



DEPARTMENT OF THE NAVY
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
2000 NAVY PENTAGON
WASHINGTON, DC 20350-2000

OPNAVINST 1700.13B
N46
22 Apr 04

OPNAV INSTRUCTION 1700.13B

From: Chief of Naval Operations
To: All Ships and Stations (less Marine Corps field addressees not having Navy personnel attached)
Subj: MORALE, WELFARE AND RECREATION (MWR)/NAVY EXCHANGE (NEX) BOARD OF DIRECTORS (BOD)

Ref: (a) NAVSO P-1000, Financial Management Policy Manual

Encl: (1) MWR/NEX Board of Directors Committee Bylaws

1. Purpose. To revise the membership of the Board of Directors (BOD) and to provide oversight and policy guidance for Navy Morale, Welfare and Recreation and Navy Exchange Nonappropriated Fund (NAF) operations. This revision should be read in its entirety.

2. Cancellation. OPNAVINST 1700.13A.

3. Background. Quality of Life (QOL) operations and services contribute to personnel readiness and are essential to the effective functioning of the Navy. Efficient operation of Navy's NAF programs requires the direct involvement of top Navy management and the close cooperation of Navy NAF organizations. To achieve this objective, a BOD for Navy MWR and NEX programs is established.

4. Policy. The BOD will direct governing strategic policy of MWR and NEX. Functions of the BOD are:

a. To ensure the MWR/NEX needs of the Sailor are met worldwide.

b. To make major strategic policy which determine the course of both programs.

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c. To ensure future MWR and NEX viability through effective programming and adequate Appropriated Fund (APF) and NAF support.

d. To charter and empower MWR and NEX Program Managers.

e. To conscientiously monitor MWR and NEX financial performance.

5. Responsibility. The BOD is responsible to the Chief of Naval Operations (CNO) for the following:

a. Providing strategic direction for the Navy's MWR and NEX programs. Determining and approving governing policies, strategic plans, and programs pertaining to MWR and NEX.

b. Determining financial goals and objectives by: (1) approving annual operating budget plans for worldwide operations of both programs; (2) approving annual and 3-year capital budget plans for both programs; and (3) conducting periodic reviews of operating results.

c. Determining formula for distributing NEX profit dividends.

d. Providing CNO with annual reports on MWR and NEX operations. The reports will be prepared by respective program managers and include any annual audit statements issued by certified public accountants.

e. Coordinating with Navy departmental and other Department of Defense (DoD) or non-DoD entities on appropriate matters.

6. Composition of the Board of Directors. The BOD will have 13 members. The chair will be determined by the CNO.

a. The BOD will consist of the following voting members, two or three star designee:

(1) Commander, Navy Installations (CNI)

- (2) Director, Navy Staff (DNS)
- (3) Deputy Commander, U.S. Atlantic Fleet (COMLANTFLT)
- (4) Deputy Commander, U.S. Pacific Fleet (COMPACFLT)
- (5) Deputy Commander, U.S. Naval Forces Europe
(COMUSNAVEUR)
- (6) Deputy Chief of Naval Operations (Manpower and
Personnel) (N1)
- (7) Deputy Chief of Naval Operations (Fleet Readiness
and Logistic) (N4)
- (8) Deputy Chief of Naval Operations (Resources,
Requirements and Assessments) (N8)
- (9) Commander, Naval Supply Systems Command
(COMNAVSUPSYSCOM)
- (10) Commander, Naval Reserve Force (COMNAVRESFOR)
- (11) Commander, Navy Exchange Service Command
(COMNEXCOM)
- (12) Assistant Commander, Navy Personnel Command for
Fleet Support (PERS-6)
- (13) Master Chief Petty Officer of the Navy (MCPON)

b. Ex-officio non-voting members are:

- (1) Assistant Secretary of the Navy (Manpower and
Reserve Affairs) (ASN M&RA)
- (2) Navy Judge Advocate General (JAG)

c. Three civilian recognized leaders in the retail/recreation industry (one from retail, one from recreation, and one from academia) will provide advice to the BOD as necessary.

7. Alternate Board of Directors Members. A BOD member may designate a temporary alternate to act and vote on his or her behalf; however, delegated membership will be at a sufficient senior level to assure proper oversight.

8. Board of Directors Proceedings. The following procedures apply:

a. In the absence of the Chairperson, the next senior member will assume the Chair.

b. The quorum required to conduct BOD business will be six members.

c. Only the board member or designated alternate may vote.

9. Committees of the Board. The Chairperson may appoint committees of Board members for the purpose of reviewing major issues, as appropriate. Additionally, the following standing committees of the board are established: Finance Committee, Facilities Committee, and Audit Committee. Duties, responsibilities, and membership of these committees are provided in enclosure (1).

10. Program Manager Responsibilities. COMNEXCOM and PERS-6, as program managers, retain their own Chief Executive Officer (CEO)-like responsibilities for their individual programs to make informed business decisions based on direction provided by the Board. Like a CEO, they have the authority and primary interdepartmental responsibility for the worldwide administration and operation of their respective programs; however, they are also accountable to the Board.

11. Action

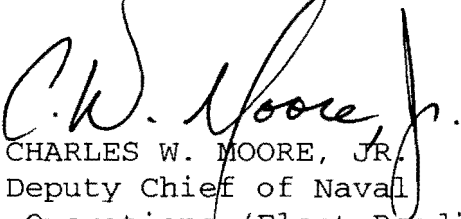
a. The BOD will meet at least semiannually. The BOD may also meet upon order of the Chairperson.

b. In lieu of additional meetings, the Chairperson may elect to poll the voting members and achieve resolution on matters that require expeditious handling.

