

U.S. Department of
Homeland Security

United States
Coast Guard



NONAPPROPRIATED
FUND
INSTRUMENTALITIES
(NAFI)
MANUAL

COMDTINST M7010.5B

January 2008

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- (1) Glossary of Terms and Acronyms
- (2) NAFI Checklist

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**U.S. Department of
Homeland Security**

**United States
Coast Guard**



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COMDTINST M7010.5B
JAN 15 2008

COMMANDANT INSTRUCTION M7010.5B

Subj: COAST GUARD NONAPPROPRIATED FUND INSTRUMENTALITIES (NAFI)
MANUAL

1. PURPOSE. This Manual sets forth policy and procedures for administering the Coast Guard Nonappropriated Fund Instrumentality (NAFI) Program.
2. ACTION. Area, district, and sector commanders, commanders of maintenance and logistics commands, commanding officers of integrated support commands, commanding officers of headquarters units, assistant commandants for directorates, Judge Advocate General and special staff elements at Headquarters shall ensure the provisions of this Manual are followed. Internet release is authorized.
3. DIRECTIVES AFFECTED. Coast Guard Nonappropriated Fund Instrumentalities (NAFI) Manual, COMDTINST M7010.5A is cancelled.
4. CHANGES. Major Changes include:
 - A. Updated to properly reflect the pagination of the Manual.
 - B. Chapter 1.
 1. Authorizes the approval of other NAFIs.
 2. Provides guidance on the establishment and disestablishment of a NAFI and the applicability of this Manual to them.

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LEGEND: Non-Standard Distribution copies as indicated above: (1) copy to CGES locations; (2) 1 copy each to CGES & MWR locations; (3) 1 copy each to CGES, MWR & CDC locations.

C. Chapter 2.

1. Details the responsibility of the Coast Guard Trust Fund Board of Control and the chain of command in regards to the management of activities of other NAFIs.
2. Requires that all NAF employees be paid through the central NAF payroll system.
3. Deletes the responsibility of Commandant (CG-103) to process field orders issued using nonappropriated funds.
4. Provides policy on the minimum age in which eligible patrons may purchase tobacco products.
5. Emphasizes the requirements of NAF vehicles to be used only for NAF business and to comply with other Commandant policy with regard to safety and inspections, especially in regards to trailering and towing.
6. Defines the requirement for NAF property management.

D. Chapter 3.

1. Emphasizes the requirement for commands to have sufficient funds to pay for all expenses associated with the disestablishment of a NAF activity.

E. Chapter 4.

1. Clarifies when the accrual basis of accounting is required.
2. Requires that all NAF personnel be paid through the central payroll system managed by Commandant (CG-103).
3. Requires the suspension of all patron NAF privileges until a debt under the civil recovery program is either paid or waived.
4. Updates addresses for locating personnel in the bad-debt collection process.

F. Chapter 5.

1. Clarifies the ability to reimburse NAF with appropriated funds (APF) under specific situations.
2. Clarifies the use of APF for the transportation out of the continental United States (OCONUS) NAFI business activities of certain operational needs of the facility.
3. Allows for the use of APF to support Category C Morale, Well-Being, and Recreation (MWR) Activities, with the exception of golf courses.

G. Chapter 6.

1. Emphasizes that the primary purpose of satellite exchange operations is not to generate profits for the morale fund of a unit.
2. Clarifies that gains in satellite exchange operations are to be retained in the satellite exchange account and that any transfers to the morale fund do not adversely impact the working capital of the account.
3. Establishes internal controls for the management and oversight of satellite exchange accounts and records.

H. Chapter 7.

1. Changes the process for the submission of Workers' Compensation claims.

I. Chapter 8.

1. Eliminates the requirement to use the Federal Prison Industries as a mandatory source of supply and requires the use of Department of Homeland Security (DHS) E-mail for specific NAF procurements.
2. Changes the period of contracts to procure operating supplies, equipment, and non-construction services to up to three years with up to two additional annual renewals.
3. Requires the maintenance of credit card procurement files in addition to other procurement files and records.
4. Eliminates the requirement for concession contracts negotiated by NAF activities, other than Coast Guard Exchange System (CGES) concession contracts, to be forwarded to Commandant (CG-103).
5. Clarifies the approving authorities for the ratification of unauthorized NAF procurements.

J. Chapter 9.

1. Requires NAFIs to independently promulgate eligible patron lists.

K. Chapter 10.

1. Eliminates the requirement to pay a Special Occupational Tax for the sale of alcohol.

L. Enclosure 2.

1. Adds a program inspection checklist as an enclosure.

5. ENVIRONMENTAL ASPECT AND IMPACT CONSIDERATIONS. Environmental considerations were examined in the development of this Manual and have been determined to be not applicable.

COMDTINST M7010.5B

6. FORMS/REPORTS. Forms called for in this Manual are available in USCG Electronic Forms on the Standard Workstation or on the Internet:
<http://www.uscg.mil/ccs/cit/cim/forms1/welcome.htm> or Intranet:
<http://cgweb2.comdt.uscg.mil/CGFORMS/Welcome.htm>.

CLIFFORD I. PEARSON /s/
Assistant Commandant for Human Resources

CHAPTER 1. GENERAL

A. Purpose.

1. The purpose of this Manual is to set policies and administrative procedures for Coast Guard Nonappropriated Fund Instrumentalities (NAFIs), including the Coast Guard Exchange System (CGES) and the Coast Guard Morale, Well-Being, and Recreation (MWR) Program. This Manual is also applicable to the nonappropriated fund (NAF) activities of Coast Guard Child Development Centers (CDC). By the definition contained in the Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13 (series), CDCs are considered Category B MWR Activities.
2. Amplifying policies and procedures applicable to NAFIs are provided in the Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13 (series), the Child Development Services Manual, COMDTINST M 1754.15 (series), the Nonappropriated Fund (NAF) Personnel Manual, COMDTINST M12271.1 (series), Coast Guard Morale, Well-Being, and Recreation (MWR) Internship Programs, COMDTINST 1780.2 (series), the Coast Guard Exchange System Standard Operating Procedures (SOP) Manual, and any promulgated Commandant directives regarding the operation of Coast Guard NAFIs.

B. Applicability and Scope. Nonappropriated funds are government monies and assets from sources other than monies appropriated by the Congress of the United States. NAFs are separate and apart from funds recorded in the books of the Treasurer of the United States. NAFs shall be administered only through the auspices of a NAfi. Individuals, units, organizations, installations or commands, shall have no proprietary interest in NAFs or other assets. NAFs or other NAfi assets shall not be transferred to private organizations. The following funds are excluded from this Manual:

1. All funds accounted for under U.S. Treasury symbols and resources acquired with appropriated funds.
2. Contractor and subcontractor funds (including concessionaire funds).
3. Funds of private associations as defined in the Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13 (series).
4. Any funds established for civilian employees at Coast Guard units.
5. Chapel funds for any units with an assigned Navy Chaplain.
6. Coffee messes and wardroom funds.
7. Gifts to the Coast Guard unless specifically accepted and transferred for the benefit of an established NAfi.

8. Funds available for cadet social, athletic, and recreational activities unless specifically designated in an established NAFI.

C. Mission. The missions of Coast Guard NAFIs are different, multi-faceted, and distinct and are defined by the program manager of each NAFI. Examples of the missions of Coast Guard NAFIs are as follows:

1. The mission of the CGES is to provide quality merchandise and services and convenience to our Coast Guard men and women as well as authorized patrons at competitive prices.
2. The mission of the MWR program is to uplift the spirits of the Coast Guard family and be an essential element of Coast Guard mission readiness and retention through customer-owned and driven MWR programs and services around the world.

D. Legal Status.

1. NAFIs are instrumentalities of the United States Government. NAFIs are integral Coast Guard organizations that perform official governmental functions. They act in their own name to provide or assist Coast Guard organizational elements in providing programs for military personnel, their dependents, and other authorized patrons. They are not incorporated under the laws of any state or the District of Columbia. As fiscal entities, they maintain custody and control over their nonappropriated funds and administer appropriated fund resources as authorized to carry out their purposes.
2. Coast Guard NAFIs enjoy the same immunities and privileges as the United States Government, in the absence of specific Federal statutes to the contrary.
3. NAFI concessionaire and contractor-operated activities are private businesses and not instrumentalities of the United States. NAFI privileges and immunities discussed herein do not apply to NAFI concessionaires or contractors.
4. Coast Guard NAFIs are subject to such regulations as the Commandant, United States Coast Guard, may prescribe.
5. NAF employees of a NAFI are civilian employees of the Coast Guard and are managed in accordance with the policies set forth in the Nonappropriated Fund (NAF) Personnel Manual, COMDTINST M12271.1 (series), or other Commandant directives as may be promulgated.
6. Coast Guard NAFIs are operated to support the Coast Guard and its authorized patrons. Coast Guard NAFIs are not operated for the financial benefit of any person and no person shall have any ownership or financial interest in any NAFI.
7. CGES and the Coast Guard MWR Program are under the program direction of Commandant (CG-1). The program direction of any other NAFIs shall be identified in the approval of those NAFIs.

- E. NAFI Objectives. The objectives of Coast Guard NAFIs are:
1. To optimize the benefits that NAFIs can legally provide Coast Guard personnel and other authorized patrons and contribute to mission readiness and retention. NAFIs provide vital non pay compensation programs.
 2. To operate NAF activities at all levels in the most efficient manner as integral parts of well- defined and professionally managed programs. NAFI program directors shall ensure that programs and resources are planned, programmed, and budgeted using proper funding sources and the suitable combination of appropriated and nonappropriated funds. Additionally, since NAFs are Government funds, they are entitled to the same protection as U.S. Treasury funds. Program directors of NAFIs shall establish policies, procedures, and systems to minimize fraud, waste, and abuse. The program director of a NAFI shall periodically review and audit the NAFI to evaluate the continued need for functions performed and that those needs comply with sound business practices.
 3. To maintain a sound capital structure to ensure continued maintenance, development, and improvement of NAFI resources.
 4. To follow those procedures and systems which currently exist to support other Coast Guard programs except where there are requirements unique to the NAFI.
- F. Establishment. Although funds within a NAFI may be used throughout the Service, NAFIs shall only be established at Coast Guard Headquarters or the Coast Guard Academy. The authority for the establishment and oversight of NAFIs is vested in the Coast Guard Trust Fund Board of Control. The function to be performed by the NAFI demands a valid requirement for a separate organizational and fiscal entity; the protection and immunities accorded instrumentalities of the U.S. Government are necessary; and there is no prohibition by or conflict with Federal statute, Status of Forces Agreements, treaties, or other applicable Federal regulations. Requests for the establishment of a Coast Guard NAFI shall be made in writing to the Coast Guard Trust Fund Board through Commandant (CG-1). In addition to addressing the items identified above, the request shall also identify the proposed program director and program manager for the NAFI.
- G. Disestablishment. A NAFI shall be disestablished when the purpose for its establishment no longer exists or when it is not a viable fiscal entity and cannot maintain self-sufficiency.
- H. Waiver Requests. Requests for waivers to the policies contained in this Manual shall be addressed to the respective Program Manager via the chain of command. Waivers from the requirements of this Manual may only be approved by Commandant (CG-1), or his/her designee, where special circumstances justify such waivers.
- I. Definitions. Definition of selected, frequently used terms may be found in enclosure (1).

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CHAPTER 2. PROGRAM POLICY/CRITERIA

A. Command Relationships.

1. Coast Guard Headquarters Trust Fund Board of Control. This Board provides approval authority and oversight of NAFIs. With respect to CGES and MWR, the Trust Fund Board of Control will:
 - a. Review and approve the annual central NAFI budgets, including the CGES Overhead budget, CGES/MWR/CDC insurance budget and the central NAF MWR budget.
 - b. Review and approve all proposed capital expenditures for CGES construction that exceed \$300,000 and all construction expenditures from the central accounts of other NAFIs.
 - c. Review and approve the investment policy of the NAF Cash Management Program.
 - d. Review CGES financial operating results quarterly.
2. Commandant (CG-1). Subject to the Commandant's general direction through the Trust Fund Board of Control, authority and supervision over Coast Guard NAFIs are vested in Commandant (CG-1), the Assistant Commandant for Human Resources, and further delegated to Commandant (CG-10), the Director of HR Resources. Specific program management is vested in Commandant (CG-103), Chief, Office of CG Exchange and MWR, for CGES and the Coast Guard MWR program, and Commandant (CG-111), Chief, Office of Work-Life Programs, for the Child Development Services program.
3. Cognizant Authority. The cognizant authority is that command having oversight responsibilities for NAFI issues or NAF distribution responsibilities for subordinate commands. For example, Commandant (CG-103) is the cognizant authority for Headquarters units and the Integrated Support Command (ISC) for the MWR program. Commandant (CG-103) is the cognizant authority for the CGES.
4. Unit Commanding Officers. Commanding Officers, commanders, and officers-in-charge shall ensure that NAF programs operated at their commands comply with current Commandant directives and Coast Guard core values.

B. Commandant (CG-103) Relationship with Commands. Centralized administration and management of the CGES is vested in Commandant (CG-103). Coast Guard Exchanges are typically tenants of the host commands. Commandant (CG-103) provides NAFI oversight to the NAF programs operated at commands in the field. The following delineates command and Commandant (CG-103) relationships:

1. Coast Guard Exchanges operate independently from the host command as tenants of the command. Although the operation of CGES activities is vested in Commandant (CG-103), appropriated fund (APF) support may be provided by host commands.

2. With the approval of Commandant (CG-103), satellite and independent exchanges are operated on select afloat and shore units. Commanding officers with satellite exchanges are responsible for the operation of the satellite exchange, including the control of resale inventory and working capital. Commandant (CG-103) will coordinate and provide oversight of these operations. Satellite exchange policies and procedures are contained in Chapter 7 of this Manual.
 3. Commandant (CG-103) shall provide and administer, on a reimbursable basis, a consolidated insurance program to protect NAF insurable interests that include:
 - a. Health, life, workers' compensation, unemployment compensation, a retirement plan, disability insurance for CGES and MWR NAF employees, and NAF employees of other NAFIs.
 - b. General liability insurance for NAF insurable interests of the CGES and MWR programs or any other NAFIs.
 4. Commandant (CG-103) will manage a centralized cash management and investment program and banking services when it is efficient to do so.
 5. Commandant (CG-103) will provide all personnel and payroll services and administration of NAF employee benefit plans for eligible employees.
 6. Commandant (CG-103) will manage a financial audit program conducted by independent resources for CGES and MWR NAF activities.
 7. Commands will provide NAFI operations and facilities located at their commands with common services and engineering support consistent with current directives and the availability of APF.
 8. Commands shall include CGES NAF employees in required Coast Guard training programs.
- C. Relationship Between MWR Programs and CGES. MWR activities are the responsibility of the local command operating them. The CGES activities are the direct responsibility of Commandant (CG-103). It is essential that individual activities be administered under the proper NAFI, as described below. Sharing of support functions between NAFIs is authorized.
1. CGES includes resale outlets (i.e. exchange stores, package liquor stores, gasoline stations, specialty stores, satellite exchanges, etc.) and service activities (i.e., barber shops, laundries, and tailoring services, etc.). Exhibit 2-1 provides a more detailed list of the various types of activities that are the direct and primary responsibility of the CGES and MWR NAFIs. Other NAFIs are prohibited from the operation of activities defined in Exhibit 2-1 of this Chapter without the prior written authorization of Commandant (CG-103).

2. MWR Programs include sports activities and facilities (i.e., bowling, golf, tennis, swimming, etc.), hobby facilities (i.e., crafts, auto hobby, woodworking, etc.), general recreation and family support activities (i.e., theaters, child development centers, recreation areas, etc.), military clubs, community centers, and food service facilities (i.e., cafeterias, snack bars, etc.). Chapter 5 of the Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13 (series), provides a more detailed description of the various types of programs and activities that are the direct and primary responsibility of the MWR NAFI. No other NAFI may operate any of the activities defined in Exhibit 2-1 of this Chapter without the prior, written approval of the command where the activity is planned.
 3. In the combination of activities, occasionally an activity of one program will include an activity, which by policy, is the primary responsibility of another NAFI. In such cases, the activity will be handled in accordance with the activity responsibilities as defined in Exhibit 2-1, except when it does not make good business sense to have the appropriate NAFI, as defined, operate the activity. For example, if the ticket sales person at the theater operation could also handle candy and popcorn sales, the entire operation may be treated as an MWR activity. If on the other hand, if sales are of such a volume that a separate sales clerk may be required, that resale operation may be a CGES activity. Questionable cases should be referred to Commandant (CG-103) for resolution.
- D. NAF Personnel Policy. Personnel policies and procedures for all approved NAFI nonappropriated fund employees will be governed by policies and procedures established by Commandant (CG-121), Chief, Office of Civilian Personnel, and Commandant (CG-103), Chief, Office of Coast Guard Exchange and MWR. Policy regarding NAF employees shall be found in the Nonappropriated Fund (NAF) Personnel Manual, COMDTINST M12271.1 (series). All NAF employees shall be paid through the centralized NAF payroll system.
- E. NAF Travel. Nonappropriated funds are authorized for official travel of the NAFI, in accordance with current rules and regulations governing official travel for military members and civilian employees. Travel claims funded with nonappropriated funds shall be adjudicated through the same system used to adjudicate travel claims of all other Coast Guard official travelers with the exception of any PCS-related travel.
- F. Limitations on Activities.
1. The following activities are prohibited:
 - a. Activities of NAFIs as defined in this Manual, except as specified in this Manual or as authorized in writing by Commandant (CG-103), by independent enterprises including private associations.
 - b. The operation of games of chance or lotteries, except as authorized in the Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13 (series).
 - c. The sale of state tax-free alcohol and tobacco products through vending machines.

- d. Courtesy cards entitling military or civilian personnel to purchase merchandise from commercial enterprises issued by or in the name of Coast Guard NAFIs.
 - e. The use of NAFI premises, facilities, or personnel by firms or their representatives for any type of advertising, promotion, or solicitation. This does not preclude free product demonstrations, merchandising assistance, approved training provided to NAF personnel, or the use of the commercial sponsorship program as defined in the Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13 (series).
2. Participation in commercial contests involving free prizes or premiums for authorized patrons is authorized.
- G. Drinking Age at Coast Guard NAFIs. On Coast Guard installations in the United States and its territories, the minimum age for purchasing, consuming, or possessing alcoholic beverages shall be consistent with the laws of the state or territory in which the installation is located. Guidance on the serving of alcoholic beverages is contained in the Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13 (series).
- H. Uniform Reimbursement. In order to make military uniform items, provided by the Uniform Distribution Center (UDC), readily available to Service members and Auxiliarists, CGES will sell military uniform items at the UDC price with no mark-up to eligible patrons. CGES is reimbursed from appropriated funds for the operating costs associated with the sale of these uniform items.
- I. Guns and Ammunition.
1. The sale of firearms and ammunition is authorized only at OCONUS Exchanges.
 2. These OCONUS Exchanges are required to conform to all control, accounting, and licensing requirements contained in applicable Federal statutes, U.S. Bureau of Alcohol, Tobacco, Firearms, and Explosives regulations, and applicable Commandant policy to include, The Physical Security and Force Protection Program, COMDTINST M5530.1 (series), and the Ordnance Manual, COMDTINST M8000.2 (series), regarding the sale and security of guns and ammunition for resale.
 3. Approval to carry firearms and ammunition for resale shall be requested from Commandant (CG-103), in writing.
- J. Tobacco Sales Policy.
1. CGES and authorized MWR facilities may stock tobacco products and sell them at prices authorized by the Armed Services Exchange Regulations (ASER).

2. MWR facilities may purchase resale tobacco products from the closest CGES retail activity. The MWR food and beverage facilities may resell only individual packs or inner cartons of the product, unless specifically authorized in writing to sell larger quantities by Commandant (CG-103). Tobacco products sold by MWR activities shall be sold at the same prices as the local CGES operation.
3. On Coast Guard installations in the United States, and its territories, the minimum age for purchasing tobacco products shall be consistent with the laws of the state or territory in which the installation is located.

K. NAF Vehicles.

1. For the purpose of this section, recreational watercraft is not considered a vehicle. However, those watercraft meeting the criteria for registration as contained in Federal or state statutes, are insured as a motor vehicle as described elsewhere in this Chapter.
2. The policies contained in this section apply only to those vehicles procured through nonappropriated sources using NAFs.
3. NAF vehicles are the property of an instrumentality of the United States, and as such are exempt from state licensing and inspection requirements. Although these vehicles are not subject to state inspection requirements, they shall be subject to the same inspection requirements as other Coast Guard vehicles with regard to frequency of inspection, safety requirements, and mechanical soundness, including any trailering and towing requirements. Operator safety shall never be compromised. Further guidance is contained in the Vehicle Manual, COMDTINST M11240.9 (series).
4. The use of Coast Guard NAF vehicles is restricted to official NAF business. Only authorized Government employees in the performance of their assigned duties shall operate NAF vehicles. Vehicles shall not be used by individuals for personal gain or benefit or be lent to another party for unauthorized use. Operators shall have in their possession a valid state, District of Columbia, or Puerto Rico motor vehicle operator's license.
5. Operators shall wear a seat belt when operating a NAF vehicle and are responsible for ensuring that all passengers wear seat belts as well.
6. The following policies apply to licensing NAF vehicles:
 - a. NAF vehicles shall be provided license plates by Commandant (CG-103). License plates may be obtained by written request to Commandant (CG-103). The request shall include the year, make, model, serial or Vehicle Identification Number, purpose for each vehicle or trailer being considered for licensing, and the maximum, one way distance that it is anticipated that this vehicle will be driven off the installation.

- b. Vehicle license plates are provided for a specific vehicle and purpose. License plates shall not be transferred between vehicles, without written approval from Commandant (CG-103). When a vehicle is disposed of, the license plates issued to that vehicle shall be returned to Commandant (CG-103). Vehicles shall be disposed of in accordance with the Property Management Manual, COMDTINST M4500.5 (series), the Motor Vehicle Manual, COMDTINST M11240.9 (series), and the Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13 (series).
 - c. For the purpose of efficiencies, other NAFIs may request MWR license plates for use on their vehicles provided that the NAFI is in full compliance with this section and that any related insurance costs are fully reimbursed to the NAF Consolidated Insurance Fund.
7. All NAFIs shall establish and maintain records and reports for NAF vehicles as required for all other Coast Guard vehicles as described in the Motor Vehicle Manual, COMDTINST M11240.9 (series). License plates issued by Commandant (CG-103) are accountable property. Any losses of these license plates shall be immediately reported to Commandant (CG-103) and the local Coast Guard Investigative Service office.

L. Information Systems.

1. NAF Information Resources.

a. Computer Resources.

- (1) NAF computer resources may be used for authorized purposes only.
- (2) The use of this equipment for any other purpose is governed by Limited Personal Use of Government Office Equipment, COMDTINST 5375.1 (series).
- (3) NAF computers shall only be loaded with officially licensed software. No personal software shall be loaded on NAF computers.

b. Data Communications.

- (1) Access to the Internet using NAF equipment or resources is limited to authorized individuals for authorized purposes only.
- (2) Use of NAF equipment or resources for the development, implementation, or maintenance of websites is limited to official business only.

2. NAF Office Equipment.

- a. Limited Personal Use of Government Office Equipment, COMDTINST 5375.1 (series), provides policy for the use of Coast Guard office equipment (including NAF equipment) for other than official business.

- b. Government office equipment includes, but is not limited to, computer resources, peripheral computer equipment and software, library resources, telephones, facsimile machines, photocopiers, office supplies, and connectivity to the Internet.
3. Privacy Expectations. In accordance with Limited Personal Use of Government Office Equipment, COMDTINST 5375.1 (series), any person using NAF government office equipment has neither a right nor an expectation of privacy. By using NAF government office equipment, all personnel imply consent to monitoring, recording, and disclosing the contents of any files or information maintained or passed through NAF office equipment, with or without cause. In addition, any use of government communications resources is made with the understanding that such is generally not secure, is not private, and is not anonymous.

M. Coast Guard Trust Fund Remittances and Payments From NAFIs.

1. Periodically, NAFIs are required to make remittances to other Trust Fund accounts or to sub accounts within the NAFI to conduct efficient business of the Trust Fund Board. The following are required payments or remittances:
 - a. Remittances to MWR from CGES of net annual available profit for Service-wide use within the MWR program. The process for this distribution has been approved by the Trust Fund Board of Control and is defined in the Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13 (series).
 - b. Payments to the consolidated NAF Insurance Fund from NAFIs for insurance expense reimbursements of NAFIs. These reimbursable payments include worker's compensation costs and unemployment compensation expenses associated with NAF employees, general or excess liability premiums, any fidelity or property coverage for NAF programs, and reserve deposits for limited self-insurance coverage.
 - c. Payments to the Coast Guard Trust Fund for Commandant (CG-103) incurred NAF overhead expenses. This assessment is made against CGES sales for the costs of central NAF personnel expenses, operating expenses, and any other central expense authorized by the Coast Guard Trust Fund Board of Control. This assessment is also used to fund the personnel and payroll system for all approved NAFIs.
 - d. Remittances to provide funds from the available profits of CGES to the CGES Capital Improvement Fund for the purpose of capital improvements within CGES, which is maintained by Commandant (CG-103). The process for this distribution of CGES profits has been approved by the Trust Fund Board of Control and is defined in the Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13 (series).
2. At least annually, Commandant (CG-103) shall assess the Service-wide requirements and recommend adjustments to the Trust Fund Board payments and remittances.

