



DEPARTMENT OF THE NAVY
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
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OPNAV INSTRUCTION 1700.7E

From: Chief of Naval Operations

Subj: RESPONSIBILITY FOR MORALE, WELFARE AND RECREATION (MWR)
AND NAVY EXCHANGE (NEX) PROGRAMS IN THE NAVY

Ref: (a) DOD Instruction 1015.10 of 3 Nov 95
(b) DOD Instruction 1015.15 of 25 May 05
(c) DOD Instruction 1015.14 of 22 Nov 05
(d) OPNAVINST 1700.13B
(e) OPNAVINST 5450.331
(f) BUPERSINST 12990.1A
(g) DOD Instruction 1000.15 of 20 Dec 05
(h) SECNAVINST 5040.3A
(i) DOD Instruction 7600.6 of 16 Jan 04
(j) DOD Instruction 1330.21 of 14 Jul 05
(k) OPNAVINST 4060.4B

Encl: (1) Responsibility for Resale Functions within the Navy
(2) Fiscal Oversight Review

1. Purpose. To set forth responsibility for policy, overall coordination, and execution of Morale, Welfare and Recreation (MWR) and Navy Exchange (NEX) programs within the Navy. References (a) through (k) apply. This instruction is a complete revision and should be reviewed in its entirety.

2. Cancellation. OPNAVINST 1700.7D.

3. Background. MWR and NEX programs play a vital role in encouraging positive, healthy lifestyles; supporting fleet readiness; providing quality goods and services at a savings; and enhancing force retention. For purposes of this instruction, MWR programs include those categories of activities listed and defined in references (a) and (b). Common review and coordination of all MWR and NEX program requirements are essential to achieve the most cost-beneficial use of limited resources available while providing quality support and services for the benefit of military personnel and their family members. Financial considerations impacting various MWR program elements are interrelated. Therefore, specific MWR elements must be viewed in terms of their relative value within the overall

program, and adapted to requirements at individual installations and regions rather than unilaterally pursued as separate, unrelated functions.

4. Policy

a. Adequate MWR and NEX programs are essential to the effective functioning of the Navy. Commanders must devote necessary attention and authorize resources to effectively provide and manage such programs. The chain of command is responsible for the management, control, fiscal oversight, and review of MWR and NEX programs under their cognizance. Reference (a) provides policy on the staffing and assignment of appropriated fund (APF) personnel, military and civilian, as well as nonappropriated fund (NAF) personnel, to manage, operate, and support MWR programs and activities. Reference (b) prescribes procedures for establishment, management, and control of Nonappropriated Fund Instrumentalities (NAFIs) and financial management of NAF activities. Reference (c) provides Department of Defense (DOD) policy regarding funding of NAFIs, including DOD Program Group 1 (Military MWR Programs) and Group 2 (Armed Services Exchange Programs).

b. The availability of adequate facilities is essential to providing high quality MWR and NEX programs and activities. However, unwarranted proliferation and duplication of comparable facilities and services is counterproductive to overall program effectiveness. The chain of command must exercise control over the size and scope of MWR and NEX programs. Reference (d) provides that the MWR/NEX Board of Directors (BOD) will ensure that NAF resources available for MWR and NEX facility improvements are being used according to overall program priorities. Regional commanders shall ensure that improvements to MWR and NEX facilities are valid requirements that ultimately facilitate consolidation, where feasible, and rightsizing of MWR and NEX footprints. Additionally, such improvements should incorporate functional acceptability, proper location, accommodation of long-range interest, and projected participation proportionate to investment.

c. The sale of merchandise and services within DOD is a matter of continuing concern and close review by Congress, requiring close adherence to the policies and guidance contained in enclosure (1).

5. Responsibilities

a. Deputy Chief of Naval Operations (Manpower, Personnel, Training and Education) (DCNO) (MPT&E) (N1) is designated as the agent of the Chief of Naval Operations (CNO) responsible for overall policy concerning MWR programs within the Navy.

b. Commander, Navy Installations Command (CNIC) is designated as the agent of the CNO responsible for overall operation of MWR programs within the Navy and for coordinating various program elements to achieve the most cost-beneficial approach to their execution. CNIC is designated as the Program Manager for Navy MWR, including all Category A, B, and C activities; Civilian MWR activities as described in reference (f); Navy Flying Clubs; and membership associations other than private organizations, as defined in reference (g). CNIC is responsible for the following:

(1) Equitably distributing and monitoring effective use of NAF and APF resources in support of MWR activities.

