporting is limited to additions or deletions of NAFIs. These reports should be forwarded to DFAS-HQ-A.

15. REMITTANCE ADDRESS. Remittance checks are payable to the U.S. Department of Treasury and submitted along with the Department of Labor request for reimbursement vouchers to the following address:

U.S. Department of Treasury
Trust Fund Branch
Pennsylvania Avenue and Madison Place NW
Treasury Annex No. 1, Room 326
Washington, D. C. 20226

ATTACHMENT C.3

NONAPPROPRIATED FUND INTERNATIONAL BALANCE OF PAYMENTS-TRANSACTION REPORTING

1. PURPOSE. These instructions prescribe IBOP reporting requirements for all Navy nonappropriated fund activities located overseas. However, these instructions may be amplified to specific additional requirements promulgated by the Navy Civilian Personnel Instruction Par. 280.12 for civilian morale, welfare, and recreation activities, and the Naval Military Personnel Command instructions issued in the 7010.7(series) for military morale, welfare, and recreation activities.

2. SUBMISSION OF REPORTS

a. General. A Department of the Navy International Balance of Payments Transactions Report for Nonappropriated Fund transactions will be prepared in triplicate by each overseas Naval morale, welfare, and recreation activity (both civilian and military). The original of each report will be submitted to the appropriate office in accordance with the NAVCOMPT Instruction 7020.10 series in time to be received by the date specified in par. 2b. A copy of the report will be furnished the responsible commander and the second copy will be retained for reference.

b. Frequency of Reporting. Reports will be prepared quarterly governing nonappropriated fund transactions during the quarter ending March, June, September, and December. The reports will be submitted no later than twenty (20) calendar days following the close of the quarter. Except as modified in accordance with additional requirements specified by responsible offices the reports will be prepared in accordance with pars. 3 and 4.

3. REPORTING INSTRUCTIONS

a. General. This report will include only payments and receipts affecting nonappropriated funds in accordance with definitions and criteria delineated in the current NAVCOMPT Instruction 7020.10(series). Payments and receipts affecting appropriated funds used in the operation of morale, welfare, and recreation activities will be excluded from this report. Morale, welfare, and recreation activities aboard ship will include only transactions aboard which are with activities ashore and enter the international balance of payments. All data reported will be stated in dollars or dollar equivalents for payments made in foreign currencies. The amounts reported will cover the reported quarter only and will be noncumulative.

4. PREPARATION. Each activity report will be properly identified by the title of the report, name and location of the reporting morale, welfare, and recreation activity and the quarter which the report covers. Entries will be made in the specified columns opposite the appropriate country as follows:

a. Column 1. Country. List each country, international organization, and applicable country code as provided in par. 027002-3 of the NAVCOMPT Manual.

b. Column 3. Sales. Enter here receipts from the sales of merchandise and services, including commissions from concessionaires. Excluded are concessionaire sales and receipts from any U.S. Government agency or activity.

c. Column 3. Other Revenue. Enter here receipts for membership dues, chaplains funds, net receipts from bingo, slot machines, and similar transactions.

d. Column 4. Total Receipts. Enter the sum of the receipts shown in columns 2 and 3.

e. Column 5. Net Pay, U.S. Personnel. Enter the net pay of U.S. civilian

personnel (part time or full time), and U.S. military personnel employed while off duty.

f. Column 6. Gross Pay, Foreign Nationals. Enter the gross pay of all direct or indirect hire, foreign nationals. Include all payments to or on behalf of the foreign nationals.

g. Column 7 Foreign Payments for Procurement of Merchandise for Resale. Enter here foreign payments for merchandise purchases for resale but exclude payments for purchases from any U.S. Government agency or activity.

ATTACHMENT C.4

FINANCIAL MANAGEMENT, OVERSIGHT AND AUDIT OF THE NONAPPROPRIATED FUND (NAF) INVESTMENT PROGRAM

1. GENERAL. This Chapter amplifies and implements the NAF investment policies and assigns Department-wide responsibilities for financial management, oversight and audit of the NAF investment program.

2. APPLICABILITY. The policy set forth herein applies to all military and civilian Morale, Welfare, and Recreational (MWR) investments within the Department of the Navy, except retirement funds. Policies pertaining to the management, investment and administration of retirement plans are contained in SECNAVINST 5300.22 (series), Navy and Marine Corps Personnel Policy Manual for Nonappropriated Fund Instrumentalities (NAFIs).