3. Profits derived from MWR revenue generating activities operated in the field will be retained within the MWR program generating that profit unless redistributed by the chain of command. Losses incurred by revenue generating activities are the responsibility of the command incurring the loss, unless redistributed by the chain of command.
4. Any profits generated from CDC activities will be used in accordance with the policies established in the Child Development Services Manual, COMDTINST M1754.15 (series).

N. Credit and Debit Cards and the Military Exchange Credit (Star) Card.

1. Where feasible and consistent with good business practices, NAF operations will accept credit cards (including the military Star card) and debit cards for the purchase of goods and services. Credit and debit cards are not authorized for shipboard NAF operations unless specifically approved by Commandant (CG-103).
2. NAF concessionaires will determine whether or not to accept credit or debit cards, unless otherwise contractually obligated to do so.
3. There shall be no minimum sale amount for credit and debit card purchases. Prices shall not be increased to offset credit card costs and “discounts for cash,” or other alternatives that result in different prices depending upon the method of payment are also prohibited.
4. The Army and Air Force Exchange System (AAFES) will establish policies and procedures for the use of the military Star card within CGES.
5. The type of credit card or debit card program supported by CGES operations is determined by Commandant (CG-103). Local commands or cognizant authorities may establish credit card programs for other NAF operations under their control based on the restrictions identified here and sound business practices.

O. Food and Beverage Operations.

1. NAF food and beverage operations are classified as Category C MWR activities, as defined in the Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13 (series). Policies and procedures regarding the establishment and operation of these activities are found in that directive.
2. A NAFI shall not establish a food and beverage operation in direct competition with another existing NAFI operation.

P. Personal Service Activities.

1. Authorized personal service activities include all those operations, other than merchandise resale or food operations that are commonly needed by authorized patrons. These activities include, but are not limited to such operations as barbering, beauty shops, laundry and dry cleaning services, clothing alterations, video tape, video disc, and video player rental, long-distance telephone service centers, and other approved service and retail operations.
2. The authority to provide specific personnel services are defined in Exhibit 2-1 of this Manual.

Q. Check Approval and Check-Cashing Policy.

1. NAFIs are authorized to cash personal checks for eligible patrons in amounts consistent with good business practices not to exceed \$100. Proper identification shall be presented prior to cashing any "first party" checks. For the purposes of this Manual, first party checks are defined as those made payable to the NAF activity and signed by the presenter. No other checks shall be accepted.
2. The check-cashing policy shall be posted in locations authorized to cash checks. All returned checks are subject to service charges assessed by the financial institution and local NAF handling charges. Checks returned for insufficient funds are subject to collection through the U.S. Treasury and the issuer of the check is subject to disciplinary and/ or other administrative or legal action.

R. NAF Property Accountability. NAFIs shall develop procedures for the management and oversight of property procured with nonappropriated funds. NAFIs shall maintain property records in accordance with the Property Management Manual, COMDTINST M4500.5 (series) and shall define accountable property using the same definitions for accountable property procured with appropriated funds. Reportable NAF property shall be inventoried at least annually in conjunction with an audit. Additionally, in order to facilitate APF fund Coast Guard Financial Statement preparation, all capitalized APF property of the NAFI must be inventoried during the last quarter of the appropriated fiscal year (July through September). This inventory shall be reconciled with property records.

SAMPLE CGES AND MWR ACTIVITIES

CGES ACTIVITIES

Main Store
Annex Store
Convenience Store
Auto Parts Store
Food Store
Gasoline Station
Package Liquor Store
Satellite Store
Pro Shops (i.e. Golf and Bowling)
Barber/Beauty Shop
Auto Repair, Garage, Car Wash
Laundry & Dry Cleaners
Repair Shops
Tailor
Florist
Optician
Vending Operations
Automated Teller Machines (ATMs)

MWR ACTIVITIES

Hobby Shops (auto, etc.)
Vending Operations
(Under certain conditions as contained in
the Coast Guard Morale, Well-Being,
and Recreation Manual, COMDTINST
M1710.13B)
Bowling Centers
Golf Courses
Swimming Pools
Sport/Athletic Programs
Theaters
Boating and Sailing
Teen Clubs
Game Rooms
Camping, Hunting, & Fishing
Informal Sports
Gear Lockers
Camper Rentals
Ticket Programs
Dependent Activities
Dances, Parties, & Shows
Libraries
Lodging Activities
Magazines and Newspapers
Child Development Centers
Fitness Centers
Food and Beverage Operations

CHAPTER 3. NAF BUSINESS ACTIVITIES

- A. Introduction. One of the primary objectives of NAFIs is to provide quality goods and services at competitive prices to eligible patrons as part of the non-pay compensation benefit. To this end, NAFIs consist of a complex mix of activities that may be authorized some level of APF support. This Chapter identifies general types of business activities within NAFIs and the processes required in establishing and disestablishing them. For the purpose of this Chapter, “*business activities*” are those that have the highest capability to generate revenue through the sale of goods and services to eligible patrons.
- B. Authorized NAF Business Activities.
1. All business activities as categorized and authorized in the Coast Guard Morale, Well-being, and Recreation Manual, COMDTINST M1710.13 (series). These activities shall be operated exclusively at commands by the MWR program.
 2. Activities selling merchandise to eligible patrons are retail activities. Examples of retail operations include exchanges, groceries, garden shops, package stores, “toylands,” gift shops, sight and sound shops, and convenience stores. CGES has the exclusive right to sell merchandise for resale at Coast Guard installations. In many instances, at smaller operational commands where no local CGES exists, it may not be cost effective for CGES to sell unit-specific merchandise, such as hats, mugs, and logo shirts. In these instances, units are authorized to sell this merchandise through their morale fund, provided that authorization is obtained in writing from Commandant (CG-103).
 3. An activity selling petroleum products, automotive accessories, parts and tools are automotive and service stations. CGES has the exclusive right for establishing automotive service station activities at Coast Guard commands. This activity shall not conflict and has a different purpose than the MWR Category B automotive skills development center, or auto hobby shop, and the incidental sale of parts necessary for individuals to fix and repair their own vehicles.
 4. An activity that provides merchandise for resale through machines is vending. Vending operations may either be CGES or MWR activities as detailed in Chapter 9.I., of this Manual. CGES has the exclusive right to vending operations ashore unless documented that a command’s MWR program may operate vending at specified locations. Afloat commands are authorized to operate vending activities through their MWR programs.
 5. Any other resale-type activity not previously defined is “other.” These include, but are not limited to activities like dry cleaning and laundry services, hair salons, shoe and watch repair, optical services, flower shops, and unofficial telecommunications services. These activities are the responsibility of CGES to establish at Coast Guard commands.

C. Establishing NAF Activities.

1. In order to accommodate the ever-changing desires of eligible patrons, commands must consider establishing new or different NAF activities from time-to-time. Any new business activity can pose a degree of risk, not only to the local NAF activity's net worth, but also to the consolidated NAF insurance program. As such, these NAF activities shall not be established at Coast Guard commands without written authorization from the affected Program Manager. Commands desiring to establish a NAF activity shall forward their written request to Commandant (CG-103) through the appropriate cognizant authority and chain of command. This written request shall contain a detailed business plan that shall include the following information:
 - a. NAF activity desired.
 - b. Results from customer surveys documenting demand for the NAF activity.
 - c. Demographics of the eligible patron base that is expected to support this NAF activity. This should include information such as numbers, ages if applicable, and types of eligible patrons (active duty, dependents, retirees, etc).
 - d. Location and distance to the nearest military installation having similar activities.
 - e. Availability of similar activities in the local community.
 - f. Price comparisons with local establishments and local military installations providing similar activities.
 - g. Facilities and furnishings available to support the NAF activity.
 - h. *Pro forma* income statement presenting the projected revenue and expenses associated with the operation of the NAF activity. In general, NAF activities that are not projected to be profitable will not be approved.
 - i. Any documentation from affected host or tenant commands regarding the establishment of the NAF activity.
 - j. The completion of required training. This is especially critical in the proposed establishment of a food and beverage operation.
2. Initial capitalization or additional funding requirements for establishing the NAF activity must also be submitted in writing to the Program Manager. Return on Investment calculations must also be submitted along with the expected payback period for any initial capital outlay expected.

3. If approved, written authorization for the establishment of the NAF activity shall be provided. These letters of authorization shall be retained in command files until the NAF activity is disestablished.

D. Disestablishing NAF Activities.

1. When disestablishing NAF activities, commands shall address in writing to the appropriate cognizant authority and chain of command, the following information:
 - a. Comments from affected host or tenant commands regarding the proposed disestablishment.
 - b. Reasons for the proposed action.
 - c. Actions taken to prevent disestablishment.
 - d. The property associated with this operation and its disposition. Excess and unserviceable property used in a NAF activity, shall be disposed of in accordance with the policies established by the NAFI.
 - e. The cancellation of all outstanding NAF procurements associated with this operation.
 - f. The survey of non-saleable resale merchandise on hand and the disposition of inventories. In many instances, inventory should be sold to other authorized NAF activities or returned to vendors for credit.
 - g. All liabilities must be satisfied using local NAF dollars, including any potential unemployment compensation claims.
 - h. Assurance that all applicable requirements of the Nonappropriated Fund (NAF) Personnel Manual, COMDTINST M12271.1 (series) have been strictly followed.
 - i. The notification of the cognizant authority of any potential unemployment compensation claims that may result from the disestablishment.
 - j. The disposition of other NAF activity assets.
 - k. A copy of the final financial reports for the NAF activity.
2. Upon review and approval of all actions taken incident to the disestablishment, Commandant (CG-103) shall provide the affected command written acceptance of the disestablishment. Once disestablished, a NAF activity shall not be reestablished without going through the process as detailed above for establishment.

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CHAPTER 4. CASH MANAGEMENT/NAF CONTROL, BANKING, AND INVESTMENTS

A. Cash Management. The Coast Guard NAF Cash Management program utilizes a central banking system for the rapid collection and concentration of cash receipts, efficient disbursement of funds, and the investment of cash. Participation in this program is mandatory for all CGES activities and available to other NAFs on a modified basis. Satellite and independent exchanges however, may not participate in this program.

1. For CGES operations, as discussed in section B of this Chapter, a central bank structure is in place to concentrate all CGES cash receipt and disbursement activity. Central accounts, managed by Commandant (CG-103), have been established to collect all cash receipts, to process Automated Clearing House (ACH) and Electronic Funds Transfer (EFT) transactions, to pay vendors, and to process payroll. These accounts are set up as zero balance accounts such that all disbursements from and deposits to these accounts will be liquidated against the single concentration account on a daily basis or as standalone accounts. All daily sales receipts deposited into local banks will be electronically transferred into the concentration account daily. Commandant (CG-103) will oversee these processes.
2. Other Coast Guard NAFs may participate in a modified cash management system by sending a written request to Commandant (CG-103) via the appropriate chain of command. NAFs should follow existing program guidance on cash management prior to submitting such a request. Under a modified process, non-CGES activities must acquire their own local depository accounts or make deposits directly to the central banking account set up for that activity. Activities having accounts under the central system will be able to participate in quarterly interest distributions generated through the concentration of system cash and will not have to pay banking fees associated with their account under the central banking system.

B. Banking.

1. Most Coast Guard NAFs are consolidated under a centrally controlled banking structure. The structure directs the flow of NAFs from local depository bank accounts into a concentration account. This permits positive identification and control of all cash assets within the system, field access to the disbursement accounts, minimization of banking costs, and the facilitation of the investment of the funds to maximize interest revenue. Limiting the numbers of banks participating in this system facilitates easy concentration of funds for control and investment. Whenever feasible, use of the Coast Guard NAF cash management lead bank should be considered.
2. Implementation of NAF banking is as follows:
 - a. All CGES activities must use the central banking system. Local depository accounts for CGES activities will be designated by Commandant (CG-103) and the movement of cash through the system from local depository accounts to the concentration account will be controlled by Commandant (CG-103).

- b. Other NAF accounts may participate on a modified basis in this central banking structure as authorized in their respective program directives. To participate, NAF activities must submit a written request to Commandant (CG-103) via the appropriate chain of command.
- c. NAF activities desiring to withdraw from the cash management system must submit written requests to Commandant (CG-103) via the chain of command.
- d. Local bank selection for NAF accounts should be based on several factors. Priority should be given to banks that are located within close proximity to the operation to provide for timely and secure deposits. Service fees and quality of service should also impact bank selection. Required services include:
 - (1) Depository services by store numbers.
 - (2) Coinage and bill exchange services.
 - (3) Check cashing services.
 - (4) Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), or National Credit Union Administration (NCUA) membership.
 - (5) ACH membership.

C. Investments.

- 1. All cash in the centrally controlled banking structure in excess of daily operating requirements will be invested to generate additional income for operations. Cash will be invested in interest-bearing accounts or securities as specified in this Chapter and managed in accordance with the Rules and Regulations of the Coast Guard Trust Fund.
- 2. All funds in NAFI accounts participating in the NAF cash management fund will be pooled for investment; all investments will be made by Commandant (CG-103). Non-Trust Fund NAF cash investments will be governed by guidance from the appropriate Program Director. NAFIs authorized to participate in the NAF Cash Management Fund and the central banking systems are identified in the Rules and Regulations of the Coast Guard Trust Fund.
- 3. Funds may be invested in commercial institutions insured by FDIC, FSLIC or collateralized in advance with pledged U.S. Government Securities. The funds are to be invested in the following items:
 - a. Obligations of the Federal government including savings bonds, Treasury bills, certificates of indebtedness, and Treasury notes and bonds.

- b. Obligations of government instrumentalities including Federal Intermediate Credit Bank Debentures, Federal Home Loan Bank Notes, Federal Land Bank Debentures, and Banks for Cooperative Debentures.
 - c. FDIC insured bank savings accounts, time deposit accounts, and negotiable or registered certificates of deposit.
 - d. Savings and Loan shares and savings accounts insured by the FSLIC.
- 4. Investments shall be made through licensed financial institutions/brokers.
 - 5. Commands with NAF cash assets, not part of the Coast Guard NAF cash management program, are only authorized to invest in FDIC or FSLIC instruments such as savings accounts and certificates of deposit.

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CHAPTER 5. FISCAL MANAGEMENT

- A. Accounting Policy. All commands with NAF activities must be able to provide detailed accountability of their financial assets, liabilities, and net worth. They must also be able to report the financial results of operations over a specified period. The information below provides general guidance and procedure on setting up accountability for NAFI operations. More detailed guidance should be provided by the respective program directives.
1. The following general guidance applies to NAF accounting:
 - a. Accounting procedures meet the minimum acceptable requirements for all NAF activities.
 - b. As prescribed in Generally Accepted Accounting Principles (GAAP) for business activities, the accrual basis of accounting shall be used for all NAF activities, with the exception of small MWR programs that have no Category B or C MWR Activities, as defined in the Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13 (series).
 - c. All NAF activities operating Categories B and C MWR activities, are required to use the double entry method of accounting.
 - d. The use of accounting software packages, which capture all the information necessary to provide financial reports, is critical to the success of a NAF activity's ability to determine its financial status. Manual systems for smaller activities are acceptable as long as all program requirements are met.
 - e. The respective NAF Program Manager will establish standard financial reporting periods.
 - f. Financial reports will be prepared in accordance with Chapter 5.C. of this Manual.
 - g. Physical inventories of resale merchandise shall be conducted in accordance with Chapter 5.D. of this Manual.
 - h. Cash register over and short logs shall be utilized for internal control purposes.
 - i. Departmental sales data for major activities should be maintained. These records shall be maintained daily and totaled weekly, monthly and quarterly, depending on the size and complexity of the NAF activity.
 - j. Annual audits and/or financial reviews for all NAF activities are required as directed by the Program Manager.

2. The double entry accounting system provides the minimum information necessary to properly account for revenues, expenses, assets, liabilities, and the net worth of operations. This system gives management the information necessary for effective command and control. It may include the following:
 - a. Purchase Register.
 - b. Cash Disbursements Journal.
 - c. Payroll Journal.
 - d. Cash Receipts/Sales Journal.
 - e. General Journal.
 - f. General Ledger.
3. The standard chart of accounts is a listing of all accounts, which comprise the general ledger. Commands with NAF activities shall document and utilize a chart of accounts for their NAF general ledger. Exhibit 5-1 provides a numerical structure for a typical general ledger of accounts.
4. Purchase Register and Accounts Payable Ledger are maintained to record purchases and accounts payable. Source documents for posting to the Purchase Register may be purchase orders, receiving reports, merchandise transfer forms, cancellation orders, and purchase order adjustment letters.
5. The Cash Disbursement Journal is maintained to record all check disbursements.
6. Payroll Accounting involves the following policy:
 - a. The objectives of payroll accounting are to ensure accurate calculation of payroll and withholding amounts, maintain accurate leave records, calculate and remit taxes to appropriate authorities, and accumulate salary expense data for management purposes.
 - b. The Payroll Ledger is used to record all payroll information for individual employees.
 - c. The Payroll Ledger constitutes the earnings record for individual employees.
 - d. All employees of Coast Guard NAFIs shall be paid through the central payroll process maintained by Commandant (CG-103).
7. The Cash Receipts/Sales Journal is used to accumulate revenue information for the NAF activity.

8. The General Journal is used for the following:
 - a. The General Journal is used to record all transactions that cannot readily be entered elsewhere (i.e., bank service charges, provisions for asset replacement, accruals, or closeout entries).
 - b. Each entry recorded in the General Journal shall be posted to the General Ledger at the end of the accounting period.
9. The General Ledger contains the following requirements:
 - a. The General Ledger is a self-balancing record that summarizes financial activity for the entire activity.
 - b. Financial reports are prepared directly from the General Ledger or through the use of ledger sheets.
 - c. Posting sources for the General Ledger include the Cash Receipts, Sales Journal, Purchase Register, Cash Disbursements Journal, and General Journal.
10. Checks are a common form of payment for goods and services at all NAF activities. Although minimal, there is a risk in receiving checks not backed by sufficient funds. All NAF activities shall make every effort possible to collect on bad debt/returned checks. Exhibit 5-2 provides a list of Military Locator Addresses to assist in collecting bad debt. Coast Guard Non-Appropriated Fund Activity Dishonored Check Notification, CG-5287, is used to notify individual active duty members and their commands of dishonored check activity. Commandant (CG-103) will provide guidance and assistance with collecting from non-military patrons. The Pay Adjustment Authorization form, DD-139, is to be used to obtain reimbursement from pay offsets. Exhibit 5-2 shall be used for identify addresses to mail the DD-139.
11. The following guidance applies to the closing out of NAF accounting records:
 - a. As a minimum, the accounting records will be closed quarterly, corresponding to standard NAF reporting periods. All transactions through the last day of the accounting period shall be included in the operations of that quarter. Program Managers will provide specific requirements.
 - b. Exhibit 5-3 provides a summary of the preparation required to close out the General Ledger for an accounting period.
12. The following accounting files are required to be kept:
 - a. A Cash Receipts file should include the following documents grouped by date: bank deposit slips, exchange receipts, cash register tapes, and daily reconciliation forms. Daily cash receipt documents should be summarized, balanced, reviewed, and posted to the Cash Receipts - Sales Journal prior to filing.

- b. A Cash Disbursements file should include purchase orders (PO) with attached bills of lading and/or receiving reports, approved invoices, and other supporting documents. These files may be maintained by vendor, chronologically (typically monthly), by type of document, or by a combination of these. Documentation for active accounts, such as large vendors, tax authorities, etc., is best organized when filed by vendor. New files should be created at the beginning of each NAF fiscal year. All invoices and POs must be marked "PAID" and annotated with the date paid and check/voucher number.
- c. In addition to the copy in the cash disbursement file, a numerical file of all POs should be maintained in a Purchase Order file for reference.
- d. One copy of unsatisfied or blanket purchase orders should be maintained in a numerical or vendor file. Closed POs must be filed together with other disbursement documents.
- e. The Unmatched Receiving Document file should contain receiving reports/bills of lading that have not been matched with invoices and POs. Packing slips or delivery tickets should be attached to the appropriate receiving reports.
- f. The Accounts Payable file typically contains unpaid invoices, accompanied by POs and receiving reports (where appropriate). These items should be arranged in a tickler file by payment due date. Payments may be prepared in advance (such as when bill paying is done weekly) but should not be mailed until due. This will maximize earnings on NAF cash assets, while also taking advantage of prompt payment incentives.
- g. Merchandise Transfer Form file should be filed chronologically after posting to the appropriate ledger.
- h. Bank Statement files should contain monthly bank statements, reconciliations, cancelled checks, and other supporting documents.
- i. An accounting payroll file should be maintained separate from the personnel file. This file should contain current Individual Payroll Log-Hour forms.
- j. The Inventory File should contain inventory sheets, worksheets, Markup/Markdown Vouchers and other information pertaining to the physical inventory.
- k. Budget and Financial Statement file should contain financial statements (i.e., Income Statement, Balance Sheet, and Statement of Cash Flows) and all supporting worksheets.
- l. The Contracts and Agreements file should contain concession contracts, vendor agreements, loan agreements, satellite exchange agreements, etc.

- m. The Correspondence file should be a file of correspondence kept in accordance with the standard Coast Guard filing system.
 - n. The Accounts Receivable file should include layaway sales information and other receivable documentation. A small accounts receivable subsidiary ledger could be kept in this file; a card, cash register report, or a ledger system should be used when there are a large number of receivables transactions.
 - o. The Satellite Exchange Activity file should contain a copy of the satellite exchange agreement, monthly Status of Satellite Exchange Reports, and audits of the satellite exchange.
- B. Accounting Periods. Standard accounting periods are prescribed for Coast Guard NAFIs to help in structuring reporting cycles and as a basis for providing time periods for performance comparison. CGES accounting periods are consistent with those published by the National Retail Federation and are published each year with the budget formulation process by Commandant (CG-103). Specific guidance is provided in the CGES SOP. Other NAFI accounting/report cycles are published in the Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13 (series).
- C. Financial Reporting Requirements.
- 1. Financial reports are instrumental in determining the fiscal health of a unit and are essential tools for managers to make appropriate decisions. These reports are also necessary to ensure appropriate program oversight.
 - 2. The requirements of NAF financial reporting are:
 - a. Every NAF activity must, at a minimum, generate the following statements on a quarterly and annual basis:
 - (1) Income Statement. The Income Statement Report is used to summarize the revenues and expenses for each NAF activity and must calculate Net Profit.
 - (2) Balance Sheet. The Balance Sheet Report is used to report the assets, liabilities, and net worth for an individual NAF activity or group of NAF activities.
 - (3) Other reports. The Program Manager may require additional reports, as needed.
 - b. The Program Manager may direct a NAF activity to provide financial reports on a more frequent basis.
 - c. Due to the wide variety of businesses operated by NAFIs, it is expected that financial reports will need to be customized to provide useful managerial information. GAAP should be followed unless amended by the Program Manager. For example, assets may not be presented on balance sheets and depreciation may not be recorded.

- (1) For CGES, these instructions are published in the CGES SOP.
- (2) For MWR and CDCs, these instructions are published in the Morale, Well-Being and Recreation Manual, COMDTINST M1710.13 (series).
- (3) For any approved NAFI, Program Managers are required to develop financial reporting requirements.

D. Inventory Verification Procedures.

1. To establish procedures for the annual verification of physical inventories. Physical inventories are normally taken at the end of a fiscal cycle, but may also be taken at other times when special circumstances or problems require a more detailed record of on-hand inventories. The most logical time for this verification is at the end of the NAF fiscal year, which does not necessarily coincide with the end of the Federal fiscal year.
2. Book inventories are maintained by CGES throughout the year by tracking the additions, deletions, and price changes associated with inventory stock used in the operation. This is usually maintained on a stock ledger, which can be manually maintained or integrated with accounting software package in use. Interim profit/loss determinations are generally based on this book value of inventory. Annual profit/loss determinations are usually based on the results of the physical inventories taken at year-end. All other NAFIs shall maintain inventories on a lower of cost or market value unless specifically approved by the affected Program Manager.
3. Guidelines for preparation to conduct physical inventories are as follows:
 - a. A facility or floor plan should be prepared for the facility to be inventoried, including reserve stock space and remote stockrooms under the manager's supervision. This plan should include all fixtures, tables, racks, and displays in the space. Fixtures should be numbered sequentially ensuring thorough accountability. The plan is used to account for all locations, to estimate the number of inventory sheets needed, and to determine the workload required to conduct the inventory.
 - b. Inventory is arranged according to its proper classification or department designation, on each fixture or display. Quantities of each item should be arranged together. The contents of partially filled boxes should be removed and the boxes should be discarded, if practicable. If not, the contents of partially filled boxes must be counted during the inventory. Empty containers should be removed from counting areas. Item descriptions (including department numbers) and prices should be verified in advance of the inventory. All items awaiting return should be transferred to vendors for credit or repair prior to the inventory cutoff date established. Damaged or soiled merchandise that is not returnable should be marked down or written down to zero value, as appropriate.