(2) Reviewing program and financial plans to ensure the most cost-effective use of resources available to support the overall MWR program. This shall include prioritizing various program elements.

(3) Developing and issuing fiscal management and control procedures necessary for protection and efficient administration of NAF resources supporting MWR activities.

(4) Establishing and issuing appropriate procedures and instructions for use by commanders in exercising their responsibility for audits and fiscal oversight reviews of NAFIs supporting MWR activities, per reference (h).

(5) Conducting fiscal oversight and management reviews of MWR programs to help ensure continuing effectiveness and protection of assets. These reviews complement those required by the chain of command. CNIC also coordinates system audits/reviews of MWR Program NAFIs by certified public accountants, per reference (i). The scope of CNIC fiscal oversight reviews is further explained in enclosure (2).

(6) Providing administrative and technical guidance to effect the most efficient operation, management, and delivery of high quality MWR programs to patrons.

(7) Managing the Navy Media and Resource Program.

(8) Managing U.S. Naval Joint Service Activity, The New Sanno, Tokyo, Japan.

c. MWR/NEX Board of Directors (BOD) directs governing strategic policy of MWR and NEX, per reference (d), in fulfilling its assigned duties by advising on issues pertinent to the operation of MWR and NEX activities. In addition, three standing committees of the BOD (Finance, Facilities, and Audit) were established to conduct detailed review of significant MWR and NEX issues. The importance of the BOD is sufficient to warrant designation of flag officer representatives, whose chair will be determined by the CNO.

d. Commander, Navy Supply Systems Command (COMNAVSUPSYSCOM) shall designate an Assistant Chief of Staff (ACOS) for Navy Family Support (NFS). This ACOS will oversee Navy Exchanges, Navy Lodges, Ship Stores, Uniforms, Navy Afloat and Ashore Food Service, Afloat Disbursing, Personal Property, and Postal Programs. The ACOS for NFS assumes responsibility for the following, as generally designated in reference (e):

(1) Providing command primary support, retail and services management, and sound business policies and procedures for Navy Exchanges to achieve their system-wide mission.

(2) Coordinating support and guidance for the operation of Navy Exchanges, Navy Lodges, Ship Stores, Uniforms, Navy Afloat and Ashore Food Service, Afloat Disbursing, Personal Property, and Postal Programs.

(3) Implementing policy and establishing procedures for the acquisition, administration, and utilization of Navy Lodges.

e. Enclosure (1) delineates specific resale responsibilities under the cognizance of Commander, Navy Exchange Command (COMNEXCOM) and CNIC and also provides amplifying guidance for the execution of such responsibilities.

6. Action

a. CNIC and COMNEXCOM shall initiate continuing action to comply with their designated responsibilities and to coordinate the activities of the MWR/NEX BOD.

b. CNIC and COMNEXCOM program directors, exercising oversight of installation activities, shall deliver customer-responsive and efficient MWR and NEX programs and effect appropriate corrective action concerning findings and recommendations of fiscal reviews and audits conducted by higher authority. They shall further comply with prescribed follow-up procedures, per reference (c).



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RESPONSIBILITY FOR RESALE FUNCTIONS WITHIN THE NAVY

1. Policy

a. It is Navy policy that the resale of merchandise and services shall follow the provisions of reference (j) and as amplified herein. NEX shall be the primary source of resale merchandise and services on Navy installations. Exceptions to this policy shall be authorized only in those instances where the types of merchandise and services being sold are directly related to the purpose and function of a specific MWR activity and where it is determined that an MWR resale requirement cannot be met in a responsive manner by a military exchange or, in the case of Civilian MWR activities, as outlined in the enclosures to reference (e).

b. In general, resale functions within the Navy are offered for the primary purpose of providing essential retail merchandise and services that are responsive to customer needs. Additionally, they provide off-duty and leisure food and beverage opportunities, as well as, recreational equipment and accessories, incidental to participation in MWR programs, at reasonable costs to authorized patrons. Resale profits may be applied to supplement the cost of operating MWR programs. Essential elements of operational control are the responsibility of regional commanders.