3. POLICY

a. General. Nonappropriated funds may be invested only as provided for in paragraph 5. The size of the investment program must not exceed the projected need to fund otherwise unfunded MWR requirements. Funds will not be accumulated solely for investment income. However, cash assets in excess of immediate operational needs will be invested as soon as possible after receipt.

b. Risk. Each MWR activity will exercise caution to ensure the protection of funds invested. The most important factor to consider in evaluating any investment is risk. Holding an investment exposes you to some degree of risk. Higher yields often mean more risk and less liquidity. It is important to be informed about the different options available so that the return is maximized without accepting unnecessary risk or loss of liquidity. Investments authorized by paragraph 5 generally carry low levels of risk.

c. Liquidity. An asset is said to be liquid if it can be converted into cash easily and rapidly without substantial loss in value. Liquidity is not an absolute property; it varies from asset to asset. MWR activities must have access to their funds when needed to meet operational or planned program requirements; therefore, investments must be readily convertible to cash. The maturity on investments will be limited generally to 36 months. However, investments up to 63 months are authorized provided that they are in support of a capital improvement program. Documentation must be on file to substantiate the existence of the capital improvement program.

d. Yield. In an effort to maximize the expected return on funds within the constraints of ensuring security and providing necessary liquidity, prudent action must be exercised to pursue
yields of at least equivalent rates of return on portfolios of similar low risk cash management funds. This objective is secondary to the risk and liquidity objectives.

e. Investment Planning. Investment program plan (strategy) will be formulated and approved by the investment steering committee prior to investing funds. Emphasis must be placed on fund allocation when constructing the investment portfolio. Fund allocation is the process of distributing monies among the various types of investments: treasury bills; certificates of deposit; bonds; repurchase agreements; etc. This process requires a realistic assessment of the degree of risk that the MWR entity is willing to accept commensurate with the rate of return they wish to earn. In order to minimize interest rate fluctuations, activities should generally employ a hold-to-maturity strategy. The maturity of instruments should be matched with planned capital improvements and other funding requirements to the maximum extent possible. The investment plan should also incorporate the subjective aspects of risk/return management that dominate rational planning

without losing sight of the fact that (1) increases in expected return are accompanied by increases in risk and (2) investors should diversify to reduce risk. Characteristics of investment instruments are illustrated on page I-9 and are provided as guidance in investment selection. It is also a requirement that, at the annual DOD NAF review of Investment Management, an annual update be provided outlining current investment policies, procedures, and audit compliance with Service and DOD IG findings. This information will also be due to ASD(FM&P) not later than the first day of the third month following the end of the organization's fiscal year.

f. Collateralization. Funds shall not be maintained in a bank, savings association, or credit union unless they are insured by the applicable Federal insurer, or notice is received that the financial institution has pledged the necessary collateral with the appropriate Federal Reserve Bank or its designee:

(1) Collateral for checking and savings accounts deposits should cover 100 percent of the last quarter's highest daily balance in excess of the $100,000 insured limitation. Collateral for time deposits should cover 100 percent in excess of the $100,000 insured limitation.

(2) Insured Limitation. Investments in fund accounts for several MWR activities are limited to $100,000 unless records are maintained by both the bank and the investor to show the balance for each activity. If multiple coverage is desired, records must reflect daily changes in amounts for each MWR activity having an interest in the account; and in all cases, the records must be available within three working days. The Federal Deposit Insurance Corporation (FDIC) Regulation, Section 330.1 specifies the record keeping requirements for multiple coverage.

(3) Program managers and/or their designees will coordinate directly with financial institutions and the servicing Federal Reserve Bank or authorized third-party custodians to obtain collateral. Procedures for securing and pledging of collateral are contained in Treasury Financial Manual 6-9000 and are to be followed without exception.

4. RESPONSIBILITIES

a. The Assistant Secretary of the Navy (ASN) Manpower and Reserve Affairs (M&RA), is responsible for establishing MWR policy and procedures and for the overall management and oversight of matters relating to MWR programs and activities.

b. The ASN Financial Management (FM), is responsible for all policy matters relating to financial management of the MWR investment program. In fulfilling this responsibility, the ASN FM will:

(1) Issue specific guidance for the development and approval of financial management systems and provide procedures for budgeting, financial analyses, internal review, and reporting of financial information.

(2) Oversee execution of policies contained in this handbook. As a minimum, this function will require an annual review of selected investment information and monitoring collateralization requirements. The specific requirements for oversight and review will be the responsibility of the Office of the Comptroller of the Navy.

(3) Participate in the Department of Defense (DOD) investment fund review.

c. Program managers (Commandant of the Marine Corps, Com- mander, Naval Supply Systems Command, Commander, Naval Military Personnel Command; and Commander, Military Sealift Command) will:

(1) Establish and maintain adequate systems of internal control that provide reasonable assurance that the policies set forth herein are complied with.