- c. To ensure proper separation between goods to be inventoried and to be entered into accountability after the inventory date, the manager must establish an exact date and time for the physical inventory. The NAF activity manager will designate the cutoff date. This will determine a cutoff schedule for the receipt or shipment of goods and price changes. No transactions should be made between cutoff and the completion of inventory count.
 - d. On inventory day, an in-house count team will count all stock to be inventoried and enter quantities on the inventory form. Third party inventory companies generally use their own forms.
 - e. Upon completion of the inventory count, perform a recount of selected items. Concentrate primarily on high-value goods.
 - f. After the recount, all inventory sheets should be turned into the program accounting office for inventory valuation.
- E. NAFI Internal Audit and Control Procedures. Financial audits of NAF activities are required at least annually or at times prescribed by the Program Manager. Qualified Certified Public Accounting firms or government auditors may conduct audits. Commanding officers may appoint a local audit board to conduct periodic financial audits of MWR, CDC, or shipboard independent exchange activities. Financial reviews may be conducted between financial audits.
1. General principles of NAF internal controls are as follows:
 - a. NAF activities shall operate with well-defined internal controls in order to minimize risk and to safeguard NAF assets. An internal control review process shall be accomplished as directed by cognizant authorities of the NAF programs. Their reviews are intended to improve effectiveness and efficiency of the NAF programs.
 - b. This section contains the principles for testing compliance of the internal controls that should be developed and implemented by management. The results of these tests will be used to evaluate the appropriateness and effectiveness of the controls in question. This section does not list the specific controls, but rather creates a framework for testing the controls against actual practice and determining if the controls are appropriate and effective.
 - c. Due to the variety of businesses in which each NAF activity is involved, it is impossible to develop a standardized audit checklist to be all-inclusive. Instead, this section will discuss the guiding principles that cover all NAF activities in a NAFI.
 - d. Each NAF activity should develop written guidelines for developing and maintaining appropriate internal controls specific to that NAF activity.
 - e. Each NAF activity should develop a plan for periodic review to determine if a more detailed and thorough audit is necessary.

- f. Two levels of internal audits are:
 - (1) Targeted Review. Targeted review of specific internal controls in a particular area of business generally requires less labor and less time. It is possible that the results of a targeted review will lead management to request a more comprehensive auditor review. The targeted review is the most commonly used analysis of internal controls.
 - (2) Internal Audit. A complete internal audit is an extensive review of controls, which will span several departments and numerous functional areas of business. This typically requires more labor and more time, but will result in a more thorough analysis.
2. Internal audits or reviews must analyze whether the following types of controls are adhered to and whether or not the controls are effective.
 - a. Preventive. Preventive controls are intended to prevent errors or misappropriations from occurring. Some examples are separation of duties, dual signatures, reasonableness checks, accuracy checks, physical security of facilities, and supervisory reviews.
 - b. Detective. Detective controls are intended to identify errors after they have occurred. Some examples are reconciliation of bank statements, review of receiving paperwork, and physical inventory checks.
 - c. Corrective. Corrective controls resolve the problems identified by detective controls. Some examples are adjusting the stock ledger with physical counts, correcting the items on exception reports, and some adjusting journal entries.
 - d. Directive. Directive controls are mandates from management to local units to take some action to produce positive results. One example is the direction to hire intermittent workers.
 - e. Compensating. Compensating controls are controls that make up for a weakness in another area. Having a person that has no involvement with bank accounts do the reconciliation and having management sign the payroll sheets where personnel and payroll are run by the same person are examples of compensating internal controls.
3. Selection of an internal auditor contains the following elements:
 - a. Commands with NAF activates shall appoint, in writing, an internal auditor to conduct an internal audit or targeted review, as deemed appropriate. This appointment may not require the command to expend funds or seek additional personnel resources. Current employees already working for the NAF activity may be appointed as internal auditors.

- b. An internal auditor should be chosen based upon a person's expertise in a particular area along with an ability to effectively analyze controls, identify strengths and weaknesses, clearly draft recommendations, and present findings.
 - c. It may be appropriate to have more than one person conduct an internal audit or review. If two or more people are designated to conduct internal audits or reviews, they should have enough difference in skills to allow for a more thorough investigation.
 - d. The appointment letter must include the scope of the audit or targeted review, the controls that should be reviewed, the timeline for conducting the audit or review, and the deadline for submitting a written report.
 - e. Internal auditors must submit a written report of their findings to the commanding officer or Chief, Office of Coast Guard Exchange and MWR, Commandant (CG-103), for CGES. The report should address the internal controls listed in the designation letter including, at a minimum, the appropriateness and effectiveness of those controls, whether the controls are being adhered to, the strengths and weaknesses of those controls and recommendations for improving the controls.
4. There are numerous categories of controls with NAFIs.
- a. The following is a list of some categories of internal controls. The specific controls are found elsewhere in this Manual or in the particular NAFI's policy manuals, financial audits and reviews from auditors, personnel guidance, and Coast Guard policies and guidance:
 - (1) Financial Controls. Covers cash accountability, daily financial reports, internal cash controls, investments, bank reconciliations, etc.
 - (2) Accounting Controls. Covers timeliness and accuracy of financial reports, maintaining stock and other appropriate ledgers, issuing checks, processing bad checks, etc.
 - (3) Personnel Controls. Covers accounting of personnel payroll procedures, personnel file requirements, leave processing, identification card requirements, use of temporary, intermittent, part and full-time employees, training, etc.
 - (4) Operational Controls. Covers operational directives such as cash register operations, employee purchases, purchasing requirements, sale items, layaway procedures, merchandise signage, physical inventories, etc.
 - (5) Security Controls. Covers protection of government assets, maintaining high value item logbooks, theft prevention, purchase and maintenance of property, etc.

- b. The categories listed above are not all-inclusive, and depending on the scope of the internal audit or targeted review, one or more categories may be analyzed.

F. Budgeting.

1. NAF budgets are vital and integral components of an internal control system. The use of the budget through the year may alert management to possible incidents of fraud, waste, and abuse that may otherwise go undetected. The budget provides a proposed path to meet desired goals and objectives. Using the budget in conjunction with periodic assessments of the results of operation of the NAFI will give management the necessary information to determine whether they must make necessary changes to meet desired goals and objectives and to curb shrinkage. It must be remembered that budgets are living documents that must be used and amended throughout the year to provide the maximum benefit to the organization. The added challenge and risk in NAF budgeting is that revenue forecasts are as equally important as expenditure projections. This is especially critical for those commands operating NAF activities that generate significant revenues through the sale of goods and services. Since funding is not limited to annual appropriations restrictions, the forecast of a fund balance as a revenue source becomes an important element in the budget.
2. Units with NAF activities shall ensure that NAF budgets are prepared for each budget year. At a minimum, the budget shall contain an income statement and the appropriate balance sheet accounts for each quarter of the budget year. Discreet business activities shall be budgeted and presented independently so an assessment of the proposed impact on operating or net profit from these activities may be made. These NAF activities are expected at a minimum, to break even each year.
3. The Coast Guard Trust Fund Board of Control will approve certain NAF budgets each year as specified in the Coast Guard Trust Fund Rules and Regulations.
4. NAF activities that generate large sales volumes typically have commensurately high personnel costs. Since sales in these businesses tend to fluctuate cyclically or in consonance with the economy in general, managers must ensure that they properly monitor the personnel costs within the activity. This monitoring shall include the percentage of sales of both direct and indirect personnel expenses and the monitoring of the mix (full time, part time, and intermittent) of NAF employees within the activity. Commands with activities are expected to use their NAF budget as a tool in the proper control of personnel costs.
5. Program managers for NAFIs shall publish additional policies and procedures for the development, submission, review, and use of NAF budgets. They may require the preparation of additional schedules such as the sources and uses of cash statements in the management of larger NAF activities.

G. Security and Loss Prevention.

1. Adequate and enforceable security and loss prevention policies and procedures are essential for protecting assets in NAFIs of the Coast Guard.
2. Security and loss prevention systems are essential to the financial viability and integrity of Coast Guard NAF activities. There are many components of a well-rounded security and loss prevention system. Elements would include:
 - a. Internal theft prevention.
 - b. Physical security.
 - c. Facility security.
 - d. Procedures for handling counterfeit currency and other negotiable instruments.
 - e. Internal cash controls.
 - f. Keys, lock, and safes.
 - g. Warehouse access and security.
 - h. Patron and employee sales and refunds.
 - i. Cash register void and “No Sale” procedures.
 - j. Employee standards of conduct.
 - k. Shoplifting prevention.
 - l. Inventory control.
3. Commands operating NAF activities shall develop written security and loss prevention procedures, incorporating at a minimum those elements listed above, to minimize the exposure of nonappropriated fund assets to fraud, waste, and abuse. The Physical Security and Force Protection Program, COMDTINST M5530.1 (series) provides Coast Guard-wide guidance on physical security policies that are applicable to NAFIs.

H. Civil Recovery for NAFI Costs Related to Shoplifting.

1. The Debt Collection Act was amended to allow instrumentalities operating Federal retail stores to pursue losses and administrative costs directly relating to shoplifting, theft detection, and theft prevention as claims of the United States recoverable through existing Federal debt collection methods. The NAFI Civil Recovery Program is a deterrent to shoplifting and provides Coast Guard NAFIs a method to recoup actual and administrative costs related to shoplifting, theft detection, and theft prevention.

2. A person who commits the offense of shoplifting shall be liable to the NAFI for:
 - a. Actual damages: This is the retail value of stolen merchandise if it is not recovered. If the merchandise is recovered but damaged, then actual damages are computed by subtracting the reduced saleable price from the retail price. If the merchandise was recovered but not in merchantable condition, then actual damages equal the retail price of the merchandise.
 - b. Administrative costs: This is the expense incurred for recovery of the merchandise, as well as theft detection and theft prevention. The standard cost is \$200 but may from time-to-time be amended.
3. A parent, guardian, or other person having legal custody of an unemancipated minor who commits the offense of shoplifting, shall be liable to the appropriate NAFI for the damages and costs specified in this section. Additionally, military sponsors are responsible for their dependent members.
4. The Civil Recovery Program is separate from any criminal prosecution initiated by appropriate legal authority and a conviction or a plea of guilty for theft is not necessary to pursue civil recovery under this section. The collection action is in addition to any criminal, disciplinary action, or suspension of privileges.
5. After the Incident Report is submitted, the appropriate NAF activity manager of the facility where the incident occurred shall begin collection action under the Civil Recovery Program. The Civil Recovery Demand Letter as contained in Exhibit 5-4 shall not be handed to the suspected shoplifter at the time of the incident. Guidance on completion of the Incident Report will be provided by Commandant (CG-103).
 - a. A demand letter shall be sent to the suspected shoplifter or the sponsor within 7 to 30 days after the shoplifting incident. The demand letter should include a complete description of the stolen property and its value, the date the shoplifting occurred, the date and place the payment should be made, and should inform the individual of the consequences of failure to make payment. This written demand should be sent via certified mail. The substance of the letter shall comply with Exhibit 5-4 (Civil Recovery Program Notice).
 - b. If a demand for payment of damages is made and a reply is not received within 30 days, a follow-up letter shall be sent via certified mail. The substance of the letter shall comply with Exhibit 5-5 (Civil Recovery Program, Final Notice).
 - c. At approximately the same time as the follow on demand letter is sent, the appropriate NAF Activity manager should send a letter to the sponsor's, or suspected shoplifter's unit commanding officer explaining the debt and requesting collection assistance. The substance of the letter shall comply with Exhibit 5-6 (Civil Recovery Indebtedness Notice to Unit CO).

- d. Payments will be made to the local NAF activity. A receipt shall be processed for the payment to prove restitution per Exhibit 5-7 (Civil Recovery Payment).
6. The suspected shoplifter may seek review of the debt by presenting evidence, in writing, concerning the shoplifting to the CGES Deputy Director of Operations (DDO), the unit MWR Officer, or any NAFI Program Manager. The debt may be waived when the evidence establishes that more likely than not there was no intent to deprive the NAF activity of the property. The debt may also be waived for compassionate or hardship reasons. Any review and decision shall be made in writing within a reasonable period of time from receipt of the request for review. The DDO, MWR Officer, or NAFI Program Manager cannot further delegate this responsibility. The substance of the letter shall comply with Exhibit 5-8 (Civil Recovery Review of Waiver Request Letter).
7. If the suspected shoplifter or sponsor does not pay the debt within 90 days of the first notice, the debt will be transferred to Commandant (CG-103), Attention: Finance, for collection in accordance with the Debt Collection Act. Copies of the incident report, demand letters, proof of receipt of demand letters, commanding officer/unit MWR Officer's notification letters, any request for review and the decision letter will be included in this submission.
8. All NAF privileges of the suspected shoplifter and sponsor shall be suspended until the debt is paid or waived.

I. NAFI Management Assistance Program.

1. Oversight of any program, at the command level, or from organizations outside the chain of command, is an integral component of an internal control program. Program oversight helps provide reasonable assurances that programs are being operated efficiently and effectively; that the risk of fraud, waste, and abuse is minimized and acceptable; and that the goals and objectives of the program are being met. Oversight is especially important in nonappropriated fund programs because of the inherent risks associated with resale activities.
2. The oversight responsibility may be accomplished through a variety of means such as:
 - a. Unit self-assessments.
 - b. Certified Public Accountant financial/program audits and reviews.
 - c. Coast Guard inspections.
 - d. Inspector General audits.
 - e. General Accounting Office audits.
 - f. Program Manager reviews.
 - g. Office of Management and Budget reviews and assessments.

3. Management-Assist Visits of NAFI programs contain the following elements:
 - a. The management of NAF programs and instrumentalities can be challenging. These programs typically involve a complex mix of APF and NAF resources that may be governed by complex and detailed policies and regulations. At times, in order to gain access to the benefits of these NAF programs, commands may assign collateral duty personnel to manage these complex activities.
 - b. To assist commands in this management, Program Managers with NAFIs shall develop a management assist visit program. These visits may include but are not limited to the following:
 - (1) Analysis of staffing plans.
 - (2) Studies of cost-control procedures for food and retail operations.
 - (3) Comparison of selling prices in all areas within the civilian sector.
 - (4) Analysis of the true level of service being provided to all patrons.
 - (5) Inventory levels and analysis of key financial and business ratios.
 - (6) Stock assortment selection.
 - (7) Purchasing procedures designed to maintain the lowest prices to patrons.
 - (8) Studies of the most effective uses of personnel and physical resources.
 - (9) Studies of security exercised over merchandise and negotiable instruments.
 - (10) Plans for capital improvements.
 - (11) Evaluations of the ability to meet or exceed planned results or benefits.
 - (12) Reviews of accounting, documentation, and record maintenance.
 - (13) Conformance with directives, policies, and regulations.
 - c. Commands may request assistance visits from the applicable Program Manager. Program Managers, in the exercise of their oversight responsibilities, may also schedule assist visits.
- J. Fiduciary Responsibility. There is an individual fiduciary responsibility to use NAFs properly and prevent waste, loss, mismanagement, or unauthorized use. This responsibility extends to all Coast Guard personnel including uniformed members, and APF and NAF civilian employees.

EXHIBIT 5-1

CHART OF ACCOUNTS

ASSETS (1000 Series)

- CURRENT ASSETS
 - CASH
 - INVENTORY
 - CHECKING ACCOUNT
 - ACCOUNTS RECEIVABLE
 - SHRINKAGE ALLOWANCES
 - PREPAID EXPENSES
 - OTHER CURRENT ASSETS

- NONCURRENT ASSETS
 - FIXED ASSETS
 - FURNITURE & FIXTURES
 - VEHICLES
 - OTHER
 - OTHER NONCURRENT ASSETS

LIABILITIES (2000)

- CURRENT LIABILITIES
 - ACCOUNTS PAYABLE-VENDORS (TRADE)
 - ACCRUED LIABILITIES
 - LOANS
 - OTHER CURRENT LIABILITIES

- LONG TERM LIABILITIES
 - TRUST FUND LOANS

NET WORTH (3000 series)

- UNRESERVED RETAINAGE
- RESERVED CAPITALIZATION OF FIXED ASSETS

REVENUE (4000 series)

- SALES
- INTEREST INCOME

DIRECT EXPENSES (5000 series)

- PURCHASES FOR RESALE
- DIRECT PERSONNEL COSTS
 - SALARIES (GROSS)
 - EMPLOYER FICA
 - GROUP INSURANCE
 - RETIREMENT
 - OTHER PERSONNEL COSTS
- OTHER DIRECT EXPENSES
 - UTILITIES
 - SUPPLIES
 - REPAIRS AND MAINTENANCE
 - POSTAGE AND SHIPPING
 - CASH OVER AND SHORT
 - BAD DEBTS AND CHECKS
 - SHRINKAGE EXPENSE

INDIRECT EXPENSES (6000 series)

- GENERAL AND ADMINISTRATIVE (G&A) EXPENSES
- GENERAL AND ADMINISTRATIVE PERSONNEL
- PROVISION FOR ASSET REPLACEMENT
- OTHER (G&A) EXPENSES
 - UTILITIES
 - TELEPHONE
 - POSTAGE AND SHIPPING
 - OFFICE SUPPLIES
 - TRAVEL AND ENTERTAINMENT
 - EMPLOYEE TRAINING
 - EQUIPMENT RENTAL
 - AUDIT FEES
 - ACCOUNTING COSTS
 - BAD DEBTS
 - BANK CHARGES

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EXHIBIT 5-2

MILITARY LOCATOR ADDRESSES

ALL BRANCHES

U. S. ARMY

Active Duty
Reserve
National Guard

Directorate of Army Military Pay Services & Support
Division
DFAS-IN-FJESR, #104
Receipt Branch
8899 E. 56th St.
Indianapolis, IN 46249-0865
(317) 510-4399 Garnishments
Fax: (317) 510-2992
Army Code #041171

U. S. NAVY

Active Duty
Reserves

DFAS
ATTN: DFAS-GAG/CL
1240 East 9th St.
P. O. Box 998002
Cleveland, OH 44199
Tel. (866) 859-1845
Fax: (216) 522-6960
Navy Code: #D411716

U. S. AIR FORCE

Active Duty
Reserves and Air National Guard
(Substitute: Denver Center, ATTN:
DFAS-DE-FJPR)

DFAS
Denver Center, ATTN: DFAS-DE-FJFBAI
6760 E. Irvington Place
Denver, CO 80279-5000
Tel. (303) 676-6828/29/30

Active Duty
Reserve

U. S. MARINE CORPS

DFAS
ATTN: KCC-FBL
1500 East Bannister
Kansas City, MO 64197-0001

ALL DOD RETIRED

DFAS- CL
Retired Pay Ops (ROC)
1240 East 9th St.
Cleveland, OH 44199

Active Duty
Reserve
Retired

U. S. COAST GUARD

Commanding Officer
Personnel Service Center
444 SE Quincy St.
Topeka, KS 66683
(785) 339-3611
Fax: (785) 339-3767

SEPARATED MEMBER

National Personnel Records Center
Military Personnel Records
9700 Page Ave.
St. Louis, MO 63132

EXHIBIT 5-3

MONTH/QUARTER-END POSTING AND TRIAL BALANCE PREPARATION

- (1) Complete journalizing of daily accounting transactions through the last day of period.
- (2) Review documentation to ensure that all transactions through the cutoff date have been collected.
- (3) Post general ledger accounts from books of original entry.
- (4) Compute the end-of-period balances in each of the general ledger accounts.
- (5) Enter general ledger account balances to trial balance worksheets. Cash assets should be listed first followed by other accounts in numerical sequence.
- (6) Allow debit and credit columns on the trial balance for adjustments, accruals, and final/report balances.
- (7) If calculations of gross profit by department are being made, then breakout sales, purchases, and inventory accounts by department.
- (8) Total all debits and all credits to check equality. Research discrepancies.
- (9) Determine that the end-of-period checking account balance per reconciled bank statement equals both the checkbook balance and General Ledger balance.
- (10) Compare balances of subsidiary ledgers (receivables, payables, etc.) to the General Ledger control accounts.

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EXHIBIT 5-4

**U.S. Department of
Homeland Security**

**United States
Coast Guard**



Format this document locally.

SSIC (fill in)
(Date)

Name of Person
Address
City, State, Zip code

CIVIL RECOVERY PROGRAM NOTICE

Dear _____,

This Nonappropriated Fund (NAF) Activity has a report showing that on (date) you or your family member (fill in name), was detained for taking (fill in by providing a description of the item(s) taken) without permission and without paying for them. Federal law authorizes CGES/MWR to demand in writing that you pay the following actual and administrative costs related to shoplifting, theft detection and theft prevention, as applicable:

1. Actual cost(s):
 - a. Return the property in salable condition or pay to us \$ (fill in or leave blank), which represents the full retail price or the remaining balance of the full retail price of the property.
 - b. Pay \$ (fill in or leave blank), which represents the full retail price of the recovered property that is not in salable condition.
 - c. Pay to us \$ (fill in or leave blank), which represents the full retail price minus the resale value of the damaged property.
2. Administrative costs: \$ 200.00
3. Total amount demanded: \$ (fill in amount)

Upon request, a copy of the records relating to the debt is available from the CGES/MWR Headquarters located in Chesapeake, VA, from the Director of Administration at (757) 420-2480.

To repay your debt, please submit cash, check or money order to (location such as cashier cage, cashier, or customer service) no later than 30 days from the date this notice is mailed. For debts that exceed \$400, a reasonable written repayment agreement may be available if requested.

Subject: Civil Recovery Program Notice

SSIC
Date

If you disagree with this demand, or believe that all or part of this debt is not valid or legally enforceable, you must send a letter or evidence within 30 days to the Deputy Director of Operations (DDO)/MWR Officer/NAFI Program Manager at the following address: (fill in name and address). You will be informed of his/her decision.

This letter serves as notice that if you fail to pay your debt within 60 days of the date of this notification, CGES/MWR may take the following actions as appropriate:

1. Assess interest and penalties under the provisions of 32 U.S.C. 3717. Interest shall be applied 60 days from the date of this notice, at the Treasury, Tax and Loan (TT&L) rate. Penalties shall be applied at the annual rate of 6%.
2. Disclose your indebtedness to a consumer-reporting agency under the provisions of 31 U.S.C. 3711. This information will include your name, address, taxpayer identification number, amount and history of the debt.
3. Initiate collection action of this indebtedness through salary offset as authorized by U.S. Coast Guard Pay Manual, COMDTINST M7220.29 (series), Chapter 11 for military members, or from any U.S. Government Agency, if applicable, under provisions of 5 U.S.C. 5514.
4. Initiate action to offset the amount of your debt against any disbursement of the Department of the Treasury to which you may be entitled, to include offset against Federal Income Tax refunds. This action is taken pursuant to the Deficit Reduction Act, 26 U.S.C. 6402(d), and 31 U.S.C. 3720A. However, you will still be responsible for payment of any remaining balance on your account if such offset is inadequate to satisfy your debt.
5. Turn the debt over to a private collection agency for collection action.
6. Refer the debt to the Department of Justice for litigation.
7. Refer the debt to the U.S. Department of the Treasury for any of the above-described collection actions.

Your check cashing and Military Star privileges have been suspended. If you voluntarily pay the Civil Recovery amount shown above within 60 days from the date of this notice, these privileges will be reinstated provided that there are no other delinquent debts. Amounts not paid within 30 days from the date of this notice will be reported to your Commanding Officer/Officer in Charge. These civil proceedings do not prevent criminal prosecution for the alleged act of shoplifting.

If you file for bankruptcy before the debt has been paid, you must notify CGES/MWR Headquarters immediately. Additionally, providing knowingly false information is punishable under federal criminal laws, including the UCMJ, and may result in criminal prosecution and/or adverse personnel actions.

Signature Block

EXHIBIT 5-5

**U.S. Department of
Homeland Security**

**United States
Coast Guard**



Format this document locally

SSIC: (fill in)
(date)

Name of Person
Address
City, State, Zip Code

CIVIL RECOVERY PROGRAM – FINAL NOTICE

Dear,

This Nonappropriated Fund (NAF) activity has a report showing that on (date) you or your family member (fill in name) was detained for taking ((fill in by providing a description of the item(s) taken)) without permission and without paying for them. Federal law authorizes CGES/MWR to demand in writing that you pay the following actual and administrative costs related to shoplifting, theft detection and theft prevention, as applicable:

1. Actual costs: \$ (fill in amount)
2. Administrative costs: \$ 200.00
3. Total amount demanded: \$ (fill in amount)

Upon request, a copy of the records relating to the debt is available from the CGES/MWR Headquarters located in Chesapeake, VA, from the Director of Administration at (757) 420-2480.