2. Types of Resale. Resale functions in the Navy are categorized as follows:

a. Resale of merchandise and services to authorized patrons.

b. Functions for which charges are assessed and that provide recreational, social, entertainment, or amusement services to authorized patrons. Some retail functions associated with recreation activities, as identified in paragraph 3b below, are integral to the effectiveness of such activities and are not pursued as resale activities in and of themselves. The assessment of fees or charges for patron participation in activities of a recreational nature is not considered a resale function.

3. Responsibilities for Resale Functions

a. Resale functions categorized in paragraph 2a above shall be performed under the program management of COMNAVSUPSYSCOM, ACOS for NFS, and through outlets under the COMNEXCOM. Such functions shall include:

(1) Retail stores, exchange marts, and military clothing sales operations.

(2) Mail order, catalog, and e-commerce services; barber and beauty shops; flower shops; laundries; dry cleaning; pressing; tailor shops; watch repair shops; shoe repair shops; photographic studios; automobile garages; service stations; radio, television, computer, and electronic repair shops; newsstands; and exchange credit programs.

(3) Name-brand fast food outlets, including nationally and regionally recognized franchises and concession operations, i.e., those listed in the Restaurants & Institutions Top 400, directly operated by MWR or NEX, or operated by a private party as an MWR or NEX concession operation, as part of the NEX overall retail mission, including over-the-counter food services such as ice cream shops, delicatessens, snack bars, cafeterias, refreshment stands, automated snack bars, and mobile canteens.

(4) Package beverage stores to include liquor, wine, malt, and non-alcoholic beverage products. Navy MWR clubs and Food, Beverage, and Entertainment (FB&E) operations may sell six-pack containers of malt beverages for off-premises consumption. FB&Es are also authorized to sell keg beer for off-premises consumption, provided the NEX is unable to provide such service.

(5) Sales and rentals of video tapes, CDs, and DVDs licensed for personal use only, video recorders, and cable television services. MWR and combined bachelor quarters may independently purchase cable television services for their own usage.

(6) Taxi and bus services, auto rental, truck rental, non-recreational trailer rental, car carrier top rental, manned-phone centers, mini-storage facilities, non-recreational lodging (excluding combined bachelor quarters), new or factory certified

cars or motorcycle sales in overseas locations, and other authorized services of a personalized nature.

(7) General equipment rentals. (Examples of items to be rented are listed on page 8 through 10 of this enclosure.)

(8) Vending machines dispensing a consumable product or personal service. Vending machines as here authorized shall be any self-service device that, upon insertion of coins or tokens or by similar means, dispenses unit portions of goods or services.

(9) Concession and contract operations which provide merchandise or services other than those that are provided for MWR programs.

(10) Unofficial telecommunication services (including pay telephone stations, telephone calling centers, internet services, wireless services and Voice over Internet Protocol calling managed by NEX or by MWR activities where no exchange outlet exists or by mutual agreement.

b. Resale functions categorized in paragraph 2b above shall be performed under the program management, technical cognizance, and operational supervision of CNIC. Such functions shall include:

(1) Pro shops. Bowling centers, golf courses, tennis complexes, and other recreation activity centers may operate associated pro shops and related resale outlets as integral elements of these facilities for the resale of pro-line sporting goods and related items on pages 11 and 12 of this enclosure. These items may be purchased through NEX at landed cost, i.e., cost plus transportation. Equipment rental, locker room facilities, and professional instruction may be provided as integral elements of the basic program.

(2) Food service operations. Bowling centers, golf courses, youth centers, and other recreational activities may operate food services as part of their overall MWR mission. MWR may also operate catering and conference centers as well as food and beverage facilities in All Hands, Officers', Chief Petty Officers', and Enlisted Clubs.

(3) Amusement machines, pool tables, shuffle boards, jukeboxes, video music, and other entertainment systems will be operated by MWR unless the regional commander determines that NEX should operate them. MWR activities will operate slot machines and similar gaming devices, where authorized.

(4) Theaters, including serviced snack bars (does not include coin operated, product vending machines).