(2) Establish an investment steering committee and appoint competent membership.

(3) Appoint investment officers who are financial management specialists with training in investment banking.

(4) Review and approve, at least annually, an investment plan (strategy) prior to authorizing funds to be invested. The plan shall also identify the projected requirements for which the funds are being invested. Such annual plan will be modified by the Program Manager as internal and/or market conditions require.

(5) Establish a system to review, evaluate and track the investment portfolio performance.

(6) Ensure that the procurement and/or sale of investment instruments is conducted on a competitive basis. This process, at a minimum, requires obtaining multiple telephonic quotes and rotation among qualified bidders to assure:

(a) Maximum yields subject to risk evaluations and forecasted cash position.

(b) Equitable treatment of bidders. All bids and consummated transactions will be documented.

(7) Require an annual review and/or inspection of investment funds to include the evaluation of internal controls and follow-up on corrective action taken on recommendations in Naval Audit Service (NAVAUDSVC) and private sector audits and any other inspection recommendations.

d. The Auditor General of the Navy (AUDGENAV), is responsible for the internal auditing function within the Department of the Navy (DON). He/she oversees the conduct of internal audits, including those performed by internal review and nonappropriated fund organizations and audit services provided by private sector auditors under DON contracts. No contract for audit services may be entered into or a final payment made under an existing contract for such services without the approval of the AUDGENAV.

5. AUTHORIZED INVESTMENTS AND RESTRICTIONS. Investments of nonappropriated funds are limited to the following:

a. **Banks**. Interest bearing checking accounts, savings accounts, and certificates of deposit to the amount insured by the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC) or pledge of collateral with the appropriate Federal Reserve bank or its designee.

b. **Savings Associations**. Interest bearing checking accounts, share accounts, and certificates of deposit to the amount they are insured by FDIC or FSLIC or pledge of collateral with the appropriate Federal Reserve bank or its designee.

c. **Credit Unions**. Funds shall only be invested in credit unions to the amount insured by the National Credit Union Share Insurance Fund (NCUSIF) unless excess amounts are covered by pledge of collateral with the appropriate Federal Reserve bank or its designee. Credit unions serving Department of Defense instal- lations may be covered by any state-sponsored or private share insurance plan that is at least equal to the NCUSIF coverage required for Federal credit unions.

d. **U.S. Government Securities**. Obligations of the Federal Government, guaranteed as to principal and interest by the U.S. Government or obligations issued by U.S. Government-sponsored enterprises. Certain securities are guaranteed by the "full faith and credit" of the U.S. Government (principal and interest) while other securities are issued by "U.S. Government-sponsored enterprises." The "U.S. Government-sponsored enterprises" were established and chartered by the Federal Government, and are sponsored by a government agency although they are privately

owned and generally privately financed. Examples of securities that are "full faith and credit" and those that are "Government-sponsored enterprises" are listed below (not all-inclusive):

Full Faith & Credit

1. All U.S. Treasury Securities (Bills, Notes, & Bonds)

2. Department of Housing & Urban Development Community Development Block Grant

3. Farmers Home Administration Certificates of Beneficial Ownership

4. Government National Morgtgage Association (GNMA)

5. Overseas Private Investment Corporation (OPIC)

6. Small Business Administration, Small Business INvestment Companies, State/Local Development Companies

7. U. S. Maritime Administration Title XI Ship Mortgage Bonds

Government-Sponsored Enterprises

1. Farm Credit System:

   a. Banks for Cooperatives
   b. Federal Intermediate Bank Debentures
   c. Federal Land Bank

2. Federal Home Loan Bank (FHLB)

3. Federal Home Loan Mortgage Corporation (FHLMC, "Freddie MAC")

4. Federal National Mortgage Association (FNMA, "Fannie Mae")

5. Student Loan Marketing Association (SLMA, "Sallie Mae")

e. Repurchases and Reverse Repurchases of Book Entry and Certificate Securities. Repurchase and Reverse Repurchase Agreements shall be limited to U.S. Government Securities and shall be made only with primary government securities dealers designated by the Federal Reserve Bank of New York, or with banks that meet high capital adequacy standards established by the program manager. Primary government securities dealers must meet and certify to the nonappropriated fund entity their compliance with the "Capital Adequacy Guidelines for U.S. Government Securities Dealers" as published by the Federal Reserve Bank of New York. The bank must meet capital adequacy standards established by the program manager and confirmed by an independent bank rating service external to the program manager's rating procedures. Collateral must be in the amount of 100% of market value of the purchased security, plus interest. Collateral for repurchase agreements is restricted to U.S. Government Full Faith and Credit Securities. To preclude frequent calls to mark-to-the-market, collateral in the amount of 102% of market value plus interest is desirable for U.S. Treasury Securities (Bills, Notes and Bonds). Collateral in the amount of 104% of market value plus interest is desirable for all other U.S. Government Full Faith and Credit Securities.