To repay your debt, please submit cash, check or money order to (identify location such as cashier cage, cashier, or customer service) no later than 30 days from the date this notice is mailed. For debts that exceed \$400, a reasonable written repayment agreement may be available if requested.

If you disagree with this demand, or believe that all or part of this debt is not valid or legally enforceable, you must send a letter or evidence within 30 days to the Deputy Director of Operations (DDO)/MWR Officer/NAFI Program Manager at the following address: (fill in name and address). You will be informed of his/her decision.

CIVIL RECOVERY PROGRAM

SSIC
Date

This letter serves as notice that if you fail to pay your debt within 60 days of the date of this notification, CGES/MWR may take the following actions as appropriate:

1. Assess interest and penalties under the provisions of 31 U.S.C. 3717. Interest shall be applied 60 days from the date of this notice, at the Treasury, Tax and Loan (TT&L) rate. Penalties shall be applied at the annual rate of 6%.
2. Disclose your indebtedness to a consumer-reporting agency under the provisions of 31 U.S.C. 3711. This information will include your name, address, taxpayer identification number, amount and history of the debt.
3. Initiate collection action of this indebtedness through salary offset as authorized by U.S. Coast Guard Pay Manual, COMDTINST M7220.29 (series), Chapter 11 for military members, or from any U.S. Government Agency, if applicable, under provisions of 5 U.S.C. 5514.
4. Initiate action to offset the amount of your debt against any disbursement of the Department of Treasury to which you may be entitled, to include offset against Federal Income Tax refunds. This action is taken pursuant to the Deficit Reduction Act, 26 U.S.C. 6402(d), and 31 U.S.C. 3720A. However, you will still be responsible for payment of any remaining balance on your account if such offset is inadequate to satisfy your debt.
5. Turn the debt over to a private collection agency for collection action.
6. Refer the debt to the Department of Justice for litigation.
7. Refer the debt to the U.S. Department of the Treasury for any of the above-described collection actions.

If you voluntarily pay the Civil Recovery amount listed above within 60 days from the date of the first notice, your check cashing Military Star privileges will be reinstated provided that there are no other delinquent debts.

Notification of your Civil Recovery indebtedness is being sent to your Commanding Officer/Officer in Charge.

These civil proceedings do not prevent criminal prosecution for the alleged act of shoplifting. If you file for bankruptcy before the debt has been paid, you must notify CGES/MWR Headquarters immediately. Additionally, providing knowingly false information is punishable under federal criminal laws, including the UCMJ, and may result in criminal prosecution and/or adverse personnel actions.

(signature block)

EXHIBIT 5-6

U.S. Department of
Homeland Security

United States
Coast Guard



Format this document locally

SSIC
Date (fill in)

MEMORANDUM

From:

Reply to
Attn of:

To: Commanding Officer

Subj: CIVIL RECOVERY INDEBTEDNESS - (FILL IN NAME AND SSN)

1. On (date) the above named individual or a family member (fill in name) was detained for taking from us ((fill in by providing a description of the item(s) taken)) without permission and without paying for them. Federal law authorizes Coast Guard Nonappropriated Fund (NAF) Activities to demand in writing that the debtor pay the following actual and administrative costs related to shoplifting, theft detection and theft prevention:
 - a. A. Actual costs: \$ (fill in amount)
 - b. B. Administrative costs: \$ 200.00
 - c. C. Total amount demanded: \$ (fill in amount)

2. Despite our previous notice mailed to the individual, the civil recovery, identified above remains unpaid. Prior to initiating an involuntary collection action, we are required to notify you of this debt and solicit your assistance in collecting payment. If the individual is no longer under your command, please forward current information as to their status or location.

3. If the indebtedness has not been paid within 60 days of the date of the first notice to the individual, we will take the following actions as appropriate:
 - a. Assess interest and penalties under the provisions of 31 U.S.C. 3717. Interest shall be applied 60 days from the date of this notice, at the Treasury, Tax and Loan (TT&L) rate. Penalties shall be applied at the annual rate of 6%.
 - b. Disclose this indebtedness to a consumer-reporting agency under the provisions of 31 U.S.C. 3711. This information will include the name, address, taxpayer identification number, amount, and history of the debt.
 - c. Initiate collection action of this indebtedness through salary offset as authorized for military members, or from any U.S. Government Agency, if applicable, under provisions of 5 U.S.C. 5514.

SUBJ: CIVIL RECOVERY INDEBTEDNESS

SSIC
Date

- d. Initiate action to offset the amount of the debt against any disbursement of the Department of Treasury to which you may be entitled, to include offset against Federal Income Tax refunds. This action is taken pursuant to the Deficit Reduction Act, 26 U.S.C. 6402(d), and 31 U.S.C. 3720A.
 - e. Turn the debt over to a private collection agency for collection action.
 - f. Refer the debt to the Department of Justice for litigation.
 - g. Refer the debt to the U.S. Department of the Treasury for any of the above-described collection actions.
4. If the authorized patron voluntarily pays the Civil Recovery amount listed above within 60 days from the date of the first notice, his/her check cashing and Military Star Card privileges will be reinstated, provided that there are no other delinquent debts.
 5. These civil proceedings do not prevent criminal prosecution for the alleged act of shoplifting.
 6. Thank you for your assistance in this matter.

#

EXHIBIT 5-7

**U.S. Department of
Homeland Security**

**United States
Coast Guard**



Format this document locally

SSIC (fill in)

Date:

Name of Person
Address
City, State, Zip

RE: CIVIL RECOVERY PROGRAM – PAYMENT

Dear _____,

This acknowledges receipt of your payment of \$ (fill in amount) on (fill in date).

You are hereby released from further civil liability under the NAF Civil Recovery Program for the shoplifting incident that occurred at this NAF activity on (fill in date).

(signature block)

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EXHIBIT 5-8

U.S. Department of
Homeland Security

United States
Coast Guard



Format this document locally.

SSIC (fill in)

Date:

Name of Person
Address
City, State, Zip

Dear _____,

On (fill in date) (you or your family member) were detained for taking from us ((fill in by providing a description of the item(s) taken)) without permission and without paying for them. In accordance with CGES/MWR Civil Recovery Program, the store manager demanded \$ (fill in amount) for the actual and administrative costs of the shoplifting. You wrote to me stating that (fill in reason why the individual believes s/he should not pay civil recovery).

I have reviewed the shoplifting incident and considered your explanation. (I find no reason to grant a waiver of your indebtedness under the Civil Recovery Program.) **OR** (I have determined to waive your indebtedness under the Civil Recovery Program for the following reason: fill in reason).

This is the final Nonappropriated Fund Instrumentality (NAFI) decision on your indebtedness under the Civil Recovery Program.

(signature block)

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CHAPTER 6. USE OF APF FOR COAST GUARD NAF PROGRAMS

A. Introduction.

1. Policy governing the use of APF and NAF to support Coast Guard NAF programs is based upon several sources, including Federal statutes, Comptroller General decisions, the Financial Resource Management Manual, COMDTINST M7100.3 (series), and the policies and procedures followed by the other military services for the use of APF in NAFI operations. Policy and guidance on the authorized use of appropriated funds in each NAFI, shall be provided by the NAFI Program Manager in their respective directives or operating manuals.
2. Differentiation in the use of APF in NAFI activities is important. For example, Coast Guard MWR is authorized to widely use APF for the mission sustaining and basic community support activities that include CDCs. Resale and business operations are authorized less APF support due to their revenue-generating capabilities. However, regardless of whether the NAF activity generates revenue or not, certain APF support may still be authorized.

B. APF Reimbursement.

1. At times, NAF is used to procure goods and services authorizing APF support when APF is not initially available.
2. Under provisions, which provide that funds shall be used for the purposes for which they were appropriated, APF may reimburse NAF when the initial use of NAF supported an expenditure authorizing APF support.
3. Reimbursement procedures will be developed through the Coast Guard accounting processes.

C. APF Use Matrix. Exhibit 6-1 represents a partial listing of the appropriate use of APF in Coast Guard NAFIs. The complete listing shall be developed by NAFI Program Managers and included in their policy guidance and directives.

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EXHIBIT 6-1

AUTHORIZED APF EXPENSES

<u>Expenses</u>	<u>APF Support Authorized</u>
1. <u>Personnel Pay and Benefits.</u>	
a. Coast Guard members and APF civilian personnel.	YES
b. NAF personnel.	NO
2. <u>Travel.</u>	
a. <u>Permanent change of station (PCS).</u>	
1) Military and full-time Civil Service personnel	YES
2) Full-time NAF personnel or new hires authorized this entitlement in transfer or hiring documentation.	NO
b. <u>Temporary Duty (TD).</u>	
1) All military and Civil Service personnel, regardless of reason for the travel.	YES
2) NAF personnel, if travel is directly related to command and control, other official Coast Guard business, or compliance with Coast Guard (versus NAF) programs or policies.	YES
c. Local travel of military or civil service personnel for non NAF..... business (e.g. military medical or administrative processing).	YES
3. <u>Training and Education.</u>	
a. If directly applicable to command and control responsibilities, regardless of whether the attendee is APF or NAF compensated.	YES
b. When command or higher authority directs or mandates attendance in conjunction with programs common to all personnel of the unit, district, or Coast Guard (e.g., training on leadership, diversity or sexual harassment).	YES
4. <u>Vehicles.</u>	
a. Coast Guard-owned or leased vehicles used for command and..... control, unit support, or other official CG business.	YES
b. NAF owned or leased vehicles.....	NO

5. Transportation of Items.

a. APF-purchased equipment, supplies, and commodities. YES

b. NAF-purchased equipment, supplies and commodities.

1) Shipment of items purchased with NAF, but YES
authorized for procurement with APF.

2) Shipment of items purchased with NAF to support the operational needs..... YES
of OCONUS business activities such as store fixtures.

3) Resale merchandise transported from a CONUS sea or aerial port to an overseas YES
port of debarkation by a vendor.

4) In overseas areas, the inland movement of U.S. resale goods from port of YES
debarkation to destination, or from a NAF logistical support point to destination
when commercial transportation is not readily or feasibly available.

5) Movement of merchandise, equipment, and supplies between YES
Coast Guard bases because of base closure/relocation, or to safeguard
goods under emergency conditions, e.g., natural disaster.

6) At a unit, the relocation of merchandise, equipment or supplies YES
are required due to the maintenance or repair of
the facility if the maintenance or repair work is authorized
for APF support in expense items 12 or 13 below.

c. Household Goods. Authorized shipment of goods for:

1) Military and full-time Civil Service personnel. YES

2) NAF personnel in pay band 4 or higher positions, including NO
promotions and new hires. Also includes relocation of existing
NF4 or higher positions.

6. Purchase and Resale of Uniform Merchandise. Overhead and operating costs YES
incurred in managing, distributing, and selling standard issue military
clothing and accessories. This does not include merchandise procurement
costs. Overhead and operating costs are funded by reimbursement
from APF.

7. Equipment and Supplies Purchase/Rental. Costs of equipment, YES
furnishings, and expendable items. Items required for command
and control purposes or authorized for APF funding in expense items
18 through 20, below.

8. Equipment Maintenance and Repair.
 - a. Government-owned (APF purchased) equipment..... YES
 - b. Equipment purchased with NAF, but YES
 installed as an integral component or system in a building
 for which maintenance is supported by APF.
*Use of APF is subject to restrictions listed in the Financial
 Resource Management Manual, COMDTINST M7100.3 (series).*
 - c. All other. Work indicated as initially supported by NAF, may..... NO
 be performed under APF by using APF labor
 and materials subject to NAF reimbursement.

9. Purchase of Real Property. For purposes of applying this guidance, YES
 real property is defined as privately-owned land/and or non-portable
 buildings or facilities. Real property is not to be purchased without the
 written approval of Commandant (CG-103). It must be essential for command
 and control functions.

10. Real Property and Facility Leases and Rentals. No leases of real property, portable or non-
 portable buildings or facilities, additional spaces associated with currently leased facilities,
 installed equipment, or other legal instruments shall be entered into without express written
 approval of Commandant (CG-103).
 - a. Any area outside of the 48 continental United States YES
 - b. Facilities space required for command and control purposes when YES
 located separately from NAF operating spaces.

11. Construction. Building, installing, or assembling a new facility; adding, expanding, extending,
 altering, converting, or replacing an existing facility or, relocating a facility. This includes
 equipment installed in and made a part of such facilities; related site preparation, utility trunks,
 parking lots, roadways, sidewalks, landscaping, and other external support requirements or land
 improvements associated with building construction.
 - a. Facilities space required for command and control purposes when YES
 located separately from NAF operating spaces.
 - b. Overseas NAF logistical facilities used to directly support YES
 military mission, such as administrative offices, storage and
 maintenance facilities, laundry and dry-cleaning plants, etc.

- c. Common support infrastructure (e.g., parking lots, utility YES
systems, roadways, landscaping, and sidewalks) which
will support other facilities or activities in addition to the
NAF facility.
 - d. Converting spaces for use as NAF facilities when CGES is YES
forced to vacate previously used spaces due to Coast Guard
needs. This pertains only to required structural, systems, and
safety code work to convert the building or space for effective
retail operations. It does not include interior finishing and
outfitting.
 - e. All other construction. A NAF project may be performed NO
using APF labor and materials subject to NAF
reimbursement.
 - f. Strictly commercial ventures and franchise operations require private or N/A
non-government funds; APF and NAF are not authorized.
12. Building Maintenance and Repair. Maintenance and repair work is defined as work required to:
- Ensure the structural integrity of buildings and their integral systems (including safety and alarm systems, equipment and components, electrical, mechanical, heating and air conditioning, plumbing, roofing, foundation, doors, windows, etc.).
 - Prevent or correct safety deficiencies.
 - Meet safety and health requirements.
 - Correct conditions or damage resulting from the failure of integral systems or installed equipment,
 - Preserve building exteriors.
- a. Work required to execute a project not directly associated YES
with the NAF building or CGES operations.
 - b. Work required to correct construction code, safety, health or YES
environmental deficiencies, regardless of funding source of
original construction.
 - c. Work required on a building acquired with APF YES
or obtained by Title 10 or similar property transfer, except for
such buildings acquired individually (rather than as part of a
larger “package”), and specifically to operate a CGES facility.

- d. Work required for a building originally constructed with NAF..... YES
located on Coast Guard property. *Use of APF is subject to restrictions listed in the Financial Resource Management Manual, COMDTINST M7100.3 (series).*
 - e. All other. A NAF project may be performed using NO
APF labor and materials subject to NAF reimbursement.
13. Maintaining and Repairing Interior NAF Spaces. Maintaining and repairing NAF spaces is defined as work required to:
- Maintain interior spaces, including outfitting and furnishings, in acceptable physical conditions.
 - Correct conditions or damage resulting from the failure of equipment or systems.
- Within this context, “spaces” are defined as the interior areas used for business activities like CGES within the buildings discussed in expense 12, above.*
- a. Damage resulting from structural, integral systems or..... YES
utilities deficiencies or failures in buildings authorized for APF maintenance and repair.
 - b. Damage resulting from NAF equipment (not part of building NO
structural or integral systems).
 - c. Spaces used for both CGES/business activity and non-CGES/non-business activity purposes:
 - (1) Work directly or primarily attributable to the YES
non-CGES use of the spaces.
 - (2) All other. A NAF project may be performed using NO
APF labor and materials subject to NAF reimbursement.
14. Grounds and External Support Systems Maintenance and Repair. All work necessary or appropriate to ensure the proper appearance, condition, or capabilities of utility runs, parking lots, roadways, sidewalks, grounds, and other external support requirements or improvements associated with NAF facilities.
- a. At Coast Guard bases and at other Coast Guard sites that support or carry out mission needs such as housing complexes:
 - (1) Grounds (i.e. grass cutting, etc.)..... YES
 - (2) Common support infrastructure, e.g., systems which support..... YES
other facilities or activities in addition to the CGES/NAF business facility.

- b. At non-Coast Guard sites acquired with NAF specifically for..... NO
use as CGES/NAF business facilities, such as a former commercial building.

15. Environmental Compliance.

- a. Restoring contaminated real property under acquisition for NAF use:
 - (1) If being acquired with APF. YES
 - (2) If being acquired with NAF..... NO
- b. Required operating permits, equipment, and system..... NO
- c. Paying fines for non-compliance with regulations. NO
- d. Correcting contamination that occurs after operations have begun:
 - (1) If government-owned (regardless of purchase funding YES
source) or Coast Guard-leased property.
 - (2) If NAFI-leased property. NO
- e. Work may be performed using APF labor and materials, NO
subject to NAF reimbursement.

16. Utilities.

- a. All OCONUS area activities..... YES
- b. CONUS command and control spaces located separately from YES
NAFI operating spaces and other NAF activities.
- c. All other CONUS CGES activities. (May be paid initially with NO
APF, subject to NAF reimbursement.) APF may be used to pay utility expenses for
Category C MWR Activities with the exception of golf courses.

17. Custodial/Janitorial Services.

- a. For command and control spaces located separately from..... YES
NAF operating spaces.

- b. All other. Work supported by NAF may be performed using NO
APF labor and materials subject to NAF reimbursement.
18. Telephone Services.
- a. One line/extension and instrument, with government long YES
distance call capabilities, for the NAF manager to use in conducting
command and control, and other official Coast Guard business.
 - b. Other lines/extensions, instruments, and capabilities as YES
commands deem necessary to ensure the efficient conduct
of command and control and official Coast Guard business.
19. Computer systems/equipment.
- a. One Coast Guard standard work station for the NAF manager to YES
use in conducting command and control and other official Coast
Guard business.
 - b. Other Coast Guard standard workstations as commands deem YES
necessary to ensure the efficient conduct of command and control
and other official Coast Guard business.
20. Electronic Media Systems. Pertains to such systems as closed YES
circuit television, CATV, satellite communications, etc., that support or
provide services throughout the base.
21. Postal Services.
- a. For official Coast Guard business, command, and control YES
needs, including NAF employment actions when they require
the approval of or coordination with higher authority.
 - b. All other. Placing mail in this category in envelopes or packages NO
containing official mail whose postage is paid with appropriated
funds is prohibited.
22. Architectural and Engineering (A/E) Services.
- a. For designing MWR or CDC facilities YES
 - b. For developing master plans or similar documents that address YES
unit or Coast Guard, rather than only NAF, requirements or proposals.
 - c. For inherently governmental functions, such as planning proposals, YES
scopes of services, post-occupancy reviews, contract administrations, etc.

- d. For CGES professional services typically performed by A/E firms NO
such as design, development, plans and specifications,
construction surveillance, etc.
- e. For a CGES design initiative, any direct, non-salary project NO
administration costs, such as required travel, printing, and
mailing of bid packages, etc.

23. Coast Guard Administrative/Support Staff Services.

Technical advice and assistance provided by members of personnel, YES
financial, legal, procurement and similar staffs typically located at
other commands, including Coast Guard Headquarters. Includes purchasing
or contracting for non-resale goods or services when a procurement
warrant is required.

24. Common Services. Those services are normally provided throughout a unit YES
ensure the health and safety of all personnel. Examples are: fire protection,
physical security of buildings (including alarm systems and security bars),
pest control, trash or garbage removal, sewage disposal, snow removal,
routine environmental compliance actions, sanitation inspections, etc.

In CONUS, trash and garbage removal services for all NO
facilities except command and control spaces located
separately from the main CGES facilities, may be performed
under APF contract subject to reimbursement by NAF.

25. Audits. When DHS, Coast Guard, or other government organizations YES
perform as assigned responsibilities.

26. Printing and Reproduction. For official Coast Guard business, YES
command and control requirements, and NAF administrative
matters not related to merchandise sales or collecting funds resulting
from retail sales. Includes, work done on printing presses, lithographing,
and other duplicating related to binding operations, photography,
microfilming, formats and forms, development, editing, and graphics.

27. CDC Insurance Premiums. Includes Workers Compensation payments.... YES

CHAPTER 7. SATELLITE EXCHANGE OPERATIONS

- A. Purpose. The purpose of this Chapter is to provide policy for establishing, operating, and disestablishing satellite exchange operations. The satellite concept allows units to provide eligible patrons products through the operation of a NAF resale activity where a full-scale one is not possible due to the remote location of the unit or because it is an afloat unit. Only retail operations will be established under these guidelines. The primary purpose of satellite exchange operations is not to earn profits to support the command's local morale fund. The primary purpose of profits earned through satellite exchange operations is to fund operating expenses of the satellite exchange.
- B. Satellite NAF Activities. Satellite NAF activities may be established onboard cutters and at remote shore locations where other retail operations, either civilian or military, are not otherwise readily available. The latter are established and operated only at installations where no exchange exists, where assigned personnel strength is relatively small and where the distances from an established parent exchange would make direct operation of an exchange impractical. The satellites are operated by the local command using inventory and working capital provided by CGES through a "parent exchange" that also provides primary merchandise and oversight support.
- C. Establishment of a Satellite Exchange Operation.
1. A CGES Satellite Support Agreement between the local command and Commandant (CG-103) is mandatory. This agreement shall define the authority and responsibility of the command as well as the prescribed working relationships within the business. A sample agreement is provided in Exhibit 7-1. Support agreements will be established for a minimum of one year and a maximum of five years. At the end of the agreed upon period, the support agreement will be reviewed, updated as necessary, and resigned by all concerned.
 2. CGES will provide working capital for the operation of satellite exchanges, not to exceed three times the anticipated monthly sales or \$15,000, whichever is less. Other factors may be considered (i.e., time away from homeport, distance from replenishment sources, etc.) but need to be documented in the funding request. The amount of the working capital fund may be increased temporarily or permanently through amendment to the support agreement. Safeguarding of the working capital (cash and other assets purchased with the working capital) is the responsibility of the local command. Satellite exchange working capital belongs to CGES and among other improper uses shall not be used as gifts or for representational purposes.

3. Merchandise for satellite exchanges shall normally be purchased from the parent/closest CGES operation. Purchases from CGES will be made at full retail, less a percentage discount from the full retail price to assist the command with the operating expenses of the satellite exchange operation. This percentage shall be documented in the CGES Satellite Support Agreement. If a situation necessitates procurement of merchandise from any source other than CGES (i.e., an extended deployment), the satellite may do so. The required items should be purchased from a local source and the merchandise shall be sold at its purchase price with no markup applied. Such purchases shall be paid for from the available working capital and an invoice obtained. The invoice must be dated and legibly signed by the individual receiving the merchandise. Satellites shall retain invoices in an organized manner (i.e., separated by fiscal month and year). The purchase of merchandise from a source other than CGES over the long term requires the written approval of Commandant (CG-103).
 - a. The gains in sales from merchandise procured through a CGES activity are intended to defray the operational expenses of the satellite exchange to include any payments to the satellite exchange operator (enlisted person) and any losses in the working capital.
 - b. Transfers of funds into the unit's morale fund are authorized. Commands shall ensure that if transfers are made, sufficient funds remain in the satellite exchange account to support the working capital advance from CGES and any satellite exchange expenses. Any losses to the working capital advanced by CGES not properly accounted for through the CGES Satellite Support Agreement shall be the responsibility of the unit's morale fund to reimburse.
 - c. Any disbursements from the satellite exchange account to the unit's morale account shall only be made after the completion of a status of satellite exchange report, documenting the amount of the disbursements. At no time is the working capital advanced by CGES to be eroded through these transfers. Commanding officers of multi-crewed vessels have the responsibility to ensure that the unit's satellite exchange and morale funds are properly funded to support all crews, all times.
4. The merchandise assortment of a satellite exchange will normally consist of snack foods, health and comfort items, and uniform items for assigned personnel. Unit specific logo items such as ball caps, T-shirts, patches, and the like will be included in this assortment and will not exceed more than 25% of the satellite exchange's total operating capital. This will ensure that working capital is available to restock the inventory for deployments and possible introduction of new products into the satellite exchange for resale. Advance sales (prepaid) will not count against the 25% limit on logo merchandise. On units with satellite exchanges, logo merchandise shall not be procured through the unit's morale fund.