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c. Temporary duty travel funds for BOD members will come from their respective command travel funds per provisions of reference (a) which require the use of Appropriated Fund (APF) for travel of personnel who perform essential command and control functions.

12. Reports. Reporting requirements contained in paragraph 5d of this instruction and enclosure (1) are exempt from reports control per SECNAVINST 5214.2B.


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Distribution:
SNDL Part 1 and 2

MWR/NEX Board of Directors
Committee Bylaws

1. Creation and Organization

a. The standing committees of the MWR/NEX Board of Directors (BOD) are the Finance Committee, Facilities Committee, and Audit Committee.

b. Additional committees may be established by the Chairperson of the BOD, as required, to review significant issues.

c. Each standing committee may determine its own rules of procedure consistent with these bylaws.

d. Meetings of any standing committee may be called at the direction of the Chairperson of the BOD or the Chairperson of the committee. Normally, meetings of the committees will be scheduled in conjunction with, and prior to, regularly scheduled meetings of the BOD. Matters may be referred to the committees by the BOD in session or by the Chairperson of the BOD out of session.

e. At meetings of each standing committee, the presence of a majority of the members shall be necessary to constitute a quorum for the transaction of business, and, if a quorum is present at any meeting, the action taken by a majority of the members present shall be the act of the committee.

f. Each standing committee shall keep a record of its acts and proceedings, and all acts will be reported to the BOD at the next BOD meeting following such action.

g. A committee may take action within its authority without a meeting, provided that the matter requiring action is outlined in writing and all members are afforded the opportunity to vote.

h. Each standing committee is expected to call upon Navy MWR and NEX program managers for information or data for representation on matters within its jurisdiction. Administrative support to the committees will normally be a

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joint responsibility of Pers-6 and COMNEXCOM, except when alternate arrangements are secured and approved by the Chairperson.

i. Committee members have the right to submit, individually or collectively, minority reports. These minority reports will be signed and given to the committee chairperson within five working days after the meeting for submission as an enclosure to the record of proceedings.

j. Temporary duty travel funds for committee members will come from respective command travel funds per reference (a).

k. Ex-officio members may participate in all deliberations of a committee, but do not vote.

2. Finance Committee

a. The Committee Chairperson will be appointed by the MWR/NEX BOD Chairperson. The Chairperson will be a BOD member and will rotate on a 2-year cycle. Membership will include three additional representatives from the Board. The Ex-officio members from industry and academia are encouraged to participate in all deliberations.

b. Responsibilities:

(1) Reviews the financial policies, annual budgets, long range plans of the MWR and NEX organizations and makes recommendations on financial matters that are referred by the BOD.

(2) Periodic reviews of operating results of MWR and NEX organizations.

(3) Reviews and recommends to the BOD the allocation of funds between MWR and NEX for recapitalization, ensuring a balance of needs for operations and savings to Sailors.

(4) Reviews and approves bonus plans.

Enclosure (1)

(5) Define and champion APF requirements consistent with established policies.

3. Facilities Committee

a. The Committee Chairperson will be appointed by the MWR/NEX BOD Chairperson. The Chairperson will be a BOD member and will rotate on a 2-year cycle. Membership will include three additional representatives from the Board. The Ex-officio members from industry and academia are encouraged to participate in all deliberations.

b. Responsibilities:

(1) Integrates and reviews facilities capitalization requirements for both MWR and NEX systems.

(2) Prioritizes capitalization needs against standardized review criteria based on major claimant input and justification.

(3) Balances needs versus available resources.

(4) Recommends integrated MWR/NEX facilities capitalization plan to BOD within funding parameters identified by the Finance Committee.

(5) Monitors long-range construction programs.

(6) Reviews and evaluates results of prior construction projects and validates the actual ROI (Return on Investment) vs. expected ROI when project was approved.

4. Audit Committee

a. The Committee Chairperson will be appointed by the MWR/NEX BOD Chairperson. The Chairperson will be a BOD member and will rotate on a 2-year cycle. Membership will include three additional BOD members. The Ex-officio member from Navy Judge Advocate General (JAG) is encouraged to participate in all deliberations and the current NEX/MWR Audit Committees are expected to contribute.

Enclosure (1)

b. Responsibilities:

(1) Reviews audit plans of the independent external certified public accounting firm(s), or alternates (such as the Naval Audit Service in the case of MWR), performing annual audits of MWR and NEX programs. Review includes audit scope, objectives, and methods.

(2) Reviews findings and accepts the external independent audit reports. Reviews and evaluates management's implementation of external auditor's recommendations.

(3) Ensures internal managerial and accounting controls are reviewed for adequacy and effectiveness through the respective MWR and NEX Internal Audit Branches. Receives detailed brief from each of the current MWR and NEX Audit Committees to include, but not be limited to:

(a) the internal audit functions which are structured in a manner that achieves organizational independence and permits full and free access to COMNEXCOM or Pers-6 as well as their respective Audit Committees;

(b) the internal audit functions' charter which ensures unrestricted access to records, personnel, and physical property relevant to the performance of audit engagements;

(c) the internal audit function has adequate resources and professional personnel assigned to support the requirements; and

(d) a review of the internal audit functions' plan for the next year and a summary of findings from the prior year.

(4) Recommends improvements in management control effectiveness and in financial accounting and reporting practices. Reviews and evaluates management's implementation of prior recommendations.

Enclosure (1)