(1) Safekeeping of Repurchase Instruments. Book entries must be wired to a third-party bank selected by the NAFI. Alternatively, securities must be delivered to a bank designated by the NAFI. In either case, the instruments cannot be commingled with the assets of the bank, and the NAFI must receive a safekeeping receipt for the securities. Third party banks must meet the same rating standards as investment banks. The seller's letter with attachment as shown on Page I-11 contains the necessary language to provide the NAFI with a Power of Attorney to negotiate the securities, if necessary.

(2) Selling Treasury Paper. For temporary use of funds, use the purchaser's letter with attachment as shown in Page I-15 and handle the transaction in the same manner as the repurchase agreement.

(3) Availability of Funds. In both cases (a. and b. above), the funds should be available to the NAFI or the financial institution on the day the transaction is made. Interest begins on date of sale or purchase and ends on the day before the transaction is completed.

f. **Eurodollar**. If the Eurodollar market offers significantly higher yields, funds can be deposited with a U.S. bank dealing in this market. Funds invested in Eurodollars will not exceed the dollar amount insured by FDIC unless collateralized as required by Treasury Financial Manual 6-9000.

g. **Restrictions**

(1) Foreign Depositories. Investments are not authorized to be made in foreign financial institutions. Chartered affiliates of American banking institutions operating overseas are not considered foreign depositories for the purpose of this handbook.

(2) Maturity Limitation. The maturity on investments will generally be limited to 36 months. However, investments up to 63 months are authorized provided that they are in support of a documented capital improvement program.

Table C-1, Matrix of Investment Characteristics

Type of Security	Maturity	Marketability	Liquidity	Default Risk	Market Risk	Yield
Overnight Repurchase Agreements	1-3 days	Not Marketable	1	1	1	7
Treasury Bills	3-6 months	Broad Market	2	0	1	8
Federal Agency Discount Notes	60-90 days	Broad Market	3	1	2	6
Treasury Notes	2-5 years	Broad Market	4	0	4	4
Federal Agency Debenture-Not Fully Insured	2-5 years	Thin Market	6	1	5	2
Federal Agency Debenture-Fully Insured	2-5 years	Thin to Good Market	7	0	5	3
Insured CDs	1 year	Not Market-able	8	1	3	1
Collater-alized CDs	60-90 days	Not Market-able	5	1	2	5

NOTES:

1. LIQUIDITY refers to the ability to readily convert the security to cash with little or no capital loss. Liquidity is related to average length of maturity and to the degree of marketability. The most liquid assets have the lowest score (1) while the least liquid asset is assigned the highest score (8).

2. DEFAULT RISK is the risk that the principal will not be repaid in full on a timely basis. The default risk for all approved investments is minimal. A score of "0" means that the security is backed full faith and credit by the U.S. Government and has virtually no default risk. A score of "1" means that the security is not fully guaranteed by the U.S. Government, and thus has slight default risk.

3. MARKET RISK is the degree to which the value of the investment will fluctuate with changing market conditions, and is primarily related to length of maturity. Investments are ranked from lowest ("1") to highest ("5") market risk. YIELD refers to the percentage interest income derived from the investment. Instruments are ranked from the highest yield ("1") to the lowest yield ("8").

4. YIELD refers to the percentage interest income derived from the investment. Instruments are ranked from the highest yield ("1") to the lowest yield ("8").

Figure C-1, Sample Repurchase Agreement, Seller's Letter

Dear Sirs:

From time to time, you may enter into repurchase transactions with us, evidenced by confirmation from us to you, pursuant to which we purchase from you specific securities and you agree to repurchase the same securities at a specified later date. Attachment 1 to this letter states the general terms and condition that shall apply to each such repurchase transaction. The confirmation of each such repurchase transaction, as supplemented by the attachment, shall constitute a binding agreement between us.

Please acknowledge your acceptance of the foregoing by signing and returning the enclosed copy of this letter.