5. Staffing for all satellite operations must be provided by the local command. Staffing shall consist of a satellite exchange officer, as a collateral duty, and an exchange operator that cannot be the same person. Both individuals shall be designated by the command in writing. Should the command pay the exchange operator (enlisted member only) as an individual not considered an employee, the provisions of the Employer's Tax Guide, Pub 15, Circular E shall apply to any IRS reporting requirements of the annual payments.
6. Cash receipts shall be deposited in an FDIC or FSLIC insured account of a local financial institution at least weekly or when the on-hand amount exceeds \$200. This may not be applicable due to operational commitments of floating units. The account shall be established in the name of the unit's satellite exchange, for example: "CGC BEAR SATELLITE EXCHANGE." The Federal Employer's Identification Number to be used in establishing this account, will be provided by the parent CGES activity. The bank depositories shall be notified in writing that the Coast Guard Trust Fund is the successor of interest to the satellite exchange account. A copy of this letter shall be provided to Commandant (CG-103). See enclosure (19) to the Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13 (series) for an example of this letter. Checks and debit cards are authorized for use in conducting satellite exchange business. M5530.1 (series) apply to the safeguarding of assets of the satellite exchange.
7. The parent exchange may accept return of slow selling, shopworn, or damaged merchandise where negligence is not an issue. In other instances, the issue will be resolved by mutual agreement of the parent and satellite exchanges as documented in the support agreement. Unique logo merchandise purchased by/for the satellite exchange cannot be returned unless specifically approved by the parent exchange.
8. Satellite exchange operations shall be reported monthly for the duration of the support agreement. At the end of each calendar month, the satellite exchange officer shall conduct a physical inventory and document the results on the Status of Satellite Exchange. See Exhibit 7-2 for an example of this format. The actual format will be provided to the command by the parent exchange. Satellite exchange operations shall maintain the following records:
 - a. Status of Satellite Exchange. This is a report of accountability, which must be submitted monthly and upon the relief of the satellite exchange officer to Commandant (CG-103). See Exhibit 7-2 and Exhibit 7-3 as examples. The format and location of electronic versions of them will be provided in the CGES Satellite Support Agreement.
 - b. Sales and Cash Receipt Record. Satellite exchange sales will be recorded through an electronic cash register to record daily sales and document incoming cash transactions.
 - c. Cash Disbursement Record. The sales receipt is used to document cash purchases. Receipts shall be maintained by month to ensure appropriate documentation of cash disbursements.

- d. Record of Physical Inventory. The results of the satellite exchange physical inventory of merchandise and cash assets shall be taken at least monthly and during audits and satellite exchange officer relieves. The record of physical inventory will be recorded in the format provided in Exhibit 7-4 and will be provided by Commandant (CG-103).
 - e. Bank Statements. Bank statements shall be reconciled monthly.
 - f. Record Maintenance. Satellite Exchange reporting requirements will be established through the unit's CGES Satellite Support Agreement with the parent CGES activity. Satellite Exchange records shall be maintained in accordance with the schedule provided in the Information and Life Cycle Management Manual, COMDTINST M5212.12 (series).
 - g. Audits. Audits of the satellite exchange operation are required at least annually and upon the relief of the satellite exchange officer. The parent exchange will assist with the annual audit as documented in the CGES Satellite Support Agreement. At a minimum, the audit will consist of an inventory of the satellite exchange's merchandise, a count of the cash on hand, and a reconciliation of the most recent bank statement, including bank deposits and sales records. The total working capital in the account must be greater than or equal to the working capital provided to the unit through the CGES Satellite Support Agreement. A written memo report shall be made of the audit and its findings and provided to the unit commanding officer and Commandant (CG-103).
- D. Disestablishment of Satellite Operations. Satellite operations must be disestablished when a cutter or shore unit supporting a satellite exchange is decommissioned or when the support agreement expires and there is no intention to renew it. In either case, Commandant (CG-103) shall be advised of an impending disestablishment as soon as possible. The following actions are required for disestablishment:
1. A final physical inventory shall be completed and action taken to review any variances between the result and the total amount funded to the satellite operation.
 2. Sellable merchandise shall be returned to the supporting parent/closest exchange; a credit slip shall be issued for the value of the merchandise returned. Non-sellable merchandise shall be marked down and disposed of through directions provided by the parent exchange.
 3. The bank account for the satellite shall be closed and if applicable, a check for the balance shall be forwarded to Commandant (CG-103). Any residual value above the working capital provided by CGES may be deposited into the unit's morale fund.

EXHIBIT 7-1

CGES SATELLITE SUPPORT AGREEMENT

1. This CGES SATELLITE SUPPORT AGREEMENT is between Commandant (CG-103) and _____ (Name of Unit) _____ for establishing a supported Satellite Exchange activity. The satellite exchange will be located at _____ (Address of Satellite) _____.
2. CGES will provide _____ (Dollar Amount) _____ in capital to operate the satellite exchange. This operating capital is provided as an interest free loan and will be shown as an account receivable on the CGES balance sheet. Upon disestablishment of the satellite exchange or the cancellation of this agreement, all operating capital will be returned to CGES.
3. The satellite exchange command agrees to:
 - a. Assume responsibility for the operation of the satellite exchange and compliance with this support agreement, the CGES Standard Operating Procedure Manual (SOP), and the Non-appropriated Fund Instrumentalities (NAFI) Manual ((COMDTINST M7010.5 (series))).
 - b. Appoint a satellite exchange officer and a satellite exchange operator.
 - c. Ensure the satellite exchange officer and satellite exchange operator are properly trained in the operation of the exchange as written in the CGES SOP, part III, chapter 6.
 - d. Establish a satellite exchange checking account at a local bank. All charges incurred in the maintenance of the account are the command's responsibility, using the unit's morale fund.
 - e. Protect satellite exchange assets against loss or damage. This includes providing a safe to be used exclusively for exchange funds and an appropriate lock to be used on all exchange spaces.
 - f. Purchase all merchandise for resale from the parent exchange unless a special situation necessitates procurement from an alternate source.
 - g. Notify the parent exchange of the purchase amount when merchandise is purchased from an alternate source. Provide the parent exchange with an itemized list of merchandise purchased.
 - h. Price and sell all merchandise at the same retail as that of the parent exchange. For merchandise purchased from an alternate source, the cost and retail must be identical with no markup added.
 - i. Complete the Status of Satellite Exchange Report at the end of every month and submit the report to Commandant (CG-103), "Satellite Operations," no later than ten days after the end of the month. The unit's morale fund will reimburse the satellite exchange for any material shortage noted on the report.
 - j. Conduct a physical inventory at the end of every month or upon the relief of the Satellite Exchange Officer and attach a copy of the inventory to the Status of Satellite Exchange Report.
 - k. Maintain record of sales and cash receipts for every month. This record may be obtained through your electronic cash register readings or maintained manually. A copy of this record must be attached to the Status of Satellite Exchange Report.
 - l. Reconcile the exchange bank statement at the end of every month. A copy of the reconciled bank statement must be attached to the Status of Satellite Exchange Report.
 - m. Provide transportation for merchandise between the supporting exchange and the satellite exchange.

- n. Accept personal checks as a form of payment. The collection of dishonored checks is the responsibility of the satellite exchange.
 - o. Authorize credit sales at the option of the Commanding Officer. The collection of outstanding credit balances is the responsibility of the satellite exchange.
 - p. Submit purchase requests to the parent exchange at least two weeks prior to the requested delivery date.
 - q. Return slow selling merchandise to the parent exchange for credit. Food items must have at least a one-month shelf life remaining to be eligible for return. General merchandise, such as film and batteries, must have a shelf life of at least three months remaining to be eligible for return. Unit specific merchandise may not be returned. The unit's satellite exchange account will be responsible for the value of any non-saleable merchandise that is not eligible for return. At no time shall the value of the working capital provided by CGES be used to accommodate this loss. Any losses to the value of the CGES working capital shall be offset by other nonappropriated funds of the command.
 - r. Control the patronage and the sale of state and/or federal tax-free merchandise through the satellite exchange.
 - s. Not transfer excess funds to the unit's morale account unless assurances are in place that adequate funds exist for satellite exchange operations.
4. CGES agrees to:
- a. Provide adequate training guides and documentation to the exchange officer and exchange operator.
 - b. Provide all merchandise requested by the satellite exchange.
 - c. Sell the requested merchandise to the satellite exchange at a (to be determined) discount. The discount amount will become the funds used to support the operating expenses of the satellite exchange.
 - d. Accept slow selling merchandise for credit from the satellite exchange pursuant to section 3.q. (above).
 - e. Assist the exchange officer in the development of the satellite's stock assortment.
 - f. Provide a point of contact, usually at the local exchange, to assist the satellite as necessary.
 - g. Conduct an annual audit of the satellite exchange operation.
 - h. Provide the Federal Employer's Identification Number to be used on the bank account established for exchange operations.
5. Issues or concerns of unsatisfactory support must be made in writing to Commandant (CG-103).
6. Amendments to this agreement will be numbered, dated, and signed by Commandant (CG-103) and the commanding officer, or his/her designees.
7. This agreement is effective _____ (date) _____. This agreement will expire on _____ (no more than 5 years from the start date) _____ or upon 60-day written notice by either party.

Commandant (CG-103)

Commanding Officer

EXHIBIT 7-2

STATUS OF SATELLITE EXCHANGE REPORT

MONTH ENDING _____

Part I - ACCOUNTABILITY FOR AMOUNT ADVANCED							
1.	Cash On Hand (Actual)						
1a.	Cash						
1b.	Checks						
1c.	Credit Accts						
1d.	Checking Account						
1.e.	Other (list separately)						
2.	Merchandise on Hand (Actual)						
3.	Permanent Merchandise Loss (Memo Attached)						
4.	Accounts Payable						
5.	TOTAL (Lines 1 thru 4)						
6.	TOTAL EXCHANGE FUND ADVANCED						
7.	Overage (positive number) or Shortage (-negative number)						
Part II - ANALYSIS OF MERCHANDISE OPERATIONS							
8.	Merchandise on Hand (Beginning of Month)						
9.	Purchases and Other Transfers In						
10.	Merchandise available for Sale (Line 8 + Line 9)						
11.	Sale of Merchandise						
12.	Losses and/or Returns of Merchandise						
13.	Total Sales and Losses (Line 11 + Line 12)						
14.	Merchandise on Hand End of Period - From Records (Line 10 - Line 13)						
Part III - ANALYSIS OF CASH OPERATIONS							
15.	Cash on Hand (Beginning of Month)						
16.	Purchases						
17.	Total Cash Available (Line 15 - Line 16)						
18.	Sales						
19.	Other Cash Operations						
20.	Total Sales and Other Cash Operations (Line 18 + Line 19)						
21.	Cash on Hand End of Period - From Records (Line 17 + Line 20)						
Part IV - ANALYSIS OF ACCOUNT OVERAGES/SHORTFALLS							
22.	Total Differential ((Line 1 + Line 2) - (Line 14 + Line 21))/(Line 1 + Line 2)						
23.	Merchandise Differential ((Line 2 - Line 14)/Line 2)						
24.	Cash Differential ((Line 1 - Line 21)/Line 1)						
EXCHANGE OFFICER:						DATE:	
COMMANDING OFFICER:						DATE:	

EXHIBIT 7-3

STATUS OF SATELLITE EXCHANGE REPORT

MONTH ENDING JAN 07

Part I - ACCOUNTABILITY FOR AMOUNT ADVANCED				
1.	Cash On Hand (Actual)			\$3,793.84
1a.	Cash		\$892.96	
1b.	Checks		\$62.10	
1c.	Credit Accts		\$0.00	
1d.	Checking Account		\$2,838.78	
1e.	Other (list separately)		\$0.00	
2.	Merchandise on Hand (Actual)			\$3,706.16
3.	Permanent Merchandise Loss (Memo Attached)			\$0.00
4.	Accounts Payable			\$0.00
5.	TOTAL (Lines 1 thru 4)			\$7,500.00
6.	TOTAL EXCHANGE FUND ADVANCED			\$7,500.00
7.	Overage (positive number) or Shortage (-negative number)			\$0.00
Part II - ANALYSIS OF MERCHANDISE OPERATIONS				
8.	Merchandise on Hand (Beginning of Month)			\$3,028.21
9.	Purchases and Other Transfers In			\$1,351.50
10.	Merchandise available for Sale (Line 8 + Line 9)			\$4,379.71
11.	Sale of Merchandise			\$652.50
12.	Losses and/or Returns of Merchandise			\$0.00
13.	Total Sales and Losses (Line 11 + Line 12)			\$652.50
14.	Merchandise on Hand End of Period - From Records (Line 10 - Line 13)			\$3,727.21
Part III - ANALYSIS OF CASH OPERATIONS				
15.	Cash on Hand (Beginning of Month)			\$4,469.59
16.	Purchases			\$1,351.50
17.	Total Cash Available (Line 15 - Line 16)			\$3,118.09
18.	Sales			\$652.50
19.	Other Cash Operations			
20.	Total Sales and Other Cash Operations (Line 18 + Line 19)			\$652.50
21.	Cash on Hand End of Period - From Records (Line 17 + Line 20)			\$3,770.59
Part IV - ANALYSIS OF ACCOUNT OVERAGES/SHORTFALLS				
22.	Total Differential ((Line 1 + Line 2) - (Line 14 + Line 21))/(Line 1 + Line 2)			0.029%
23.	Merchandise Differential ((Line 2 - Line 14)/Line 2)			-0.568%
24.	Cash Differential ((Line 1 - Line 21)/Line 1)			0.613%
EXCHANGE OFFICER:				DATE:
COMMANDING OFFICER:				DATE:

USCGC _____

	A	B	C	D	E	F	G	H	I	J
1		Beginning Inventory	Purchases	Sales	Returns	Ending Inventory	Physical Count	Variance	Price (ea)	Extended Price
2	Merchandise									
3	Skittles	48	24	5	2	65	65	0	\$ 0.75	\$ 48.75
4	Denteyne	40				40	40	0	\$ 1.75	\$ 70.00
5	Wrigley's Spearmint	65	24		2	87	87	0	\$ 0.90	\$ 78.30
6	M&M Peanuts .6 OZ	11				11	11	0	\$ 0.95	\$ 10.45
7	Butterfinger	17				17	17	0	\$ 0.75	\$ 12.75
8	Laundry Detergent	6				6	6	0	\$ 1.75	\$ 10.50
9	Razors	10				10	10	0	\$ 0.30	\$ 3.00
10	Postage Stamps	100				100	100	0	\$ 0.39	\$ 39.00
11	Cutter Ball Caps	50				50	50	0	\$ 9.50	\$ 475.00
12						0		0		\$ -
13						0		0		\$ -
14						0		0		\$ -
15						0		0		\$ -
16						0		0		\$ -
17						0		0		\$ -
18						0		0		\$ -
19						0		0		\$ -
20						0		0		\$ -
21						0		0		\$ -
22							Total Value of Inventory			\$ 747.75
23	A. Merchandise description.									
24	B. Beginning Inventory, previous month's physical count.									
25	C. Purchases of merchandise added to the inventory.									
26	D. Number of items sold during the reporting period.									
27	E. Merchandise returns.									
28	F. Ending inventory = beginning inventory+purchases-returns based on spreadsheet formula.									
29	G. Monthly physical count as part of the Satellite Exchange Report and upon relief of the satellite exchange officer or operator.									
30	H. The difference between the physical count and ending inventory.									
31	I. Sale price of each item.									
32	J. Extended price = sale price X physical count. The physical count is on hand merchandise at the end of the reporting month.									
33	Total value of inventory is the total of all merchandise extended prices, based on the physical count X the price.									

7-9

EXHIBIT 7-4

COMDTINST M7010.5B

Conducted By: _____

Approved By: _____

Date: _____

Date: _____

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CHAPTER 8. NAF CONSOLIDATED INSURANCE PROGRAM

A. Introduction.

1. The NAF Consolidated Insurance Program administered by Commandant (CG-103), provides coverage to protect the assets and interests of Coast Guard NAFIs against NAF insurable losses. Local procurement of additional insurance coverage is not authorized unless approved or directed by Commandant (CG-103) in writing. Program Managers of NAFIs are responsible for the payment of insurance premiums and related expenses associated with their insurance coverage.
2. The major categories of coverage are fidelity, property, and casualty. Casualty coverage is provided for NAFIs to a limited extent, and is provided by a combination of self-insurance and commercial insurance. Coverage under the NAF Consolidated Insurance Program that applies to the MWR Program is described in the Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13 (series). The CGES SOP provides additional information on coverage that applies to CGES. The Program Manager for the CDCs provides insurance coverage for CDCs under a combination of the NAF Consolidated Insurance Program and centrally procured insurance. Program managers for other NAFIs shall provide guidance on insurance coverage for their NAF assets and operations.
3. The cost of the NAF consolidated insurance program is paid by Commandant (CG-103) from remittances received from NAFIs. Since the cost of insurance coverage is based upon actual claims (cost) incurred, commands should continually monitor security, safety, and administrative procedures to minimize exposure and risk. All NAF claim payments are processed and maintained by Commandant (CG-103).
4. Commandant (CG-103) will maintain a listing of the insurance categories, insurance companies, limits of liability for each occurrence, and the applicable deductibles. This coverage may change from time to time.
5. No commercial insurance exists for buildings and merchandise damaged by fire, flood, hurricane, or other acts of God.

B. Insurance Categories.

1. Fidelity Insurance coverage protects against the loss of money, securities, and other property which is sustained through fraudulent or dishonest acts committed by an employee acting alone or in collusion with others. Fidelity coverage under the NAF consolidated insurance program applies to CGES losses only. Fidelity losses to NAF of another NAFI will be borne by the local command. The term employee includes military personnel assigned and persons (civilian or military) employed by CGES and receiving compensation from NAF.

- a. When a loss arising out of dishonesty occurs and the responsible employee is separated, or being separated, all monies still due the employee, up to the amount of loss, will be withheld at the place of employment pending final determination concerning assessment of pecuniary liability. If the employee agrees to voluntarily reimburse the NAF operation for the loss, the cash reimbursement will be accepted or the withheld funds will be applied.
- b. Excluded from fidelity coverage is loss or damage arising out of:
 - (1) All dishonored checks, unless a CGES employee is in collusion with a third party.
 - (2) Inventory shortage, unless there is clear evidence of employee dishonesty or flagrant disregard for procedures and control requirements, both in occurrence and amount, other than in the inventory computation.
 - (3) Forgery of an incoming instrument, unless employee dishonesty is involved.
 - (4) Loss of money and securities caused by destruction, mysterious disappearance, or theft occurring on the CGES premises or while being conveyed by a messenger (i.e., holdup).
2. Property Insurance coverage provides protection against the loss of funds and physical assets, including equipment, furniture, supplies, and resale inventory owned by or in which the CGES activity is responsible or has a financial interest. This coverage applies to losses incurred by external causes, such as but not limited to: fire, water, windstorm, lightning, falling aircraft, explosion, sprinkler leakage, flood, earthquake, vandalism, malicious mischief, breaking and entering, robbery and the disappearance or damage of insured property while in transit. The property insurance covers only CGES assets. This is a self-insured program; no commercial policy is in effect. In some instances, APF may be used in the recovery efforts in some property damage cases. These must be determined on a case-by-case basis.
3. Casualty Insurance contains the following elements:
 - a. Compensation of NAF Employees for Work-Related Injuries. NAF employees, and volunteers providing services to NAFI programs under the authority of 10 U.S.C. § 1588 are covered as follows:
 - (1) Compensation is provided by the Longshore and Harbor Workers' Compensation Act (33 U.S.C. §§ 901-950) for all NAF employees (or volunteers) employed within the continental United States who have suffered injury or death arising out of and in the course of their employment. This Act also provides coverage to injured NAF employees employed outside the continental United States if they are U.S. citizens or permanent residents of the United States or a territory or possession of the United States.

- (2) Employees who are not citizens or permanent residents and who are employed outside the continental United States, are protected by private insurance, in accordance with the laws of the country where they are employed (provided that coverage by a private insurance company is permitted).
 - (3) Off-duty military personnel receiving compensation from NAF are excluded from this coverage.
- b. Vehicle Comprehensive and Collision. This covers damage to vehicles owned and operated by NAFIs with official license plates only. Coverage applies only when vehicles are used for authorized or official business of the NAFI.
 - c. Public Liability and Automotive Liability Insurance. This insurance covers liability whether imposed by law or assumed under contract for personal injuries, other than to employees, and from damage to property of others.
 - d. Exclusions. The following are excluded from the self-insurance liability coverage but not from the reporting requirements:
 - (1) Any instance where an employee is involved in an automobile accident while driving a privately owned or rental automobile on authorized official NAF business, to the extent that the employee has private automobile liability insurance. In this instance, the individual's insurance is primary; the employee must report the accident, or incident, to his/her insurance carrier. To the extent that the employee's insurance doesn't cover the employee's liability excluding any deductibles, the NAF public liability insurance may be applicable. Employees without proper insurance shall not be authorized to use their private vehicles for official NAF business.
 - (2) Any claim, incident, or customer complaint arising from the operations of a NAF contractor or concessionaire. These will be reported to and settled by the contractor/concessionaire. If settlement is not reached, they may be referred to the contracting officer for final resolution.
 - (3) Any instance where a NAF civilian employee voluntarily pays or settles a loss prior to final disposition of the claim. NAFs will not be used to reimburse the employee for this voluntary act.
 - (4) Any incident that is actually a customer complaint, rather than a third party demand for payment of damages. These include incidents related to valid sales, service, and warranty claims and lost or damaged clothing claims, etc., that may be settled by the local manager.

C. Procedures for Reporting Losses.

1. Procedures for reporting Fidelity Claims:

- a. Managers of NAF activities shall promptly report fidelity losses of NAF to Commandant (CG-103) via message or telephone and request investigation by the Coast Guard Criminal Investigative Service (CGIS).
- b. The loss notification shall include unit name, address, telephone number, person to be contacted regarding the loss, date, approximate time of loss, a brief description of how the loss occurred, and an estimate of the loss amount. All subsequent correspondence and investigations pertaining to the claim shall be forwarded to Commandant (CG-103).
- c. Commandant (CG-103) will coordinate and review the submission of all CGES claims for final settlement. In cases involving major losses of NAF, on-site assistance will be provided in evaluating the extent of loss and preparing a claim submission.

2. Procedures for reporting Property Claims:

- a. Commanding officers with MWR and CDC operations, exchange managers, and managers of other NAFIs shall promptly report property losses of NAF assets to Commandant (CG-103) via telephone call and follow-on message.
- b. Loss notification memos shall be submitted to Commandant (CG-103) to include the following: unit name, address, telephone number, person to be contacted regarding the loss, date and time of loss occurrence, description of how loss occurred, property lost, and an estimate of the property loss value.
- c. Commandant (CG-103) will coordinate, review and settle the submission of all claims for final settlement. In cases involving major losses of exchange property, on site assistance will be provided to evaluate the nature and extent of the loss. This coverage applies only to exchanges under the NAF Consolidated Insurance Program.

3. Procedures for reporting Public Liability Claims:

- a. In the event of an accident involving injury to persons other than employees or damage to property of others, the commanding officers with MWR operations, exchange managers and NAFI managers, shall submit notification of third party injury or property damage to Commandant (CG-103).
- b. Commanding officers with CDC operations shall also notify Commandant (CG-1112) of any third party injuries or accidents.

- c. A copy of all public liability claims shall be sent to Commandant (CG-0945) and the appropriate MLC legal officer. Submission of a claim does not indicate acceptance of liability for the claim.
 - d. Notification of injury or property damage shall be submitted in accordance with the requirements of the Safety and Occupational Health Manual, COMDTINST M5100.47 (series), including the use of the U.S. Coast Guard Mishap Report, CG-5584. All relevant information is to be included, i.e., unit name, telephone number, person to be contacted regarding the incident, name of the injured person, date and cause of accident, location where accident happened, description of injury, if possible, and an estimate of property damage, if any. If an automobile is involved, provide a detailed description of the accident and damage to the third party vehicle or property.
 - e. In the case of an accident outside the 50 United States and Puerto Rico, reports shall be submitted by overnight service to Commandant (CG-103).
 - f. If a Coast Guard command or exchange is served with any legal document, including a summons, this shall be forwarded by overnight service to the Commandant (CG-103).
 - g. Copies of all notifications and all subsequent correspondence concerning claims shall be forwarded to Commandant (CG-103 and CG-0945), and the appropriate MLC legal office in a timely manner.
 - h. Any incident involving a third party, whether there is apparent injury or not, must be reported.
4. Procedures for reporting NAF Vehicle Comprehensive and Collision claims:
- a. Commanding officers and exchange managers shall promptly report accidents involving damage to NAFI-owned vehicles to Commandant (CG-103). Injury or damage to third parties shall be reported in accordance with public liability claim procedures in paragraph C.3. (pg. 8-4). Copies of the accident investigation report, the paid invoice, and two itemized estimates for repair of damage shall also be included. Claims will be paid on the basis of a paid invoice. However, if the cost of repair exceeds the National Automobile Dealers Association (NADA) value of the vehicle, the NADA value will be used to assist in calculating the settlement amount. If a vehicle is a total loss, the settlement amount will be calculated on the deductible, NADA value, and salvage value, if applicable.
 - b. When the damage is related to a third party, the name and address of the third party shall be obtained. Additionally, the operator or owner shall be asked to furnish the name and address of the owner's automobile insurance carrier and the policy number. All relevant documents shall be forwarded to Commandant (CG-103)

5. Workers' Compensation Claim procedures for reporting injuries or death to NAFI civilian employees are covered under the Longshore and Harbor Workers' Compensation Act and are as follows:
 - a. In the event of death or serious injury, notice shall be given by telephone or fax to the Human Resources Office in Commandant (CG-103).
 - b. When an employee is injured, the following reporting requirements and procedures apply:
 - (1) Contact the CGES/MWR Personnel Assistant (PA) servicing the location. The PA will telephonically report the injury to a Third Party Administrator (TPA) following receipt of required information. The PA will obtain the necessary information from the reporting source. This is the employer's First Report of Accident or Occupational Illness, Department of Labor Form LS-202. Whenever an employee sustains or alleges to have sustained a work-related injury, infection, or illness involving lost time from work of one shift or more or requiring medical attention it must be reported to the servicing PA. The TPA will fax the completed report back to the PA for record keeping.
 - (2) All claims must be reported in a timely manner. If fraud is suspected or there is suspicion that the claim is not work-related, a memo stating these reasons shall be sent to Commandant (CG-103). The Human Resources Office in Commandant (CG-103) shall also be contacted via telephone. Commandant (CG-103) has only 14 days in which to dispute a claim. Also, failure to report an injury may result in monetary penalties being imposed by the Department of Labor, Deputy Commissioner. Even if the employee does not intend to get medical attention, reporting is mandatory for administrative purposes and to establish the beginning of certain time limitations. All medical bills and other related correspondence will be sent to the TPA for payment and processing.
 - (3) Form LS-1, Request for Examination and/or Treatment, is the employer's authorization for medical attention and permits an authorized physician of the employee's choice to examine and/or treat an employee, covered by the Nonappropriated Fund Instrumentalities Act for accident injury, illness, or disease arising out of and in the course of employment. This form shall be completed even if the employee's condition was not caused or aggravated by employment. Once this form is signed, Coast Guard NAF is obligated to take care of medical bills until such time as the claim has been denied. If there is no question whether the accidental injury, illness, or disease arose out of and in the course of employment, and treatment is being authorized by the NAFI manager, the front of the form shall be completed, checking Box A in Item #7. If there is a question, Box B shall be checked. The completed form shall be provided to the employee.