(5) Auto skill centers. MWR may sell installed auto parts ("in stock" items and "special order"), consumables and supplies for on-premises use or consumption at the auto skill shop. Any like items (model number and vendor) carried in NEX Master Stock Assortment (MSA) may be procured from the MSA source. These items may be purchased through NEX at landed cost. MWR will not sell tires, batteries, or automotive sound systems.

(6) Other recreation programs. Sailing centers, riding stables, golf driving ranges, sailing/boat marinas, rental fishing boats, skeet ranges, recreational camping areas, RV parks, recreational lodging, and arts and crafts hobby centers may all provide resale outlets for related recreational material, when operated as an integral element of specific MWR programs. Resale merchandise sold through these facilities shall be limited only to those items directly supporting the recreational activity. NEX may also sell similar items but not "pro-line" equipment.

(7) Recreation equipment rentals. Examples of items to be rented are listed on page 13 of this enclosure.

(8) Recreation Centers/Liberty Centers. Facilities which are available to authorized personnel and provide a medium for social recreation, such as dances, parties, live entertainment, etc., and for informal or passive organized leisure time activities such as reading lounges, TV/movie lounges, electronic game rooms, cybernet cafes, etc.

(9) Child Development Centers (CDCs). The sale of sundry items incidental to the effective operation of CDCs or in support of family child care may be provided as integral elements of the basic facility or service.

(10) Recreational travel/entertainment services. Tickets, tours, and reservations for hotels and cruises, including unofficial airline travel.

(11) Carnivals, circuses, flea markets, and special entertainment events.

(12) Storage lockers, RV, boat and vehicle storage (other than vehicles stored in mini-storage units).

(13) Military Clubs (All Hands, Officers', Chief Petty Officers', and Enlisted Clubs). Tobacco products may only be sold in these clubs on a unit package basis, limited to two packages of cigarettes per patron or comparable limit for other tobacco products.

(14) Alcoholic beverage package stores may only be operated in those areas and locations where no NEX operates, or when mutually agreed upon by COMNEXCOM and CNIC.

c. Resale functions for civilian MWR activities shall be operated per reference (e).

4. Competition. Unwarranted proliferation of competitive resale outlets is counterproductive to the overall effectiveness of MWR and NEX services within the Navy. It is the responsibility of regional commanders to locally control resale outlet competition to ensure that the overall interests of eligible patrons are collectively best served. In fulfilling this responsibility, commanders shall adhere to the following:

a. Sales outlets shall not engage in practices designed to compete with or solicit patronage away from other outlets authorized to provide comparable goods or services through pricing, promotion, or other approaches. Special sales on a one-time basis are permitted for marketing purposes or to stimulate the sale of excess stock. This prohibition does not include normally scheduled MWR or NEX promotional advertising events.

b. Coffee messes are limited to providing coffee, tea, cold beverages, and pastries to work groups at fees necessary to recoup only the cost of goods. However, some expanded coffee messes are involved in extensive food preparation and resale of

assorted merchandise and services, in addition to offering customary beverages and pastries. This may result in unwarranted proliferation and competition among resale outlets. Operating expanded food resale outlets is prohibited unless specifically authorized as an Auxiliary Resale Outlet (ARO). Coffee messes and AROs, as described above, shall not engage in food preparation and all food items, when available, shall be procured from the NEX at established retail selling prices, less 10 percent. Per reference (k), request for ARO authorization shall be submitted to CNIC via the chain of command.

c. General mess facilities (galleys) shall not provide civilian or family dining service in competition with other installation food service outlets identified in paragraphs 3a(3), 3b(2) and 3b(13). Exceptions to this provision may be considered by the respective program managers, where justified in overseas and/or isolated areas, on special holidays and in support of families under permanent change of station orders.

d. In those instances where the sale of similar items or services is authorized by more than one category of resale outlet, or when mutually agreed to by COMNEXCOM and CNIC, regional commanders shall not allow the exclusive sale of such items or services in only one category of outlet. Additionally, regional commanders will ensure that prices of like items sold in different categories of outlets will be uniform, unless such items show a marked difference in quality and manufacturer. This policy does not preclude special sales on a one-time basis.