Sincerely,

Agreed and accepted this

day of 19( )

Attachment

Figure C-2 Seller's Agreement, General Terms and Conditions of Repurchase Agreements

1. Definitions. (a) (Name of NAFI); (b) "Buyer"; the person purchasing securities from ___ (c) "Specific Repurchase Agreement," the confirmation setting forth the specific terms for an individual repurchase transaction in which ___ sells securities to Buyer and agrees to repurchase them; (d) "Purchased Securities," the securities sold by ___ to Buyer; (e) "Purchase Price," the price at which Purchased Securities are sold by ___ to Buyer; (f) "Purchase Date," the date on which Purchased Securities are sold by ___ to Buyer; (g) "Repurchase Date," the date provided in a Specific Repurchase Agreement on which ___ is to repurchase the Purchased Securities from Buyer; (h) "Repurchase Price," the price at which Purchased Securities are to be repurchased on the Repurchase Date (which is equal to the Purchase Price plus Interest); (i) "Interest," the interest component of the Repurchase Price; (j) "Interest Rate," the rate at which interest is calculated; (k) "Long-Term Specific Repurchase Agreement," a Specific Repurchase Agreement under which the Repurchase Date is more than 21 days after the Purchase Date; (l) "Pledged Securities," securities, other than Purchased Securities, pledged to Buyer by ___ to secure its obligations hereunder; (m) "Cash Collateral," cash pledged to Buyer ___ to secure its obligations hereunder; (n) "Collateral," Pledged Securities and/or Cash Collateral; (o) "Margin," the excess of (i) the market value of the Purchased Securities under a Specific Repurchase Agreement plus Attributable Collateral over (ii) the Repurchase Price thereunder; (p) "Original Margin," the excess on the Purchase Date of (i) the market value of the Purchased Securities under a Specific Repurchase Agreement over (ii) the Repurchase Price thereunder; (q) "Attributable Collateral," for purposes of determining the amount of Margin, Collateral attributed to individual Specific Repurchase Agreements on the basis that Collateral is first attributed to restore the Margin under each Specific Repurchase Agreement to the Original Margin and thereafter attributed pro rata on the basis of the Repurchase Prices; and (r) "Act of Insolvency," with respect to any person, the filing by such person of a petition in bankruptcy, adjudication of such person as insolvent or bankrupt, petition or application by such person for any receiver or trustee for itself or any substantial part of its property, commencement by such person of any proceeding relating to it under any reorganization,
arrangement, dissolution or liquidation law, or the initiation of any such proceeding against such person if such person indicates by any act its consent thereto or if such proceeding is not dismissed within 30 days.

2. Security Interest and Possession. The Buyer is hereby granted a security interest in and lien upon all Purchased Securities, Pledged Securities and Cash Collateral. Upon Buyer's request, ___ shall deliver Purchased Securities and Pledged Securities to Buyer; provided, that ___ shall, without such request, deliver to Buyer Purchased Securities purchased by Buyer under Long-Term Specific Repurchase Agreements, unless Buyer authorizes ___ to retain such securities. All Cash Collateral shall be delivered by ___ to Buyer, but shall be segregated from other funds of Buyer and identified as Cash Collateral. On the Repurchase Date specified in a Specific Repurchase Agreement, Buyer's security interest in the Purchased Securities subject thereto shall be deemed released upon the tendering of payment therefor by ___ and Buyer shall thereupon deliver to ___ any such Purchased Securities previously delivered by ___ to Buyer.

3. Margin Maintenance---Obligation. If at any time the Margin under a Specific Repurchase Agreement is not equal to at least 100% of the Original Margin, Buyer may from time to time require ___ to provide Collateral so that the Original Margin is restored. At the option of ___, the Collateral shall consist of Pledged U.S. Treasury Securities acceptable to buyer and/or Cash Collateral.

4. Margin Maintenance Buyer's Obligation. If at any time the Margin under a Specific Repurchase Agreement exceeds 120% of the Original Margin (a "Margin Excess"), ___ may require Buyer to elect either (a) to deliver cash to ___ or (b) to release from its security interest and lien such Collateral (whether or

not Attributable Collateral) and/or Purchased Securities thereunder as ___ selects, or to elect some combination of (a) and (b), so that a Margin Excess no longer exists; provided, however, that ___ shall select Purchased Securities in the case of an election under clause (b) only if there is then no Collateral. Upon the release of any Collateral or Purchased Securities that were previously delivered by ___ to Buyer, Buyer shall return such Collateral or Purchased Securities to ___.

5. Principal Payments, Interest and Dividends. Except as provided in Paragraph 12 below, all principal payments in respect of, and all interest and dividends paid or payable on, the Purchased Securities and Pledged Securities ("Income") shall be the property of and owned by ___. Buyer shall deliver Income to ___ on the date on which it is payable.