- (4) Form LS-210, Employer's Supplementary Report of Accident or occupational Disease, is filed in the event that a report does not show the date the injured employee returned to work, or any time an injured employee returns to work and later becomes disabled for work as a result of the original injury, The Human Resources Office in Commandant (CG-103) shall be notified immediately.
- D. Workers' Compensation Forms. Exhibit 8-1 lists the forms used for Longshore and Harbor Workers' Compensation Act claims. Forms marked with an asterisk in Exhibit 8-1, are available upon request from Commandant (CG-103).

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EXHIBIT 8-1

DEPARTMENT OF LABOR WORKERS COMPENSATION FORMS

- 1.* LS-1, Request for Examination and/or Treatment - Locally initiated. Give to employee to give to physician.
2. LS-18, Pre-Hearing Statement - Completed by each party and sent to the Deputy Commissioner for forwarding to an Administrative Law Judge for a formal hearing. Must be filed within 21 days of issuance date. Initiated by TPA.
3. LS-200, Report of Earnings - Initiated by TPA on behalf of employer.
- 4.* LS-201, Notice of Employee's Injury or Death - Given to employee on request. Employee or representative completes.
- 5.* LS-202, Employer's First Report of Accident or Occupational Illness - In death - Also see LS-261 - CGX initiated telephonically.
- 6.* LS-203, Employee's Claim for Compensation - Initiated by employee or their representative.
- 7.* LS-204, Attending Physician's Report - Give to employee to give to physician. May also be a narrative covering all questions on form.
8. LS-206, Payment of Compensation Without Award - Initiated by TPA on behalf of employer.
9. LS-207, Notice to the Deputy Commissioner that Right to Compensation is Controverted - Initiated by TPA on behalf of employer.
10. LS-208, Compensation Payment Stopped or Suspended - Initiated by TPA within 16 days. If not filed timely, fines could result.
- 11.* LS-210, Employer's Supplementary Report of Accident or Occupational Illness - Initiated locally upon knowledge of any change in the employee's status, such as return to work.
- 12.* LS-242 (NF), Poster - "Notice to Employees." - This poster must be posted in a conspicuous place.
- 13.* LS-260, Notice of Death - Filed by dependent(s) within 30 days of death or when known related to work, to Deputy Commissioner and TPA. Commissioner sends dependent additional material.
- 14.* LS-261, Supplemental Report of Employer in Death Cases - Initiated locally in duplicate and sent to the Deputy Commissioner, plus one copy to the TPA. This is in addition to LS-202.
- 15.* LS-575 (NF), Employee Relations Benefit Pamphlet.

**Forms initiated by appropriate Personnel Assistant.*

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CHAPTER 9. NAF CONTRACTING

- A. Purpose. This Chapter establishes procurement policies and procedures for Coast Guard NAFIs. Additional policy and procedures applicable to specific NAF programs are provided in each program's regulations.
- B. Responsibility and Authority. Commandant (CG-103) is responsible for ensuring the proper management of NAFs. Authority to obligate and expend NAF is delegated to the designated military or civilian heads of the respective NAF programs. This authority may be delegated to other administrative and operating elements as deemed appropriate.
- C. Procurement Standards of Conduct.
1. All individuals involved in any aspect of procurement and related activities are responsible for conducting business dealings in a manner completely above reproach. Their conduct must be such that they would have no reticence about fully disclosing it. This includes, but is not limited to the following:
 - a. All decisions pertaining to procurement awards must be free of any conflict of interest. An employee is prohibited from participating in any procurement which they or any person whose interests are imputed to them has a financial interest, if the particular matter will have a direct and predictable effect on that interest. The financial interests of the following persons will serve to disqualify an employee to the same extent as if they were the employee's own interests: the employee's spouse; minor child; general partner; an entity which the employee serves as officer, director, trustee, general partner or employee; and a person with whom the employee is negotiating for or has an arrangement concerning prospective employment.
 - b. All dealings with existing and potential suppliers and contractors must be conducted impartially and without prejudice or favor. Any conduct, however innocent, that could appear as favoritism must be avoided. Any personal association must be limited to the courtesies normally extended to all companies and their representatives.
 - c. The acceptance of any gift or gratuity from a person or firm conducting or seeking business with the Government, other than as authorized under current Government ethics standards, is prohibited. "A gift or gratuity" includes entertainment, meals, prizes, personal services or similar benefits of monetary value given to an employee of a Coast Guard NAFI or a member of the employee's family.
 - d. The disclosure of proprietary or source selection information may not be made to any potential supplier or contractor until it is available to the general public.
 - e. Dealings with a current or former military member or employee of the Federal Government are not to be conducted when it is known that doing so would violate statute, regulation, or standards of conduct applicable to the member or employee.

- f. NAF contracting officers are prohibited from awarding a contract to any Government or NAFI employee, either civilian or military or to any organization substantially owned or controlled by one or more Government or NAFI employees. This policy is intended to avoid any conflict of interest that might arise between the employee's interests and their official duties and to avoid the appearance of favoritism or preferential treatment by NAFIs toward their employees. An exception to this rule may be granted if:
 - (1) The NAFI needs cannot otherwise be met or some other compelling reason exists.
 - (2) The exception is approved by Commandant (CG-103).
2. Violations of purchasing integrity may subject an employee to disciplinary action such as, but not limited to, suspension without pay, termination of employment, and criminal prosecution.

D. Procurement Policies.

1. "Procurement" is defined as purchasing, renting, leasing, or otherwise obtaining goods, services or facilities. It includes all functions that pertain to obtaining supplies and services, solicitation and selection of sources, preparation and award of purchase orders and contracts, and all phases of procurement administration. However, it does not include the determination of requirements.
2. NAF procurements made by Coast Guard NAFIs are contractual agreements of the United States; however, they do not obligate APF of the United States. Any judgments or compromise settlements in suits brought under the provisions of the Contract Disputes Act are funded with nonappropriated funds unless other conditions exist that exempt the use of NAF. No APF of the United States shall become due or be paid to the contractor by reason of the delivery/purchase order.
3. Nonappropriated funds are neither subject to the Anti-Deficiency Act nor otherwise allotted for specific calendar periods. Therefore, NAF procurements may be based solely upon the identification of need and certification of fund availability.
4. The Federal Acquisition Regulations (FAR and supplements) do not apply to NAF procurements. However, in certain instances, in order to comply with other applicable statutes that apply to NAF procurements, the FAR will be followed as policy. Such instances will be detailed later in this Chapter.
5. All NAF procurements are subject to the same close scrutiny given APF purchases. Each procurement should:
 - a. Be made in the public interest.
 - b. Reflect reasonable and competitive price.

- c. Provide the greatest overall benefit.
6. Coast Guard APF contracting officers and contracting specialists are authorized to negotiate, award, and administer NAF procurements for non-resale goods and services and construction contracts to the extent of their contracting warrants. Additionally, they may act in a procurement advisory capacity to NAF organizations and activities, (without the need for separate warrants or appointing letters due to NAF procurement). When circumstances exist in which the required procurement expertise and authority are not available from a NAF procurement office, appropriate Coast Guard procurement offices are expected to negotiate, award, and administer NAF procurement for non-resale goods and services. Department of Defense NAF contracting officers may also negotiate, award, and administer Coast Guard NAF contracts for non-resale goods, services, and construction contracts in accordance with their respective NAF procurement/contracting regulations.
 7. All NAF procurements are to be accomplished:
 - a. Through competitive negotiation, other than when sealed bids are required or another method is determined to be more appropriate.
 - b. By persons experienced in purchasing or contracting, as applicable.
 - c. Fairly, equitably, and impartially.
 - d. To provide the greatest overall benefit to the procuring organization.
 8. Other than in circumstances specifically identified elsewhere in this Chapter, competition for NAF procurement of non-resale goods and services should be obtained from a reasonable number of sources (normally, a minimum of three). This does not apply if sole source negotiation is justified and authorized by the program manager or commanding officer of the NAF activity and documented in the procurement file.
 9. NAF procurements shall not be conducted without first determining if sufficient funds are available to pay all associated costs within the time limitations of the Prompt Payment Act (normally, within 30 days of receipt of either the goods/services or applicable invoice, whichever is later).
 10. Procurements are to be from responsible suppliers/sources whose offers provide the greatest benefit to the ordering organization, prices and other factors considered. Examples of other factors are time constraints, quality, required features, warranties, etc. A "responsible" source is one that:
 - a. Has or can obtain the necessary resources to furnish the required goods or services.
 - b. Can comply with the required delivery/performance schedules.
 - c. Has a satisfactory record of performance and integrity.

- d. Is otherwise qualified and eligible to be selected under applicable laws, regulations, and similar directives.
11. Consolidated procurements from single sources should be utilized whenever it is practical to obtain savings through volume pricing, reduced transportation costs, and decreased administrative requirements.
 12. Sole source purchases of supplies or services are authorized. Justification for sole source purchases includes:
 - a. When supplies or services required are available from only one responsible source, or a limited number of responsible sources, and no other type of supplies or services will satisfy the requirements.
 - b. Supplies may be deemed to be available only from the original source in the case of follow-on contracts for the continued development/operations of specialized equipment.
 - c. Unacceptable delays in fulfilling requirements.
 13. Although the provisions of the Small Business Act of 1953 do not apply to NAF procurements, small businesses and small disadvantaged business concerns should be given the opportunity to compete for NAF solicitations, whenever practical.
 14. To the extent practical, depending upon organizational size and staffing, NAF activities should establish means to preclude having the same staff member perform two or more of the following functions:
 - a. Identifying the requirement/issuing the purchase order.
 - b. Approving the purchase/certifying funds availability.
 - c. Conducting the procurement.
 - d. Receiving/inspecting/accepting the goods or services.
 - e. Approving/paying the invoice.
 15. A company suspended or disbarred from conducting business with the Coast Guard by Executive Order, Congress, the Department of Homeland Security, or the Coast Guard shall not be considered as a source for procurement. A company known to have been similarly suspended or disbarred by another NAFI, either internal or external to the Coast Guard, will not be considered as a source for procurement unless no satisfactory alternative source can be identified.

16. Whenever Coast Guard APF contracting officers or specialists conduct NAF procurements for non-resale goods and services, the FAR must be followed regardless of the nature, type, or expected cost of the applicable goods or services. The requesting NAF entity must furnish documentation certifying that sufficient nonappropriated funds are available for the procurement.
17. Whenever APF and NAF funded requirements are contained in the same acquisition, the NAF requirements are to be priced separately, when applicable, and a person authorized to conduct APF procurement must conduct the acquisition.
18. NAFIs are instrumentalities of the United States Government and are entitled to all immunities afforded the U.S. Coast Guard under the Federal Constitution and statutes. Chapter 11 of this Manual contains information concerning Federal, state, and local taxes.

E. Socioeconomic Programs.

1. Equal Employment Opportunity is addressed in Executive Orders 11246 and 11375 and requires inclusion of an Equal Opportunity Clause in Government contracts, and contractor compliance with its terms. This does not apply to the purchase of merchandise for resale, regardless of amount, or to procurements that will not exceed \$10,000 in cost. It does apply to all other NAF procurements involving labor performed in the United States and for procurements involving labor performed outside the United States when workers will be recruited from within the United States.
2. The Small Business Program establishes a process by which designated goods and services are "set aside" for procurement from sources identified as small businesses under the criteria of the FAR.
 - a. NAF procurements are not subject to requirements of the Coast Guard Small Business Program.
 - b. NAF procurements from small business firms are encouraged whenever those firms are competitive in price and other respects.
3. The Minority Business Enterprise Program, addressed in Executive Order 13170, states that in the national interest, increased involvement of minority business enterprises in Federal procurement programs is required. A minority-owned business is one which is owned by minority group members or in the case of publicly-owned businesses, one in which at least fifty-one percent of the stock is owned by minority group members. For this purpose, minority members are defined as Black Americans, Hispanic Americans, Oriental Americans, and Native Americans including American Indians, Eskimos, Aleuts and Hawaiians. For NAFIs, this program applies only to:
 - a. Concession or other retail personal services but only in instances in which the type of service desired is not currently available to customers at the applicable locations.
 - b. Facility construction contracts.

4. Purchases from the Blind or Severely Disabled, in The Wagner-O'Day Act (41 U.S.C. §§ 46-48c), provides for the purchase of certain commodities and services from any qualified nonprofit agency for the blind or by any qualified nonprofit agency for other severely handicapped individuals, with the objective of increasing employment opportunities for these individuals. NAF activities are required to comply with this Act.
5. The Randolph Sheppard Act, 20 U.S.C. § 107, provides that accommodation to blind vendors must be made to operate in Federal facilities and also requires that at least part of the income from vending machines on Federal property accrue to the benefit of the blind operators in the state. Profits from vending machines operated by military exchanges are immune from the Act's requirement to share vending income with state agencies for the blind.
6. Federal Prison Industries, Inc., also known as UNICOR, is a Government corporation which provides crafts and trades training and employment for inmates in Federal correctional institutions. Procurement by NAFIs from UNICOR is optional for the goods it manufactures and the services it commonly provides, and should only be made if the NAFI making the purchase determines that such offered product or service provides the best value to the buying agency.
7. The McNamara-O'Hara Service Contract Act of 1965, requires service contractors to pay no less than the minimum wage prescribed by the Federal law. It applies to all NAF service solicitations and procurements that will exceed or are expected to exceed \$2,500 in contractor gross revenues over the life of the contract, except as indicated below.
 - a. The Act does not apply to procurement of the following:
 - (1) Construction, alteration or repair, including painting and decorating of public buildings or public works. This includes all NAF facilities.
 - (2) Supplies, equipment, or other material of a tangible nature manufactured as an end product, even if the manufacture or furnishing of the material may require some services to be performed.
 - (3) Transportation of freight or personnel where published tariff rates are in effect.
 - (4) Services subject to the Communications Act of 1934.
 - (5) Public utility services.
 - (6) Services to be performed by an independent contractor or directly and only by an individual or individuals doing business as a company; that is, when no contractor employees will be involved in providing the service.

- (7) Services to be performed by bona fide executive, administrative, or professional personnel, when the use of other service employees will be only a minor part of the contract (refer to 29 CFR 541). For NAFIs, this exemption would usually apply to professional personnel who generally are defined, as those who have gained required professional knowledge through prolonged study. Outsource accountants and auditors are examples.
 - (8) Concession contracts, unless under the terms of the contract, the NAFI will directly receive services from the concessionaire. An example would be if vending concessionaires were required, in addition to normal operations, to maintain NAF-owned vending machines.
- b. For all planned new service contracts and extensions or options to existing service contracts that do not clearly meet any of the exemptions listed above, if the procurement office determines the Act will apply:
 - (1) The procurement office conducting the solicitation will request a wage rate determination from the Department of Labor.
 - (2) For services not expected to exceed \$2,500 the NAFI conducts the procurement.
8. The Buy American Act applies to purchases of supplies and services made by NAFIs for use in the United States but does not apply to purchases for use by NAFIs overseas. Additionally, it does not apply to purchases of goods for resale. "United States," as used in this regulation means the United States, its possessions, Puerto Rico, and any other places subject to its jurisdiction, but does not include leased bases or trust territories. For purchases for use in the United States, the following requirements apply:
 - a. DOD FAR Supplement (DFARS), part 25 subpart 25.1 (Buy American Act Supplies).
 - b. DFARS part 25, subpart 25.2 (Buy American Act – Construction Materials).
 - c. DFARS part 25, subpart 25.71 (Canadian Purchases).
 - d. AFARS subpart 25.1 (Buy American Act – Supplies) and subpart 25.7.
9. The Walsh-Healey Public Contracts Act (41 U.S.C. §§ 35-45) applies to contracts, including indefinite-delivery contracts, basic ordering agreements, blanket purchase agreements, and certain subcontracts for the manufacturing or furnishing of supplies that are to be performed in the United States, Puerto Rico, or the Virgin Islands and that exceed or may exceed \$10,000 unless exempted by the Act. However, if determined in advance that the aggregate amount of all orders estimated to be placed under the contract or agreement for one (1) year after the effective date of the contract or agreement will not exceed \$10,000, or contract or agreement is limited to \$10,000 or less by the terms of the contract or agreement, then the Act will not apply. A determination shall be made annually thereafter if the contract or agreement is extended, and the contract or agreement modified, if necessary. This Act does not apply to the purchase of goods for resale.

10. The Davis-Bacon Act (40 U.S.C. § 276a) requires that construction contracts over \$2,000 contain a clause that states that no laborer or mechanic employed directly upon the site of work covered by the contract will receive less than the prevailing wage (including basic hourly rates and fringe benefits) as determined by the Secretary of Labor. The requirements pertaining to the Davis-Bacon Act, set forth in FAR Subpart 22.4, DFARS Subpart 22.4 and AFARS Subpart 22.4 will be followed as they apply to NAF construction contracts.

11. The Copeland Act (Anti-Kickback Act) (18 U.S.C. § 874 and 40 U.S.C. § 276c) is applicable to construction contracts and subcontracts. It prohibits attempts to avoid minimum wage requirements of the Davis-Bacon Act by taking kickbacks on wages paid employees and authorizes the imposition of criminal penalties for the violation of the Act.

F. Procurement of Operating Supplies, Equipment, and Non-Construction Services.

1. NAF procurements are exempt (except as may be established elsewhere herein as policy) from the following standards that apply to APF procurements:

- a. The "micropurchase" monetary maximum.
- b. Mandatory sources of supply, with the exception of the Blind and Other Severely Handicapped program.
- c. Required uses of APF purchase documents and procedures.
- d. Restrictions regarding the procurement of personal services. As policy, however, personal service procurements should be made only when direct employment is not possible or feasible. Approval is required by Commandant (CG-103).

2. Non-resale goods and services must be obtained from the following sources, if the products or services included in the source catalogs or schedules meet all requirements: If access to the documents needed to comply with this requirement is not available, requests for purchase assistance must be forwarded to Commandant (CG-103).

- a. Equipment and supplies:
 - (1) Industries for the Blind and Other Severely Handicapped.
 - (2) GSA Federal Supply Bulletins/GSA Advantage.
 - (3) DHS E-mall. (Office Supplies).
 - (4) Other sources of supply as directed by NAF program directives/procedures.

b. Services: Industries for the Blind and Other Severely Handicapped.

3. Goods and services may be obtained on a non-competitive basis, regardless of cost, from the above sources.

4. Goods and services also may be procured on a non-competitive basis, regardless of cost, when ordered under the terms of an existing Coast Guard or other Government contract issued by either an APF or a NAF entity.
5. The following applies to the procurement of non-resale goods and non-construction services from the open market, that is, from sources other than those identified in Paragraphs F.2 through F.4, above:
 - a. For purchases of goods or services which cost \$2,500 or less:
 - (1) Competition is not required if the price is considered reasonable. However, in any instance in which the reasonability of price is doubted or unknown, competition is to be sought.
 - (2) When two or more responsible sources operate in the local business area and their prices are comparable, repetitive procurements should be rotated among them.
 - (3) When price is not considered reasonable and competition is deemed appropriate, the policies of Paragraph F.5.b., immediately below, applies.
 - b. For procurements of goods which cost greater than \$2,500, but not more than \$25,000:
 - (1) Whenever possible, a minimum of three quotes are to be obtained and documented (if verbal) or included (if written). Two or less quotes are permissible when only one or two prospective sources can be identified or when sole source procurement is otherwise justified and approved.
 - (2) In obtaining quotes, inform prospective vendors whether award will be based solely on quoted cost or if other factors will be considered and what those factors are. Document or include these criteria in the purchase order file.
 - (3) If sole source procurement is justified, document the reasons therefore, negotiate or obtain a verbal or written quote, and include all this information in the purchase order file.
 - c. For purchases of goods that cost greater than \$25,000:
 - (1) Purchases of capital equipment or of materials for capital improvement must receive the specific approval of Commandant (CG-103).
 - (2) The policies of Paragraph F.5.b., above, apply except that solicitations, terms, vendor quotes and, if applicable, sole source justification must be tendered or cited in writing through business correspondence and applicable forms.

- d. For purchases of non-concession services which cost greater than \$2,500:
 - (1) If applicability of the Service Contract Act of 1965 is not readily apparent, request the assistance of an APF procurement office.
 - (2) If the services are not subject to the Service Contract Act, procure in accordance with Paragraphs F.5.b. or F.5.c., above, depending upon anticipated cost.
 - (3) Contracts may be awarded for periods of up to three years, with provisions for as many as two annual renewals. The total duration of a service contract, including renewal(s), is not to exceed five years; service contracts must again be formally solicited, negotiated, and awarded.

- e. For purchases of concession services which cost greater than \$2,500:
 - (1) Concession contracts for which the concessionaire's gross revenues over the life of the contract are expected to exceed \$2,500 and under which the NAF activity will directly receive services from the concessionaire, Paragraphs E.7.a. (1) to E.7.a. (8), are subject to the Service Contract Act.
 - (2) A concession contract may be awarded for a period of up to five years including renewal options. At the end of the five-year period, they must be formally resolicited, negotiated, and awarded.
 - (3) In certain instances in which a concessionaire requires a major capital investment in order to provide services (i.e., such as the construction of a fast food facility) a five-year period may not be unacceptable. In these instances, Commandant (CG-103) must approve requests for longer commitments.
 - (4) To the extent practical, contracts for concessions or other retail personal services not currently available to customers should be reserved for negotiation with responsible minority firms whose names are furnished by the Minority Business Development Agency.
 - (5) A minority firm will be eligible for only one contract at any one time under the Minority Business Development Program, unless no other minority sources are available to perform another service for which the one firm is qualified. However, such firms should be included in source lists for all applicable competitive solicitations.

- 6. NAFIs are prohibited from contracting with detective agencies that offer quasi-military armed personnel for hire with any of their employees and with independent private investigators (5 U.S.C. § 3108). This prohibition does not extend, however, to contracts with firms that offer security guard services, even though their employees may carry weapons and the company provides general investigative as well as protective services.

G. NAF Construction Procurements.

1. Any NAF construction procurement in excess of \$2,000 will be made in accordance with the FAR or DOD NAFI component regulations. Compliance with Davis-Bacon Act for construction contracts in excess of \$2,000 is required.
2. For CGES activities, construction contracts shall be awarded and administered in accordance with the current CGES policy on Reserve for Capital Improvement Accounts.
3. For all other NAFIs, contracts are to be developed, awarded, and administered by contracting officers or specialists. Coast Guard Civil Engineering Units are responsible for executing NAF construction procurements greater than \$2,000. DOD NAFI components are also authorized to execute such procurements.
4. NAF construction procurement of \$2,000 or less may be conducted in accordance with the procedures for procurement of goods or services with a total cost of \$2,500 or less, as outlined in Paragraph F.5., above.

H. Procurement Records/Files. The following documents forms/notations concerning procurement for non-resale goods and services must be maintained in appropriate procurement files: All credit card holders will maintain a monthly file of all credit card transaction statements, invoices, and receipts. NAF procuring activities shall maintain a PO file for all POs and shall utilize the SF-1449, Solicitation/Contract/Order for Commercial Items Receipts/Receiving Documents and Invoices form for procurements not processed via the credit card. Any telephonic quotes received shall be documented/annotated and included in the file.