e. NEX shall have right of "first refusal" in addressing nationally and regionally recognized food operations, i.e., those listed in the Restaurants & Institutions Top 400. MWR activities desiring to contract for these services in MWR spaces must use NEX as the contracting agent. The NEX will issue a request for proposal or use an existing contract to engage applicable nationally and regionally recognized brands on behalf of MWR. However, if it can be credibly demonstrated that providing the service as an MWR direct-run operation would be more advantageous, or if there is no interest from industry, then NEX may decline its contracting opportunity in writing. If any of the above conditions apply, MWR may operate a nationally or regionally recognized brand as a direct-run business.

f. If regional commanders determine that quality resale services are not being provided to patrons in a responsive, cost-effective manner through NEX-operated outlets, or if NEX profits are not consistent with its assigned mission, such lack of responsiveness shall be reported to COMNEXCOM via the chain of command, copy to NAVSUPSYSCOM.

g. The assignment of responsibility for new resale functions or resale functions not addressed in this enclosure shall be requested from CNIC and COMNEXCOM prior to establishment. Similar requests for realignment of current functional responsibilities may also be initiated. In instances where mutual agreement cannot be reached between program managers, request shall be referred to DCNO (MPT&E) (N1) for resolution.

h. Program management cognizance of sales outlets that are contrary to guidance prescribed herein and existing at time of this issuance, shall be shifted following procedures issued by CNIC and COMNEXCOM, except in those cases where deviation has been requested and approved by both parties.

i. Neither program manager shall plan, construct, expand, or renovate a facility with functions that fall within the scope of the other program manager's responsibilities without prior written agreement with the responsible program manager.

j. Private organizations, e.g., shooting, fishing, flying, camera, or wives' clubs, shall operate under the provisions of reference (e), with written approval of the regional commander. They shall limit their resale activities to occasional sales of merchandise and services for fundraising purposes.

GENERAL EQUIPMENT RENTAL

Hospitality Items

Tables
Bathroom Items
Bedroom Items
Card Table and Chairs
Chafing Dish
Coffee Maker
Cot
High Chair
Ice Crusher
Kitchen Items
Porta Crib
Chairs
Roll-away Bed

Miscellaneous

Television
Snow Blower
Santa Claus Suit
Roller Massage
Child Restraint Seat
Electric Fan
Electric Heater
Camera
Hand Truck
Metal Detector
VCR or DVD Player
Electronic/digital devices
Movie Screen
Slide Projector
Refrigerator Dolly
Carpentry Equipment
Floor Edger
Floor Sander or Buffer
Wet and Dry Vac
Rug Shampooer
Hand Tools
Cross-cut Saw
File
Crow/Pry Bar

20 Nov 06

Miscellaneous (Cont'd)

Hammer
Wood Drill
Hack Saw
Hand Planer
Tape Measure
Miter Box and Saw
Plumber's Snake
Propane Torch Kit
Socket Set
Drop Light
Square
Level
Wood Chisel
Key Hole Saw
Pipe Wrench
Tap and Die Set
Power Tools
Auto Buffer
Belt Sander
Electric Drill
Electric Planer
Hammer Drill
Hydraulic Log Splitter
Jig Saw
Sander Vibrator
Skill Saw
Submersible Pump
Router

Lawn and Garden

Wheelbarrow
Hedge or Tree Trimmer
Cross Cut Saw
Lawn Edger
Fence Post Driver
Fertilizer Spreader
Hoe
Ladder
Lawn Roller
Lawn Mower
Pickaxe

Lawn and Garden (Cont'd)

Pitch Fork Spade
Post Hole Digger
Pruning Saw
Rake
Rototiller
Shovel and Spade

**MWR DEPARTMENTS' GUIDELINES
FOR SPORTING GOODS RESALE**

MWR Departments (Golf, Tennis, Bowling, Sports, Fitness, and Swimming) can provide resale of signature line and "program logo" clothing, pro-line equipment, and accessory merchandise that can be worn or used when participating in the recreation activity where such products are sold. Any like item (model and vendor) stated in the NEX MSA shall be procured from MSA source unless a more competitive price is available. MWR Departments can only special order other sports related items not available in the local NEX or MSA. Examples of resale type merchandise that can be sold by MWR activities follows:

CLOTHING/EQUIPMENT/ACCESSORIES

GOLF

Shirts	Blouses	Sweaters	Jackets
Socks	Shoes	Hats	Skirts
Belts	Purses	Shorts	Slacks
Rain Suits	Band-Aid	Clubs	Shag Bags
Gloves	Umbrellas	Balls	Ball Retrievers
Bags	Putter/Wedges	Pull Carts	Utility Clubs
Tees	Head Covers	Spikes	Travel Bags
Shoelaces	Towels	Pro Grip	Bag straps
Rule Books			

TENNIS

Shirts	Warm-ups	Shorts	Hats/Visors
Sweaters	Dresses	Peds	Tennis Shoes
Skirts	Socks	Racquets	Ball Hoppers
Balls	Head Bands	Grips	Strings
Gloves	Wrist Bands	Head Tape	Elbow Locks
Grip Tape			

BOWLING

Shoes	Shirts	Socks	Trousers
Culottes	Balls	Bags	Shoelaces
Band-Aids	Stay Dry	Skin Patch	Pom Poms
Stay Grip	Record Books	Thumb Inserts	Towels

BOWLING (CONT'D)

Bowler Tape	Wristlets	Gloves	Accessory Bags
Shoe Brush	Hand Conditioner		

SPORTS/SWIM/FITNESS

Shorts	Warm-Ups	Swimwear
Sweat Clothes	Shoes**	Bag
MWR logo Shirts	Rule Books	Balls
Trophies	Darts	Eyeglass Holders
Swimming Goggles	Swim Caps	Towels
Nose Clips	Shoelaces	Whistles
Lanyards	Knee Pads	Elbow Pads
Socks	Wrist Bands	Head Bands
Hats	Visors	Weightlifter Gloves
Athletic Supporters	Roller Skate Gear	Tennis Racquet
Racquetball Eye Guard	Eye Protector	Racquetball Gloves
Weightlifter Belt	Softball Gloves	Pool Cues/Cases
Dart Boards	Q-Tips	Sunglasses
Competition Stop Watch	Squash/Racquetball Racquet	

** Shoes limited to top of the line and brands not carried by local NEX or special orders when not available through NEX.

MWR EQUIPMENT RENTALS

Athletic/Recreation

Balls
Bats
Gloves
Racquets
Games
Snow Skis, Goggles, Boots & Poles
Water Skis
Swim Fins, Snorkel, and Diving Gear
Ice/Roller Skates
Bicycles
Toboggans
Golf Club Sets
Surfboards
Skateboards
Roller Blades

Camping and Picnic

Overnight Backpack Equipment
Camping Trailers and Tents
Car Luggage Racks, Trailer Hitches, and Safety Accessories
Camping Gear (examples: sleeping bags, cooking equipment, cots, lanterns, ice chest, propane/catalytic heater and fuel, etc.)
Barbecue & Portable Gas Grill

Fishing and Boating

Fishing Boat, Motor and Trailer
Canoe and Paddles
Raft and Paddles
Oars and Locks
Life Jackets
Boat Anchor
Fishing Equipment
Rod and Reel Sets
Fish Cleaning Sets
Tackle Box
Fishing Guide Book
Bait

FISCAL OVERSIGHT REVIEW

COMNEXCOM and CNIC, as program managers, provide oversight review of selected high-risk fiscal transactions. This oversight complements chain of command audits and reviews conducted by local internal review staffs, audit boards, etc. These reviews are not intended as full-scale audits that are normally conducted following generally accepted auditing standards. Instead, audit steps for high-risk fiscal areas (cash, inventories, payroll, etc.), are selected for review, consistent with the provisions of reference (g).

In conducting oversight reviews, several types of audit procedures may be used, including: financial, compliance, operational and management auditing. Special programs and internal control questionnaires are used as part of the fiscal oversight review procedure, containing many aspects of a financial and compliance audit. These reviews comply with government auditing standards to the extent that selected audit steps are performed.

DOD 7000.14-R, Volume 13 of August 1994, and other pertinent policy instructions dealing with reviews/audits (i.e., SECNAVINST 7510.7F, and SECNAVINST 5040.3A) provides guidance for fiscal oversight reviews.

Fiscal oversight reviews include evaluation of reviews performed by local internal review staff and audit boards.