6. Substitution. ___ shall be entitled at any time to substitute U.S. Treasury Pledged Securities and/or Cash Collateral (the "Sub-stituted Assets") for Purchased Securities, Pledged Securities or Cash Collateral ("Replaced Assets"), provided that the Substituted Assets are reasonably acceptable to Buyer and have a market value equal to at least the market value of the Replaced Assets.

7. Buyer Representations. The Buyer represents and warrants that it is duly authorized to enter into this Agreement and the transactions contemplated in it and that the person signing this Agreement on behalf of Buyer is duly authorized to act on its behalf.

8. Representations. ___ represents and warrants that it is duly authorized to enter into this Agreement and the transactions contemplated in it and that the person signing this Agreement on behalf of ___ is duly authorized to act on its behalf.

9. Payment and Delivery. Unless otherwise mutually agreed, all payments hereunder and under each Specific Repurchase Agreement shall be in immediately available funds. All deliveries of securities by one party to the other party shall be in suitable form for delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank and such other documentation as the party receiving possession may reasonably request. The buyer shall not, however, cause any such transfer of securities to be registered, except as provided in Paragraph 12 below. All deliveries shall be affected within the delivery time scheduled from time to time by the New York Clearing House Association.

10. Market Value Determination. The market value of all Purchased Securities and Pledged Securities shall be determined daily at the close of business by using the "bid" price for the securities in question as it appears in the most current issue of the Wall Street Journal or such other source as is mutually acceptable to Buyer and ___.

11. Segregation of Securities. All Purchased Securities and Pledged Securities, held by Buyer or his or her designated bank; shall be segregated from other securities in the possession of the holder and shall be identified as subject to this Agreement. Segregation may be accomplished by appropriate identification on the books and records of the holder.

12. Default. In the event that (i) ___ fails to repurchase any Purchased Securities upon the Repurchase Date relating thereto; (ii) ___ fails, after one business day's notice, to comply with Paragraph 3 above or (iii) an Act of Insolvency occurs with respect to ___ (each a "___ Default"):

(A) At the option of Buyer, exercised by written notice to ___ obligations under each Specific Repurchase Agreement to repurchase Purchased Securities shall thereupon become immediately due and payable. In such event, the Repurchase Price under each Specific Repurchase Agreement shall be adjusted to equal the sum of (i) the Purchase Price plus (ii) interest thereon, at the Interest Rate, from the Purchase Date until payment thereof plus (iii) to the extent permitted by applicable law, interest on the Interest

component of such adjusted Repurchase Price, at the Interest Rate, from the date on which the ___ Default occurs until the day of payment of such Interest component. Such adjusted Repurchase Price is hereafter referred to as the "___ Liability."

(B) If Buyer exercises the option referred to in subparagraph (A) of this Paragraph 12, all income payable thereafter shall be applied by Buyer to the Seller's Liability.

(C) The Buyer may, after giving one business day's notice to ___ (but no such notice shall be required in the event of an Act of Insolvency); (i) sell any or all Purchased Securities and/or any or all Pledged Securities and apply the proceeds thereof to the ___ Liability and/or (ii) apply Cash Collateral to the ___ Liability. All sales shall be in a recognized market at such price or prices as Buyer may reasonably deem satisfactory.

(D) The Buyer may register the transfer of any securities delivered to it by whether such delivery occurred subsequent or prior to the ___ Default.

13. Buyer Default. In the event that (i) Buyer fails to deliver any Purchased Securities to ___ upon the relevant Repurchase Date against payment therefor, (ii) Buyer fails to comply with Paragraph 4, above, or (iii) an Act of Insolvency occurs with respect to Buyer (each a "Buyer Default").

Figure C-3, Sample Repurchase Agreement Purchaser's Letter

Dear Sirs:

From time to time, you may enter into repurchase transactions with us, evidenced by confirmations from us to you, pursuant to which you purchase from us specific securities and we agree to repurchase the same securities at a specific later date. Attachment to this letter states the general terms and conditions that shall apply to each such repurchase transactions. The confirmation of each such repurchase transactions, as supplemented by the attachment, shall constitute a binding agreement between us.

Please acknowledge your acceptance of the foregoing by signing and returning the enclosed copy of this letter.