I. Vending Operations.

1. Providing goods and products through vending machines is an efficient way to deliver convenience goods and services when it is not economical to offer these products in resale activities. CGES is the primary source for all resale activities and has the right of first refusal for vending operations except where the vending operation is inside the MWR activity (e.g. a beverage/snack machine within a bowling center). The objective of vending operations is to provide goods and services in a convenient area.
2. At shore units with CGES activities or satellite exchanges, vending operations shall be operated under the direction of the CGES activity. At shore commands without a tenant CGES activity, vending may be operated by the local morale fund, as long as CGES is given the "right of first refusal." Vending operations on afloat commands may be operated as an MWR or CGES activity at the discretion of the commanding officer. In no instance should a vending operation be initiated by an MWR activity without prior written authorization from Commandant (CG-103), except on floating units.

3. Vending activities operated by CGES are exempt from the income-sharing requirements of the Randolph-Sheppard Act. However, vending activities operated by any other NAFI at a shore unit may not be exempt. Prior to initiating any changes in its vending operations, commands shall ensure through the assistance of the servicing legal office that such vending operations are not in conflict with any blind industries licensed by the applicable State. In those instances where Coast Guard vending activities, not operated under CGES, are determined to be in conflict with any blind industries, the provisions of the Randolph-Sheppard Act may apply.
4. Vending activities may be provided in several ways.
 - a. Direct Operations. Coast Guard NAFIs own, rent, or lease the vending machines, provide products to be vended, and employ personnel to stock and maintain the vending machines. All related expenses associated with the operation of this vending business are the responsibility of the NAFI.
 - b. Vending Machine Contract. Under this type of operation, the NAFI may own, rent, or lease vending machines and then issue a contract for a fee with a vendor to provide vending services as defined by the contract. All related vending expenses are again the responsibility of the NAFI and are as defined under the provisions of the contract. Vending machine contracts shall comply with Paragraph 9.J.9. of this Manual.
 - c. Concession Contract for Vending Operations. Concessionaires own the machines and merchandise. They are responsible for stocking and maintaining the equipment and a fee is usually paid to the NAFI on the basis of a percentage of sales. Vending-related expenses are the responsibility of the concessionaire. This is the preferred method of operation. NAFIs desiring to contract or concession their vending operations shall ensure such agreements have been established in writing. These contracts and agreements should, at a minimum, contain provisions specifying the responsibilities of both the NAFI and the contractor/concessionaire, including:
 - (1) A listing of required services.
 - (2) A method of reporting sales, whether daily, weekly or monthly.
 - (3) Pricing for services or commodities.
 - (4) Hours of operation.
 - (5) Contract period not to exceed five years.
 - (6) Repair responsiveness.
 - (7) Commencement date of services.
 - (8) Payment of fees and invoices, including the methods and frequencies of payment.
 - (9) Cash handling procedures.

- (10) Employee qualifications, if applicable.
 - (11) Equipment to be furnished and provided by each party to the contract.
 - (12) Applicable health and sanitation requirements.
 - (13) Any licensing and permit requirements.
 - (14) Merchandise quality and type.
 - (15) Signage.
 - (16) Utilities.
 - (17) Contract changes.
 - (18) Storage requirements.
 - (19) Responsibilities for damaged, broken, and vandalized vending machines.
- 5. Prior to executing NAF vending contracts or concession agreements, NAF activities shall ensure that the contracts and agreements are verified for legal sufficiency by the servicing legal office.
 - 6. The vending of tobacco products and alcoholic beverages is prohibited on Coast Guard installations. The vending of any lotteries shall be in strict compliance with the provisions of the Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST 1710.13 (series).

J. Concession Contracts.

- 1. Concession contracts are those where a concessionaire has a right to sell a particular type of item or to provide a specific service in a designated location for a specific period of time. Concession contracts normally involve the direct sale of goods or services to authorized patrons. Service contracts, by contrast, normally provide for a service to the NAFI and, generally, the service is not sold directly by the contractor to the military community. In addition, payment provisions of a service contract usually involve payment to the contractor by the NAFI, whereas, with concession contracts, the contractor (concessionaire) typically pays a fee to the NAFI, based upon a percentage of gross sales. Generally, contracts will be awarded in terms of a percentage of gross proceeds. However, contracts may be awarded requiring a payment of a flat fee when it can be justified as being more advantageous than using the percentage of gross proceeds arrangement.

2. Examples of Concession Contracts. Examples of concession contracts that are common in NAFI operations are listed below.
 - a. Operation of a beauty or barber shop.
 - b. Operation of a tour concession, ticket office, or photography studio.
 - c. Operation of vending and amusement machines.
 - d. Operation of a restaurant or snack bar.
3. Conditions for Use. Concession contracts may be used when both of the following conditions are met:
 - a. Commandant (CG-103) has determined that NAF direct-hire is not appropriate and has issued this determination in writing.
 - b. Commandant (CG-103) has authorized the NAFI to operate a resale activity by concession contract.
4. The requesting activity is responsible for obtaining approvals cited in Paragraph J.3., above. Standard NAF concession contract formats may be obtained from Commandant (CG-103).
5. A short-term concession contract is established for a performance period of thirty days or less. Short-term concession contracts will be set up for payment to the NAFI on a flat fee basis or on a percentage of gross sales basis. The thirty-day period of performance does not necessarily mean thirty consecutive days. For example, the contract may specify a period of every Monday for a number of weeks. Such contracts usually involve the sale of items such as jewelry, artwork, and uniforms, as opposed to the examples of concession contracts cited in Paragraph J.2., above.
6. Solicitation will contain schedules of prices and service charges, as appropriate, and the fee or commission to be returned to the NAFI. The offeror may be asked to insert the offeror's prices or fee, or both. Solicitations will specify the goods or services to be supplied. Price competition may be obtained on the basis of the selling price or concession fee, or both, provided that appropriate evaluation factors are applied to make the basis for award clear. Such evaluation factors will be specified in the solicitation and an evaluation plan must be supplied to the contracting officer by the requiring NAFI when the contract requirement is submitted to the contracting officer. When a service is involved (such as the maintenance of vending machines), the Service Contract Act of 1965, as amended, may apply.
7. Certain requirements are common to most concession contracts, regardless of the supply or service under contract. Clauses concerning the following will be included in the appropriate sections of each solicitation and resulting concession contract:

- a. Identification of the type and extent of records that must be kept by the concessionaire.
 - b. The authority of the NAFI to audit or inspect (or to have audited or inspected) the records, premises, and operations of the concessionaire for the purpose of ensuring contract compliance.
 - c. A requirement that the concessionaire safeguard all assets in his or her possession in which the NAFI or the Government has an interest.
 - d. A requirement that the concessionaire certify the integrity of his or her financial records and reports.
 - e. Identification of reports that the concessionaire must provide.
 - f. Identification of the commission as a fixed amount or percentage of sales as appropriate, and the method and time of payment.
 - g. A requirement that the concessionaire post in a conspicuous place a complete price list for all goods or services available. The NAF manager must approve the price list and the concessionaire must adhere to the prices that will be at a specified mark-up over cost.
 - h. A requirement that separate physical inventories will be taken of all NAFI and Government-owned equipment at the time that the concessionaire occupies the premises and that physical inventories will be taken every six months thereafter and on the final day of contract performance.
 - i. A requirement that the concessionaire keeps complete and accurate records of all transactions and that all sales are rung up in full view of the customer.
 - j. A requirement that the concessionaire furnishes cash registers or similar business machines and pre-numbered sales slips approved by the activity manager, or that the concessionaire uses equipment and sales slips furnished by the NAFI.
 - k. Concession contracts for amusement and vending machines meet the requirements set forth in Paragraph J.9., below.
8. Concession Contract Insurance Requirements are as follow:
- a. When determined by the contracting officer, concessionaires will be required to carry the following types of insurance in amounts sufficient to protect the interest of the NAFI granting the concession and the United States:
 - (1) Bodily injury and property damage liability insurance.
 - (2) Workers' compensation and employer's liability insurance for their employees.

- (3) Property insurance for bailee property under their care, custody, or control.
 - (4) Public liability insurance.
- b. Any required certificate(s) of insurance must be provided prior to beginning of performance.
9. Concession contracts for vending and amusement machines (excluding machines from which players receive money), will include the following requirements in appropriate sections of each solicitation:
- a. Type and number of machines to be provided.
 - b. Locations where the machines will be placed.
 - c. Procedures for cash collections, payment terms, meters, locks, repair, and maintenance.
 - d. Procedures for making refunds to customers for money lost in machines or for damaged merchandise.
 - e. The requirement that the concessionaire notify the contracting officer before rotating or changing machines.
 - f. Capability of coin-counting meters to detect and reject “slugs” and foreign coins.
 - g. Time period required for stocking, repairing, and servicing the machines.
 - h. Temperature requirements for machines vending hot or cold foods.
 - i. Establishment of a reporting procedure to be used if the concessionaire discovers that the machines have been vandalized.
 - j. Electrical installation requirements.
10. Solicitations and resulting contracts for barber or beauty shop concessions will contain the following requirements in appropriate contract sections:
- a. The determination as to whether the operators will be required to have state licenses and/or certificates of training.
 - b. Specific sanitation requirements concerning the use of clean brushes, towels, etc.
 - c. Display of photographs of hair styles that meet Coast Guard grooming standards.
 - d. The determination as to which personnel will be authorized to use the barber or beauty shop.

- e. Procedures for handling customers who have communicable diseases (such as scalp irritation).
11. Clauses concerning the following will be included in the appropriate sections of solicitations and resulting contracts for the operation of a sports pro shop:
- a. Who will be responsible for the purchase of items to be sold in the shop.
 - b. What type of items will be sold in the shop.
 - c. Establishment of reporting procedures upon discovery of vandalism or theft.
 - d. Whether the pro may have an assistant and, if so, who is responsible for the selection and supervision of the assistant.
 - e. Whether any sports equipment will be rented to customers and, if so, who will be responsible for maintaining the equipment.
 - f. A procedure for the disposition of any unsold merchandise on hand upon expiration or termination of the contract.
 - g. Whether the sports professional will give instruction in the applicable sport.

K. Procurement Authority of Goods for Resale Using NAFs.

1. Authority to purchase goods for resale using NAFs is delegated to the CGES Director of Operations or the unit commanding officer with NAF activities.
2. Re-delegation of this authority within the organization is authorized and must be in writing to specific positions/individuals with monetary limits of purchasing authority. This delegation will also specify the authorized procurement systems/programs available for purchasing goods for resale.

L. Ratification of Unauthorized Commitments.

1. Ratification is the act of approving an unauthorized commitment by an official who has the authority to do so for the purpose of paying for supplies or services provided to the NAFI as a result of the unauthorized commitment. Only contracting officers acting within the scope of their authority may enter into contracts on behalf of the fund. A contractual commitment that is invalid solely because the individual who made it lacks the authority may be made valid by ratification.
2. For unauthorized commitments, regardless of amount, the ratification authority is Commandant (CG-103) for CGES ratifications and the commanding officers for other NAFI activities.

3. Ratification is permitted only if all of the following requirements are met:
 - a. The NAFI has obtained a benefit resulting from the unauthorized commitment (i.e., supplies or services must have been provided to and accepted by the NAFI).
 - b. The resulting contract would otherwise have been proper if a duly authorized contracting officer had made it.
 - c. The contracting officer determines that the price is fair and reasonable.
 - d. Funds to make such payment are available.
4. Each unauthorized commitment must be submitted to the ratification authority stated above, for review according to the procedures below.
 - a. The individual who made the unauthorized commitment will prepare and sign a statement of all pertinent facts, covering at a minimum the following matters:
 - (1) Why normal procurement procedures were not followed.
 - (2) What bona fide NAFI requirement necessitated the commitment.
 - (3) Whether any benefit was received and its value.
 - (4) Copies of all relevant documents including orders and invoices.
 - b. This signed statement will be forwarded to the applicable notification authority who, in turn, will:
 - (1) Review the documentation for accuracy and completeness, and obtain further documentation if deemed necessary.
 - (2) Describe the measures to be taken to prevent a recurrence of unauthorized commitments, including a description of any disciplinary action (to be) taken.

CHAPTER 10. PATRON PRIVILEGES

A. Authorized Patrons.

1. General policy regarding authorized patrons in NAFI programs is as follows:
 - a. The privilege to use Coast Guard NAF programs will be under the guidance of this Manual and directives of the respective NAFI. Each NAFI shall publish a listing of eligible patrons. The basic purpose of NAFI operations is to provide non pay compensation programs and services for eligible patrons that contribute to the mission readiness and retention of the Service.
 - b. The privilege of Coast Guard NAF patronage is subject to the availability of facilities.
 - c. A patron may suffer revocation of privileges for the commission of an offense listed in Exhibit 10-1. When an abuse of privilege is discovered, the NAF activity manager will notify Commandant (CG-103) via the chain of command to request the revocation of privileges or other disciplinary action. Commandant (CG-103) may revoke exchange privileges of any patron and will advise the host commanding officer of the intended action. All revocations are to be coordinated between the commands and Commandant (CG-103). The revocation of privileges may evolve from:
 - (1) Buying merchandise for resale or producing income, or
 - (2) Buying or securing services to benefit another not entitled to exchange privileges,
or
 - (3) Engaging in shoplifting, or
 - (4) Exhibiting improper conduct.
 - d. Commanding officers shall take disciplinary action and revoke the privileges of NAFI patrons under their authority for actions/inappropriate behavior that jeopardize the well-being and safety of that command's activities.
 - e. A revocation of privileges is to be a written notification sent via registered mail to the individual. The duration of suspension will commensurate with the offense. ID cards required for other entitlements will not be confiscated.

- B. Customer Identification. The NAF manager shall employ all practical means to ensure that authorized patrons are identified before being provided goods, services, or programs offered by the NAFI. All NAF employees must be familiar with the list of authorized patrons, as well as other program regulations.

- C. Agents. The term “agent” means a person temporarily authorized in writing, to purchase NAFI merchandise and services for an authorized patron. The NAF manager must approve agents in writing. This approval is not to exceed one year unless extended for continuing hardship. An agent may be designated when an authorized patron falls into the following categories:
1. Authorized patron is blind or otherwise severely disabled and requires assistance when shopping.
 2. Authorized patron is incapable of shopping due to certified medical reasons or the sponsor is stationed away from the household.
 3. Authorized patron is a minor not living with an authorized patron or is an orphan. Normally, an agent should not be designated for a child who is 16 years of age or older. The sale of items to a designated agent for a minor or orphan should be restricted to those items that are appropriate for the authorized patron.
- D. Visitors to Coast Guard NAFIs.
1. Visitors accompanied by a sponsor are authorized entrance to Coast Guard NAF activities. If the local command or NAF manager has security concerns and/or a high volume of visitor traffic results, visitor access may be limited.
 2. NAF activities should develop policies regarding the use of NAF activities by visitors and bona fide guests. Sponsors of guests are responsible for their actions while in the NAF facility.
 3. If the NAF activity is utilizing a door checker(s) for ID validation, visitors must be entered on the visitor’s log upon entering the NAF activity.
- E. Issue and Control Procedures for CG NAF Employee Identification and Privilege Card. All CGES employees, who are not otherwise authorized exchange privileges, are authorized limited shopping privileges in all Coast Guard, Navy, Marine Corps, and Army/Air Force Exchange Services (AAFES) exchanges. The procedures for issuing and maintaining these ID cards for this purpose are provided in the CGES SOP. This identification shall not take the place or be substituted for the identification required as a civilian employee of the Coast Guard or DHS.

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PATRON OFFENSES

ACTION	(R = Revocation)	1 ST OFFENSE	2 ND OFFENSE	3 RD OFFENSE
Attempt to purchase or purchasing restricted items.		Warning	R: 3 mos.	R: 6 mos., to permanent
Buying merchandise for resale.		R: 6 mos.	R: 1 yr.	R: 1 yr. to permanent
Buying tax-free (alcohol/tobacco) merchandise for resale.		R: 1 yr.	R: 1 yr. to permanent	Permanent
Buying merchandise for unauthorized customers.		R: 3 mos.	R: 1 yr.	R: 1 yr. to permanent
Attempt to use or using an altered ID card.		R: 3 mos.	R: 1 yr.	R: 1 yr. to permanent
Creating a disturbance while under the influence of an alcoholic beverage or illegal substance.		R: 3 mos.	R: 6 mos.	R: 1 yr. to permanent
Disreputable conduct. Use of insulting, abusive or obscene language.		Warning	R: 3 mos.	R: 6 mos. to permanent
Creating a disturbance by threatening another person.		Warning	R: 3 mos.	R: 6 mos. to permanent
Fighting or attempting to inflict bodily injury to another.		R: 6 mos.	R: 1 yr.	R: 1 yr. to permanent
Unauthorized canvassing, soliciting or peddling.		Warning	R: 3 mos.	R: 6 mos. to permanent
Making disparaging references in regards to a person's race, color, religion, sex, national origin, age or handicap.		R: 3 mos.	R: 1 yr.	R: 1 yr. to permanent
Acts of sexual harassment, verbal and/or physical abuse.		R: 6 mos.	R: 1 yr.	R: 1 yr. to permanent
Shoplifting, attempted or actual.		R: 1 yr.	R: 1 yr. to permanent	Permanent
Theft of monies, attempted or actual.		R: 1 yr.	R: 1 yr. to permanent	Permanent
Wrongful possession of dangerous weapons.		R: 6 mos.	R: 1 yr.	R: 1 yr. to permanent

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NOTE: Any punishment requires specific approval by COMDT (CG-103).

CHAPTER 11. TAXATION

- A. General. This Chapter covers the various Federal, state, and local taxes as they apply or do not apply to NAFI operations and employees. Coast Guard NAFIs are United States Government instrumentalities deemed essential for the performance of government functions. Therefore, they are entitled to whatever immunities the Coast Guard may enjoy under the Constitution and statutes. A full understanding of the tax regulations is necessary to take full advantage of the exemptions and to ensure the tax advantages are not abused. This Chapter covers general information for Federal and state taxes. Detailed reporting and payment requirements for payroll taxes must be researched in the IRS' Employer's Tax Guide, Pub 15, Circular E and the various state and local tax publications.
- B. Federal Taxes.
1. NAF operations, as instrumentalities of the U.S. Government, are exempt from the payment of Federal income tax on profits. Therefore, they are not required to file income tax returns as organizational entities.
 2. Federal Income Tax Withholding (FITW) guidance:
 - a. Income tax withholding provisions under Section 3401 of the Internal Revenue Code apply to all wages paid to the following:
 - (1) NAFI employees who are U.S. citizens located within the United States, District of Columbia, Virgin Islands, Puerto Rico, U.S. possessions, and foreign countries.
 - (2) Aliens who are NAFI employees located in the United States, District of Columbia, Virgin Islands, and Puerto Rico. Aliens employed by NAFI operations located in the U.S. possessions other than above, are not subject to FITW.
 - b. Employees must report cash tips received in the course of their employment to the employer on or before the tenth of the month following the month in which the tips are received. IRS Form 4070, Employee's Report of Tips to Employer, may be used for reporting tips. No reports need be made for any month in which the tips were less than \$20. Employees must furnish their employer with written statements of their tips showing:
 - (1) Name, address, and social security number.
 - (2) Name and address of the employer.
 - (3) Calendar month or period for which the statement is furnished.
 - (4) Total amount of tips received.

- c. If meals are provided to employees for the benefit of the employer (i.e., manager is needed on premises or employees are not permitted to leave premises on breaks), the fair value of the meals are not taxable. If meals are provided to employees, but not for the benefit of the employer (i.e., meals are provided to employees at the concession food operation as a convenience either free or at a reduced charge), the fair value of the meals are subject to FITW, Federal Insurance Contribution Act (FICA) and Medicare, and applicable state, and local taxes.
 - d. Lump sum payments (i.e., cash awards, incentive awards, and annual leave reimbursements at *termination of employment*) are subject to FITW, FICA and Medicare, state and local taxes. Current state and local tax withholding rates are used to make lump sum payments. Lump sum payments are to be reported as part of "Wages, tips, other compensation" on employees' IRS W-2 forms Wage and Tax Statements.
 - e. The cost of living allowance (COLA) for NAFI employees outside the contiguous United States (OCONUS) is not taxable for FITW, FICA, and Medicare. However in some locations, state and local taxes may apply.
 - f. Each NAFI operation shall ensure the following FITW tax documentation is included in payroll records for each employee: IRS W-4 and I-9 forms.
 - g. All NAFI operations, which open a bank account and/or pay wages and withhold taxes, must have a Federal Employer Identification Number. Application for a Federal Employer Identification Number is made on Form SS-4.
3. FICA and Medicare Taxes guidance:
- a. Withholding of FICA and Medicare taxes, commonly referred to as Social Security taxes, will be deducted by the NAF payroll system per current laws and regulations.
 - b. Each NAFI operation, as an employer, is required to pay the employer's share of FICA and Medicare taxes.
 - c. Each NAFI operation shall ensure the following considerations are included in their payroll procedures:
 - (1) Tips reported by civilian employees.
 - (2) Fixed gratuity (or service) charges added automatically to patrons' bills and subsequently distributed to employees.

4. NAFI operations are not subject to payment of Federal Unemployment Tax (FUTA); however, they are subject to the payment of rightful claims made by previous employees. All unemployment claims of individual employees are initially processed by the applicable state. As instrumentalities of the Federal Government, claims against NAFI operations will be forwarded by the applicable state to the U.S. Department of Labor for payment. The Coast Guard will then be billed. Commandant (CG-103) will pay such bills and invoice the appropriate NAFI for reimbursement.
5. Federal Communication Tax guidance:
 - a. The U.S. Secretary of the Treasury has continued the exemption from the Federal Communication Tax for NAFI operations on the following types of communications:
 - (1) Long distance telephone or radio telephone messages.
 - (2) Local telephone service.
 - (3) Domestic telegraph, cable or radio dispatch messages.
 - b. No certificate of exemption is necessary to establish exemption from the tax on amounts paid directly for telegraph, telephone, radio, and cable services. NAFI operations must note on any bill submitted that it is an instrumentality of the United States.
 - c. This exemption applies only to official telephone calls and services and does not apply to personal calls made through facilities of the NAFI operations. This exemption does not extend to contractors or concessionaires.
6. Federal Tobacco Tax guidance:
 - a. The Federal Tobacco Tax is applicable to tobacco, snuff and snuff flour, cigars, cigarettes, and cigarette paper sold by CGES or MWR operations within the United States (the 50 States and the District of Columbia). The tax is paid by the manufacturer or importer and is included in the price of the tobacco product.
 - b. The Federal Tobacco Tax, however, is not applicable for export to a foreign country, for shipment to a possession of the United States, or for consumption outside of U.S. territorial waters. In claiming this exemption, the manufacturer must be notified via the purchase document that the tobacco or tobacco products are "INTENDED FOR EXPORT OR SHIPMENT TO A POSSESSION."

7. Federal Manufacturers' Excise Tax guidance:

- a. If a NAFI operation imports articles into the United States or District of Columbia to which the Manufacturers' Excise Tax applies, the NAFI operation must pay the tax (Internal Revenue Code, Section 4907) itself. NAFI operations located in the United States or the District of Columbia must purchase articles, to which this tax applies, at a price inclusive of such tax. This tax is paid by the manufacturer and included in the price of the articles, regardless of whether such articles are purchased for NAFI use or for resale.
- b. Under Section 4221 of the Internal Revenue Code, exemption from the Manufacturers' Excise Tax is available with respect to the purchase of supplies for export to a foreign country or for shipment to a possession of the United States. The purchase, made from a manufacturer, producer, importer, or distributor may be regarded as a purchase from a manufacturer, provided such distributor has complied with the provisions of Treasury Regulation 46. Exportation or shipment to a possession of the United States is intended at the time of purchase, and exportation or shipment will follow immediately after delivery from the manufacturer. Accordingly, purchases of taxable articles for resale in foreign countries and possessions as defined herein, shall be made on a tax exclusive basis. The foregoing exemption is available whether the articles are being purchased for NAFI use or for resale. The exemption does not apply with respect to articles for shipment to Alaska and Hawaii. In claiming this exemption, the purchase order form shall bear upon its face the words "FOR EXPORT OR SHIPMENT TO A POSSESSION." This authorized exemption to the Manufacturers' Excise Tax is applicable to motor vehicles, parts and accessories, tires and inner tubes, lubricating oil, recreational equipment, sporting goods, and fishing equipment. The firm from which the merchandise is purchased may require proof of export.

C. State Taxes.

1. NAFI operations are instrumentalities of the United States government, deemed essential for the performance of Government functions. Therefore, they are not subject to direct taxation by state or local taxing authorities, except when specifically authorized by Federal Statute.
2. State Income Tax Withholding guidance:
 - a. NAFI operations are required to withhold income taxes imposed by states, territories, and the possession of Guam from compensation of civilian employees, as applicable. State income tax must also be withheld from compensation paid to off-duty military personnel, unless they legally reside in a state other than where they are stationed. In this case, the off-duty military employee must complete a non-resident state tax form. These forms may be obtained from the local state taxing authority.
 - b. Each NAFI operation shall ensure that a state withholding form or non-resident state tax form is on file for each employee.