Very truly yours,

Agreed and Accepted this

day of 19( )

Attachment

Figure C-4, Purchaser's Agreement, General Terms and Conditions of Repurchase Agreements

1. Definitions. (a) (Name of NAFI); (b) "Seller," the person selling securities to ___; (c) "Specific Repurchase Agreement," the confirmation outlining the specific terms for an individual repurchase transaction in which Seller sells securities to and agrees to repurchase them; (d) "Purchased Securities," the securities sold to ___ by Seller; (e) "Purchase Price," the price at which Purchased Securities are sold to ___ by Seller; (f) "Purchase Date," the date on which Purchased Securities are sold to ___ by Seller; (g) "Repurchase Date," the date provided in a Specific Repurchase Agreement on which Seller is to repurchase the Purchased Securities from ___; (h) Repurchase Price," the price at which Purchased Securities are to be repurchased on the Repurchase Date (which is equal to the Purchase Price plus Interest); (i) "Interest," the interest component of the Repurchase Price; (j) "Interest Rate," the rate at which Interest is calculated; (k) "Long-Term Specific Repurchase Agreement," a Specific Repurchase Agreement under which the Repurchase Date is more than 21 days after the Purchase Date; (l) "Pledged Securities," securities, other than Purchased Securities, pledged to ___ by Seller to secure its obligations hereunder; (m) "Cash Collateral," cash pledged to ___ by Seller to secure its obligations hereunder; (n) "Collateral," Pledged Securities and/or Cash Collateral; (o) "Margin," the excess of (i) the market value of the Purchased Securities under a Specific Repurchase Agreement plus Attributable Collateral over (ii) the Repurchase Price thereunder; (p) "Original Margin," the excess on the Purchase Date of (i) the market value of the Purchased Securities under a Specific Repurchase Agreement over (ii) the Repurchased Price thereunder; (q) Attributable Collateral," for purpose of determining the amount of Margin, Collateral attributed to individual Specific Repurchase Agreements on the basis that Collateral is first attributed to restore the Margin under each Specific Repurchase Agreement to the Original Margin and thereafter attributed pro rata on the basis of the Repurchase Prices; and (r) "Act of Insolvency," with respect to any person, the filing by such person of a petition in bankruptcy, adjudication of such person as insolvent or bankrupt, petition or application by such person for any receiver or trustee for itself or any substantial part of its property, commencement by such person or any proceeding relating to it under any reorganization, arrangement, dissolution or liquidation law, or the initiation of any such proceeding against such person if such person indicates by any act its consent thereto or if such proceeding is not dismissed within 30 days.

2. Security Interest and Possession. ___ is hereby granted a security interest in and lien upon all purchased Securities, Pledged Securities and Cash Collateral. Upon ___ request, Seller shall deliver Purchased Securities and Pledged Securities to ___ ; provided, that Seller shall, without such request, deliver to Purchased Securities purchased by ___ under Long-Term Specific Repurchase Agreements, unless ___ authorizes Seller to retain such securities. All Cash Collateral shall be delivered by Seller to ___ but shall be segregated from other funds of ___ and identified as Cash Collateral. On the Repurchase Date specified in a Specific Repurchase Agreement, ___ security interest in the Purchased Securities subject thereto shall be deemed released upon the tendering of payment therefor by Seller, and ___ shall thereupon deliver to Seller any such Purchased Securities previously delivered by Seller to ___.

3. Margin Maintenance Seller's Obligation. If at any time the Margin under a Specific Repurchase Agreement is not equal to at least 100% of the Original Margin, ___ may from time to time require Seller to provide Collateral so that the original Margin is restored. At the option of Seller, the Collateral shall consist of Pledged Securities reasonably acceptable to ___ and/or Cash Collateral.

4. Margin Maintenance Obligation. If at any time the Margin under a Specific Repurchase Agreement exceeds 120% of the Original Margin (a "Margin Excess"), Seller may require ___ to elect either (a) to deliver cash to Seller or (b) to release from its security interest and lien such Collateral (whether or not Attributable Collateral) and/or Purchased Securities thereunder as Seller selects, or to elect some

combination of (a) and (b), so that a Margin Excess no longer exists; provided, however, that Seller shall select Purchase Securities in the case of an election under clause (b) only if there is then no Collateral. Upon the release of any Collateral or Purchased Securities which were previously delivered by Seller to ___, ___ shall return such Collateral or Purchased Securities to Seller.

5. Principal Payments, Interest and Dividends. Except as provided in Paragraph 11, above, all principal payments in respect of, and all interest and dividends paid or payable on, the Purchased Securities and Pledged Securities ("Income") shall be the property of and owned by Seller. ___ shall deliver Income to Seller on the date on which it is payable.

6. Seller Representation. Seller represents and warrants that it is duly authorized to enter into this Agreement and the transactions contemplated hereunder and that the person signing this Agreement on behalf of Seller is duly authorized to act on its behalf.