3. Instrumentalities of the United States Government are not subject to direct taxation by state or local taxing authorities, except when authorized by Federal statute. NAFI operations are not required to collect state sales tax for merchandise sold to authorized patrons. Special circumstances involving sale of Coast Guard memorabilia to non-exempt patrons will require collection of state taxes, if applicable.
4. State Sales Tax (Indirect Taxation) guidance is as follows:
 - a. In the case of indirect taxation, the legal incidence of the tax is not on the NAFI, but usually on the manufacturer, wholesaler, or distributor. Hence, the constitutional immunity of the NAFI activity does not apply. As a result, when purchasing merchandise for resale from a manufacturer, wholesaler, or distributor, most products have a sales tax built into the cost of the item (i.e., usually invisible to the NAFI making the purchase).
 - b. Most states and the District of Columbia, have granted by statute or administrative action, an exemption from the payment of state taxes on the sale of beer, tobacco products, and soft drinks to manufacturers, wholesalers, and distributors, where the sale of the taxable product is made to a NAFI operation for resale to military personnel and their dependents. In these states and the District of Columbia, the resale price for the products concerned shall not include the state or District of Columbia taxes. Some states and territories require NAFI operations to pay such taxes but grant a refund upon proper application.
 - c. NAFI operations cannot control the sale of state tax-free products through vending machines without paying the state tax. All product vending machines shall be stocked with products on which the applicable state and local taxes have been paid.
 - d. CGES managers shall establish a system to regulate and monitor sales of tax-free cigarettes. Specific guidance on quantity control may be obtained from the CGES SOP. Sales made in excess of the quantities require that the authorized purchasers certify in writing, that the state tax-free cigarettes are not for resale.
 - e. Concessionaires of NAFI operations must collect state and local taxes; they are not exempt from state and local tax requirements. They may add the taxes as surcharges or build them into the resale price of their goods.

5. The Federal Government permits the levying of state, territory or possession, and District of Columbia gasoline taxes upon the resale of gasoline by CGES. State taxes on gasoline or other motor fuels measured by sales, purchases, storage, or use will be collected and paid according to the provisions of Title 4, United States Code, Section 104 ("The Buck Act"). Gasoline taxes do not apply where gasoline is sold for use in Government vehicles. This includes official NAF vehicles or motor vehicles owned by and registered in the name of the American Red Cross, where the vehicle is operated by official personnel of that organization, and is used solely in connection with the work of the organization for military services of the United States. Records should be maintained to document these types of sales.

D. Local Taxes. Local taxes (city or county) may apply.

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GLOSSARY OF TERMS AND ACRONYMS

- AAFES**Army and Air Force Exchange Service.
- AC&I**.....Appropriated funds account that provides for the Acquisition, Construction, and Improvements of vessels, aircraft, shore facilities, etc.
- Accounting Controls**Controls, which cover timeliness and accuracy of financial reports, maintaining stock and other appropriate ledgers, issuing checks, processing bad checks, etc.
- Accounting Periods**For financial reporting, the life of a business is divided into discrete time periods; the most common is twelve-months long and is known as a fiscal year.
- Accounts Payable**Goods and services received but not paid for.
- Accounts Receivable**Amounts owed to NAF activities by customers and suppliers.
- ACH**.....Automated Clearing House.
- Accrual Basis of Accounting**A basis of accounting in which revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period in which they are incurred.
- Accrued Liabilities**Expenses that have been incurred but not yet paid.
- AFC-30**Allotment Fund Control Code that provides APF for general operating and maintenance expenses.
- AFC-43**Allotment Fund Control Code that provides APF for depot level maintenance expenses incurred in the shore unit program.
- Agent**A person temporarily authorized, in writing, to purchase merchandise and services for authorized patrons unable to do so themselves.
- APF**.....Appropriated funds, which are funds appropriated by the United States Congress to conduct Government business.
- ASER**.....Armed Services Exchange Regulations.
- ATM**Automated Teller Machines.
- Authorized Business Activities**.....Business activities categorized and authorized for NAF programs.

- Automotive and Service Stations**....An activity where the primary activity is selling petroleum products, automotive accessories, parts, tools, or performing automotive repair service.
- Available Profit**Profit remaining after Retained Earnings are deducted from the net profit.
- Bad Debts**.....Uncollectible Accounts Receivable.
- Balance Sheet**.....The financial statement used to report the assets, liabilities and net worth for an individual NAF activity or a group of NAF activities.
- Bank Charges**Fees levied by banks for account maintenance.
- Bank Statements**.....Source documents provided by banks that itemize all transactions that took place on an account during a certain period of time.
- Book Inventory**.....The value of inventory maintained throughout the year by tracking additions, deletions, and price changes associated with inventory stock.
- Budget**Management tool used to project revenues and expenses used to assess current financial performance against expectations.
- Business Activities**.....An action, activity, or service which has the capability to generate revenue through the sale of goods and services to eligible patrons.
- Cash**.....Includes currency on hand and in the bank, certificates of deposit, checks, and money orders.
- Cash Over and Short**A Chart of Account that captures cash overages and shortages.
- Casualty Insurance**Insurance coverage for workers' compensation, third party, and vehicle damage claims.
- CDC**.....Child Development Center.
- CEU**Civil Engineering Unit.
- CGES**.....Coast Guard Exchange System.
- CGIS**.....Coast Guard Investigative Service.

- CGMWR**.....Coast Guard Morale, Well-being, and Recreation.
- COLA**.....Cost of Living Allowance.
- CONUS**.....Continental United States.
- Concession Contract**.....A contract between a NAFI and another, known as a concessionaire, whereby the concessionaire performs certain authorized activities at a NAF facility or a Coast Guard installation, or as otherwise agreed to in the contract.
- Contracts**.....Legally binding agreements, which may be in writing or oral, between two or more parties. Contracts include rental, agency, vending machine, concession, services contracts, purchase orders and other contractual arrangements entered for the procurement of commodities, services and facilities.
- Current Assets**.....Those assets expected to be realized in cash or sold or consumed during the normal operating cycle, which is typically one year.
- Current Liabilities**Obligations expected to be satisfied by the use of current assets or the creation of other current liabilities, or to come due within one year.
- DDO**.....Deputy Director of Operations.
- DHS**Department of Homeland Security.
- Direct Expenses**Those expenses that are incurred by a NAF activity, which are directly associated with the operation.
- Direct Personnel Costs**.....Those personnel costs that are incurred by a NAF activity, which are directly associated with the operation.
- DOD**.....Department of Defense.
- EFT**.....Electronic Funds Transfer.
- FAR**Federal Acquisition Regulations.
- FDIC**.....Federal Deposit Insurance Corporation.
- FICA**.....Federal Insurance Contribution Act; federal tax on wages paid by employers and employees.

Fidelity Insurance	Coverage against the loss of money and securities, which is sustained through any fraudulent or dishonest act committed by an employee acting alone or in collusion with others.
Financial Controls	Controls which cover cash accountability, daily financial reports, internal cash controls, investments, bank reconciliations, etc.
Financial Statements	Collectively the Balance Sheet, the Statement of Cash Flows, and the Income Statement.
Fixed Assets	Noncurrent assets which are long-lived, tangible assets used in conducting operations – property, plant, and equipment.
FITW	Federal Income Tax Withholding.
FSLIC	Federal Savings and Loan Insurance Corporation.
FUTA	Federal Unemployment Tax.
General and Administrative (G&A) Expenses	Those indirect expenses incurred by NAF activities associated with support functions.
General Journal	Used to record all transactions that cannot readily be entered elsewhere.
General Ledger	A self-balancing record that summarizes financial activity for the entire unit.
GAAP	Generally Accepted Accounting Principles.
Gratuity	Entertainment, meals, prizes, personal services or similar benefits of monetary value given to an employee of a Coast Guard NAFI or a member of the employee’s family.
Income Statement	The financial statement used to summarize revenues and expenses.
Indirect Expenses	Expenses that are incurred from support functions.
Interest Income	Revenue derived from investing activities.
Internal Audit	An extensive review of controls which span several departments and numerous areas of business.
Inventory	Goods bought for resale in the normal course of business.
IRS	Internal Revenue Service.

- Lease**.....Contractual arrangement whereby assets are acquired but where ownership may or may not change hands.
- Liabilities**Obligations to other entities that are the result of something that has already occurred.
- Long Term Liabilities**.....Noncurrent debts that come due later than one year.
- Military Services**The United States Coast Guard, Army, Navy, Air Force, and Marine Corps.
- MLC**Maintenance and Logistics Command.
- MWR**.....Morale, Well-being, and Recreation.
- NADA**National Automobile Dealers Association
- Net Profit**.....Difference between revenues and expenses.
- Net Worth**Residual interest in assets that remain after deducting liabilities.
- Nonappropriated Funds (NAF)**Government funds derived from sources other than those Congress appropriates from tax dollars.
- Nonappropriated Fund Instrumentality (NAFI)**.....An integral Coast Guard organization that performs a government function. It acts in its own name to provide or assist Coast Guard organizational elements in providing non pay compensation programs for military personnel and authorized civilians.
- Noncurrent Assets**.....Assets of a physical and long-term nature.
- NCUA**.....National Credit Union Administration.
- OCONUS**Outside the continental United States.
- OCONUS COLA**.....Cost of living allowance for specific government employees outside the continental United States.
- Open Purchase Orders**Unfulfilled orders placed by NAF activities to purchase merchandise or services.
- Package Store**An activity with the primary purpose of selling alcoholic beverages and related products for “off-premise” consumption.

Payroll	Expenses related to employee salaries and wages.
Payroll Ledger	An accounting record used to record all payroll information for individual employees.
PCS	Permanent Change of Station.
Perpetual Inventory	A count maintained throughout the year of the number of units of an individual stock item on hand.
Personal Service Activities	NAF operations, other than merchandise resale or food operations, that provide services.
PA	Personnel Assistant.
Physical Inventory	Value of inventory by actual count.
Prepaid Expenses	Payments for goods and services in advance of their use.
Procurement	Purchasing, renting, leasing, or otherwise obtaining goods, services, or facilities.
Purchase Order (PO)	Orders placed by NAF activities to purchase goods and/or services.
Purchase Register	An accounting ledger maintained for all financial activities of the unit to record purchases and accounts payable.
Real Property	Land/and or non-portable buildings and facilities.
Restricted Privileges	Authorization to purchase certain categories of merchandise and services provided by a NAFI.
Retail Operations	Activities selling merchandise for use to eligible patrons.
Retained Earnings	Portions of net profits a NAF activity must retain to ensure sufficient working capital.
Revenue	Inflow of assets or, occasionally, reductions in liabilities that are a result of normal operating activities.
Satellite	Operation typically established onboard cutters, operated by local commands using inventory, working capital, and administrative support of the “parent” NAF operation.

Service Contract	A contract whereby a contractor performs a service for the NAFI, such as laundry, dry-cleaning, photo processing, and repair service. This type of contract may also include procurement of direct services such as a janitorial service.
Shrinkage	Loss of inventory or inventory value.
Statement of Cash Flows	The financial statement used to summarize the sources of cash inflow and outflow.
Supplies	Items, not intended to be resold, which are purchased to be consumed during the normal course of business.
Targeted Review	Type of internal audit.
TAD/TD	Temporary Duty.
Trial Balance	Listing of account balances from the general ledger.
TPA	Third Party Administrator.
UNICOR	Federal Prison Industries, Inc.
UDC	Uniform Distribution Center
Uniform Reimbursement	Indirect reimbursement to CGES from appropriated funds for operating costs associated with sale of military issue uniforms.
Unlimited Privileges	Authorization to purchase all merchandise and services provided by Coast Guard NAF activities.
Vehicle Comprehensive and Collision	Covers damage to vehicles owned and operated by the NAF programs with NAF-issued license plates only.
Vending	An activity that provides merchandise for resale through machines.
Wagner-O’Day Act	Federal law that provides for the purchase of certain commodities and services from workshops operated by blind and other severely handicapped individuals.
Working Capital	Excess of current assets over current liabilities.

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**NAF
INSPECTION CHECKLIST**

A. This inspection checklist is intended as an aid for commands with activities within a NAFI to test compliance with Commandant Policies contained in this Manual.

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
1. Are NAF activities operated within the appropriate NAFI? Chapter 2.C.	_____	_____	_____
2. If not, is there written approval for the deviation? Chapter 2.C.2.	_____	_____	_____
3. Does the activity hire NAF employees? Chapter 2.D.	_____	_____	_____
4. Are all NAF employees paid through COMDT (CG-103)? Chapter 2.D.	_____	_____	_____
5. Is NAF travel adjudicated under the rules governing APF travel processes and policies? Chapter 2.E.	_____	_____	_____
6. Are independent activities operating NAF activities? Chapter 2.F.1.a.	_____	_____	_____
7. Does the NAF activity operate games of chance or lotteries? Chapter 2.F.1.b.	_____	_____	_____
8. Does the NAF activity sell alcohol or tobacco through vending machines? Chapter 2.F.1.c.	_____	_____	_____
9. Are courtesy cards entitling patrons to purchase merchandise from commercial enterprises issued by or in the name of the NAFI? Chapter 2.F.1.d.	_____	_____	_____
10. Are NAFI properties used by firms for advertising, promotion, or solicitation? Chapter 2.F.1.e.	_____	_____	_____
11. Are uniform items procured from the UDC being sold at cost? Chapter 2.H.	_____	_____	_____
12. Does the NAF activity sell firearms or ammunition? Chapter 2.I.	_____	_____	_____

Enclosure (2) to COMDTINST M7010.5B

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
13. Is a copy of The Physical Security and Force Protection COMDTINST M5530.1 (series) available? Chapter 2.I.2.	_____	_____	_____
14. Is a copy of the Ordnance Manual, COMDTINST M8000.2 (series) readily available? Chapter 2.I.2.	_____	_____	_____
15. Applicable federal statutes and regulations readily available in regard to firearm and ammunition sales? Chapter 2.I.2.	_____	_____	_____
16. Does the NAF activity have authorization from COMDT (CG-103) to sell firearms and ammunition? Chapter 2.I.3.	_____	_____	_____
17. Does the MWR activity sell tobacco products? Chapter 2.J.2.	_____	_____	_____
18. If so, does the activity sell products in quantities greater than the pack or inner carton? Chapter 2.J.2.	_____	_____	_____
19. If so, is written authority on file from COMDT (CG-103)? Chapter 2.J.2.	_____	_____	_____
20. Are NAF vehicles used only for NAF purposes? Chapter 2.K.4.	_____	_____	_____
21. Are only Government employees authorized to operate NAF vehicles? Chapter 2.K.4.	_____	_____	_____
22. Are all NAF vehicles properly licensed? Chapter 2.K.6.a.	_____	_____	_____
23. Is there an accurate listing of all NAF vehicles and plates issued? Chapter 2.K.7.	_____	_____	_____
24. Have there been any loss of license plates issued by COMDT (CG-103)? Chapter 2.K.7	_____	_____	_____
25. If yes, were the proper procedures followed in reported the loss? Chapter 2.K.7	_____	_____	_____
26. Are there sales minimums established for the use of credit cards? Chapter 2.N.3.	_____	_____	_____
27. Are check cashing policies posted? Chapter 2.Q.2.	_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
28. Does the NAFI has policies regarding the management of NAF property and it being followed? Chapter 2.R.	_____	_____	_____
29. Does the unit operate any retail activities? Chapter 3.B.2	_____	_____	_____
30. If so, does the unit have authorization for this retail activity from COMDT (CG-103)? Chapter 3.B.2.	_____	_____	_____
31. Does the command have on file authorization for the establishment of any business activities? Chapter 3.C.3.	_____	_____	_____
32. Does the command participate in the Coast Guard NAF cash management program? Chapter 4.	_____	_____	_____
33. Does the command only invest local NAF in FDIC or FSLIC instruments? Chapter 4.C.5.	_____	_____	_____
34. Is the command utilizing the accrual basis of accounting? Chapter 5.A.1.b.	_____	_____	_____
35. Are cash over/under logs utilized? Chapter 5.A.1.h.	_____	_____	_____
36. Are departmental sales data for major activities maintained? Chapter 5.A.1.i.	_____	_____	_____
37. Does this NAF Activity maintain a chart of accounts? Chapter 5.A.3.	_____	_____	_____
38. Has the command had any bad debt? Chapter 5.A.10.	_____	_____	_____
39. Are the accounting records closed at least quarterly? Chapter 5.A.11.a.	_____	_____	_____
40. Is the NAF Activity following the standard accounting periods as prescribed? Chapter 5.B.	_____	_____	_____
41. Is the command producing income statements and balance sheets at least quarterly? Chapter 5.C.2.a.	_____	_____	_____
42. Are physical inventories of resale items taken at the end of the accounting period? Chapter 5.D.1.	_____	_____	_____
43. Has a financial audit been conducted at least annually? Chapter 5.E.	_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
44. Does the NAF activity have well defined internal controls? Chapter 5.E.1.a.	_____	_____	_____
45. Has an internal auditor been appointed in writing? Chapter 5.E.3.a.	_____	_____	_____
46. Has the internal auditor submitted a written report to the command with his or her findings and recommendations? Chapter 5.E.3.e.	_____	_____	_____
47. Has a NAF budget been completed for the current year? Chapter 5.F.2.	_____	_____	_____
48. Has the Trust Fund Board approved certain NAF budgets as specified in the Trust Fund Rules and Regulations? Chapter 5.F.3.	_____	_____	_____
49. Does the command use the NAF budget to monitor activities? Chapter 5.F.4.	_____	_____	_____
50. Has the NAFI program manager published amplifying budget Policies and procedures? Chapter 5.F.5.	_____	_____	_____
51. Does the command have written security and loss prevention policies and procedures? Chapter 5.G.3.	_____	_____	_____
52. Has the NAF activity experienced any losses due to theft? Chapter 5.H.1.	_____	_____	_____
53. Are the proper procedures followed to seek repayment? Chapter 5.H.	_____	_____	_____
54. Does the NAFI Program Manager have a management assist verification program? Chapter 5.I.3.a.	_____	_____	_____
55. Are there amplifying policies provided by the NAFI Program Manager regarding the use of APF? Chapter 6.A.1.	_____	_____	_____
56. Is the command following the provisions of Chapter 6 regarding the use of APF?	_____	_____	_____
57. Are only authorized NAF expenses being reimbursed by APF? Chapter 6.B.2.	_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
58. Does the unit have a CGES satellite exchange? Chapter 7.	_____	_____	_____
59. If so, is there a current CGES Satellite Exchange Agreement on file? Chapter 7.C.1.	_____	_____	_____
60. Has the satellite exchange working capital been used for any improper purposes such as gifts and representational purposes? Chapter 7.C.2.	_____	_____	_____
61. Is merchandise being procured through CGES to the maximum extent practical? Chapter 7.C.3.	_____	_____	_____
62. Are invoices for merchandise procured maintained by month and year? Chapter 7.C.3.	_____	_____	_____
63. Do any transfers from the satellite exchange account to the morale account keep the working capital intact, including funds for satellite exchange operating expenses? Chapter 7.C.3.b.	_____	_____	_____
64. Is logo merchandise being procured through the satellite exchange operations? Chapter 7.C.4.	_____	_____	_____
65. Are the Satellite Exchange Officer and Exchange Operator designated in writing by the command? Chapter 7.C.5.	_____	_____	_____
66. Is the command complying with current IRS rules regarding any payments to the enlisted satellite exchange operator? Chapter 7.C.5.	_____	_____	_____
67. Are satellite exchange funds maintained in a federally insured account? Chapter 7.C.6.	_____	_____	_____
68. Are deposits being made in a timely manner? Chapter 7.C.6.	_____	_____	_____
69. Is the satellite exchange account established in the name of the units? Chapter 7.C.6.	_____	_____	_____
70. Is the proper Federal Employer's Identification Number being used on the account? Chapter 7.C.6.	_____	_____	_____
71. Are successor of interest letters on file for the satellite account? Chapter 7.C.6.	_____	_____	_____

Enclosure (2) to COMDTINST M7010.5B

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
72. Is the unit complying with the provisions of the Physical Security and Force Protection Program, COMDTINST M5530.1 (series) in the safeguarding of satellite exchange Assets? Chapter 7.C.6.	_____	_____	_____
73. Are satellite exchange reports being forwarded to COMDT (CG-103) in a timely fashion? Chapter 7.C.8.	_____	_____	_____
74. Are satellite exchange accounts reconciled monthly? Chapter 7.C.8.e.	_____	_____	_____
75. Are satellite exchange files and records being maintained in accordance with the schedule established in the Information and Life Cycle Management Manual, COMDTINST M5212.12 (series)? Chapter 7.C.8.f.	_____	_____	_____
76. Are satellite exchange operations audited at least annually and upon relief of the Satellite Exchange Officer? Chapter 7.C.8.g.	_____	_____	_____
77. Has the auditor provided a memo report to the commanding officer and COMDT (CG-103) of the findings and recommendations associated with the audit? Chapter 7.C.7.g.	_____	_____	_____
78. Has the unit complied with the provisions of Chapter 7.D. in the disestablishment of its satellite exchange operations?	_____	_____	_____
79. Has the unit submitted a claim against the NAF Consolidated Insurance in the last 12 months? Chapter 8.	_____	_____	_____
80. Have any losses been promptly reported to COMDT (CG-103)? Chapter 8.C.1.a., 8.C.2.a., 8.C.3.a., 8.C.4.a., 8.C.5.a.	_____	_____	_____
81. Have any NAF contracts been awarded to Government or NAFI employees or any organization owned or controlled by Government of NAFI employees? Chapter 9.C.1.f.	_____	_____	_____
82. Are NAF procurements made only after documentation that funding is available? Chapter 9.D.9.	_____	_____	_____
83. Is the NAFI conducting business with companies disbarred? Chapter 9.D.15.	_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
84. Are procurements citing APF and NAF funding sources being awarded by APF contracting personnel? Chapter 9.D.17.	_____	_____	_____
85. Are Equal Employment Opportunity clauses being included in NAF contracts involving labor performed in the US and for procurements involving labor outside the US when workers will be recruited within the US? Chapter 9.E.	_____	_____	_____
86. Are Minority Businesses being considered for concession and retail services and facility construction? Chapter 9.E.3.	_____	_____	_____
87. Is the McNamara-O’Hara Service Contract Act being complied with regarding minimum wage issues in NAF contracts? Chapter 9.E.7.	_____	_____	_____
88. Are the provisions of the Buy American Act being followed for NAF procurements? Chapter 9.E.8.	_____	_____	_____
89. Are the provisions of the Walsh-Healy Act being complied with for NAF procurements? Chapter 9.E.9.	_____	_____	_____
90. Is the Davis-Bacon Act being complied with for construction contracts over \$2,000? Chapter 9.E.10.	_____	_____	_____
91. If qualified, are non-resale goods and services being obtained from sources identified in Chapter 9.F.2?	_____	_____	_____
92. Are at least 3 quotes being obtained for procurements greater than \$2.5K and less than \$25K? Chapter 9.F.5.b.	_____	_____	_____
93. Are capital procurements greater than \$25K being approved, in advance by COMDT (CG-103)? Chapter 9.F.5.c.(1).	_____	_____	_____
94. Are concession contracts being awarded for a maximum of only 5 years? Chapter 9.F.5.e.(2).	_____	_____	_____
95. Are Coast Guard CEUs involved in construction procurements greater than \$2K? Chapter 9.G.3.	_____	_____	_____
96. Are NAF procurement files being maintained for each procurement? Chapter 9.H.	_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
97. Was CGES given the right of first refusal for required vending activities? Chapter 9.I.2.	_____	_____	_____
98. Has the concession contract been reviewed by the servicing legal office for legal sufficiency? Chapter 9.I.5.	_____	_____	_____
99. Are there any alcohol or tobacco vending machines? Chapter 9.I.6.	_____	_____	_____
100. Does the concessionaire carry the required insurance and is this certification available? Chapter 9.J.8.	_____	_____	_____
101. Do concession contracts comply with the provisions of Chapter 9.J.7 through Chapter 9.J.11. in regard to concession requirements?	_____	_____	_____
102. Has the NAF procurement authority been designated in writing? Chapter 9.K.2.	_____	_____	_____
103. Has the command had to ratify any NAF procurements? Chapter 9.L.	_____	_____	_____
104. If so, has the ratification been approved by the authorized ratification authority? Chapter 9.L.2.	_____	_____	_____
105. Are there eligible patron lists promulgated by the NAFI? Chapter 10.A.1.	_____	_____	_____
106. Is access to NAFI activities and programs restricted to eligible patrons of the NAFI? Chapter 10.B.	_____	_____	_____
107. Are the applicable withholding taxes being made to employees' wages? Chapter 11.B.2.a.	_____	_____	_____
108. Are employees reporting cash tips to the NAF activity manager? Chapter 11.B.2.b.	_____	_____	_____