7. Representations. __ represents and warrants that it is duly authorized to enter into this Agreement and the transactions contemplated hereunder and that the person signing this Agreement on behalf of __ is duly authorized to act on its behalf.

8. Payment and Delivery. Unless otherwise mutually agreed, all payments hereunder and under each Specific Repurchase Agreement shall be in immediately available funds. All deliveries of securities by one party thereto to the other party shall be in suitable form for delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank and such other documentation as the party receiving possession may reasonably request. __ shall not, however, cause any such transfer of securities to be registered, except as provided in Paragraph 11 below. All deliveries shall be effected within the delivery time scheduled from time to time by bank wire.

9. Market Value Determination. The market value of all Purchased Securities and Pledged Securities shall be determined daily at the close of business, by using the "bid" price for the securities in question as it appears in the most current issue of the Wall Street Journal or such other source as is mutually acceptable to Seller and __.

10. Segregation of Securities. All Purchase Securities and Pledged Securities, whether held by __ or Seller shall be segregated from other securities in the possession of the holder and shall be identified as subject to this Agreement. Segregation may be accomplished by appropriate identification on the books and records of the holder.

11. Seller Default. In the event that (i) Seller fails to repurchase any Purchased Securities upon the Repurchase Data relating thereto, (ii) Seller fails, after one business day's notice, to comply with Paragraph 3 above or (iii) an Act of Insolvency occurs with respect to Seller (each a "Seller Default"):

(A) At the option of ___, exercised by written notice to Seller, Seller's obligation under each Specific Repurchase Agreement to repurchase Purchased Securities shall thereupon become immediately due and payable. In such event, the Repurchase Price under each Specific Repurchase Agreement shall be adjusted to equal the sum of (i) the Purchase Price plus (ii) interest thereon, at the Interest Rate, from the Purchase Date until payment thereof plus (iii) to the extent permitted by applicable law, interest on the interest component of such adjusted Repurchase Price, at the Interest Rate, from the date on which the Seller Default occurs until the date of payment of such Interest component. Such adjusted Repurchase Price is hereafter referred to as the "Seller Liability."

(B) If __ exercises the option referred to in subparagraph (A) of Paragraph 11, all Income payable thereafter shall be applied by buying to the Seller Liability.

(C) __ may, after giving one business day's notice to Seller (but no such notice shall be required in the event of an act of insolvency, (i) sell any or all Purchased Securities and/or any or all Pledged Securities and apply the proceeds thereof to the Seller Liability and/or (ii) apply Cash Collateral to the Seller Liability. All sales shall be in a recognized market at such price or prices as __ may reasonable deem satisfactory.

(D) Seller shall immediately deliver to __ any Purchased Securities and Pledged Securities then in Seller's possession.

(E) __ may register the transfer of any securities delivered to it by Seller, whether such delivery occurred subsequent or prior to the Seller Default.

12. Default. In the event that (i) __ fails to deliver any Purchased Securities to Seller upon the relevant Repurchase Date against payment therefor; (ii) __ fails to comply with Paragraph 4 above of (iii) an Act of Insolvency occurs with respect to __ (each a "Default"):

(A) At the option of Seller and upon tendering of payment of the aggregate Repurchase prices (reduced as provided in the next sentence), all Specific Repurchase Agreements shall mature. Thereupon, (i) interest in Purchased Securities, Pledged Securities and Cash Collateral shall be deemed released, and __ shall deliver all such securities and cash to Seller and (ii) interest shall cease to accrue, and each Repurchase Price shall be reduced to reflect such cessation.

(B) Seller may purchase securities ("Replacement Securities") of the same class and amount as, any Purchased Securities or Pledged Securities that are not delivered by ___ to Seller as required hereunder. Such purchase may be made in any recognized market at such prices as Seller may reasonably deem satisfactory. __ shall be liable to Seller (the "__ Liability") (i), with respect to Purchased Securities, for any excess of the price paid by Seller for the Replacement Securities over the Repurchase Price (reduced as provided above) and (ii) with respect to Pledged Securities, for the price paid by the Seller for the Replacement Securities. In Addition, __ shall be liable to Seller for interest on the __ Liability with respect to each such purchase of Replacement Securities from the date therof until paid in full by __. Such interest shall be at a rate equal to the prime rate for short-term bank commercial loans, as published in The Wall Street Journal, changing as such published rate changes. In the event of __ Default under clause (i) or (ii) of this Paragraph, subparagraphs (A) and (B) hereof shall be effective only upon one business day's notice to Seller.

13. The transactions subject to these terms and conditions shall be governed by the laws of the State of __.

*U.S. Government Printing Office: 1994 — 387-308/00008