



DEPARTMENT OF THE NAVY  
OFFICE OF THE CHIEF OF NAVAL OPERATIONS  
2000 NAVY PENTAGON  
WASHINGTON, D.C. 20350-2000

OPNAVINST 4060.4C  
N13  
18 Dec 06

OPNAV INSTRUCTION 4060.4C

From: Chief of Naval Operations

Subj: ESTABLISHMENT OF AUXILIARY RESALE OUTLETS (AROS)

Ref: (a) OPNAVINST 1700.7E  
(b) DOD 7000.14-R FMR, Vol 13 of Aug 94  
(c) NAVSO P-1000, Part E: MWR  
(d) BUPERSINST 1710.11C  
(e) BUPERSINST 5300.10A  
(f) CNICINST 5890.1  
(g) BUPERSINST 7510.1B  
(h) SECNAVINST 5040.3A  
(i) SECNAV M-5210.1 of Dec 05

Encl: (1) Sample Request Letter  
(2) Sample Auxiliary Resale Outlet Inventory Sheet  
(3) Guidelines for the Completion of an Auxiliary Resale Outlet (ARO) Inventory  
(4) Guidelines for the Completion of the Auxiliary Resale Outlet (ARO) Financial Statement

1. Purpose. To issue revised policy and program management guidance for operating Auxiliary Resale Outlets (AROs) on shore stations and on ships without a ship's store. References (a) through (h) apply. This instruction is a complete revision and should be reviewed in its entirety.

2. Cancellation. OPNAVINST 4060.4B.

3. Applicability. This instruction does not apply to:

a. Conventional coffee messes that are restricted to beverage and associated pastry/snack items for which charges are made only to offset the cost of items provided.

b. Ships with a ship's store.

4. Discussion

a. General messes, Navy Exchange food service and vending facilities, officer and/or enlisted Clubs, or commercial food service facilities are not always able to conveniently offer food and beverage services to military personnel who frequently

work unusual hours or shift schedules. Fewer interruptions in work schedules may lead to greater efficiency as well as improved morale of those personnel through availability of limited food and beverage service at the work site.

b. AROs at work sites may be warranted and authorized as a supplement to services identified in paragraph 3a, but not as duplication for unit convenience/fund generation only. Duplication/competition among resale outlets is counterproductive to the overall effectiveness of providing adequate Morale, Welfare, and Recreation (MWR) services within the Navy. Reference (a) contains guidelines for controlling duplication and competition among resale outlets. AROs will not be established in direct competition with Navy resale or MWR operations.

##### 5. Authorization

a. Unit commanders may establish an ARO only with the written concurrence from Commander, Navy Installations Command (CNIC) (N9) via installation and/or regional commanders. Enclosure (1) provides a sample request letter. Factors that should be considered by the unit and the installation/regional commander are the compatibility of the operating hours of existing food service facilities with the working hours of the organization; distance of the work area from food service facilities; and the ability of the Navy Exchange or local MWR activity to provide food service at, or convenient to, the work area. Installation/regional commanders are also tasked with the responsibility of overseeing and monitoring the operation of AROs. A copy of the approved justification will be maintained on file for subsequent oversight review.

b. Authorized AROs will be established as Category C Nonappropriated Fund Instrumentalities (NAFIs) subject to the restrictions specified in reference (b). AROs are included under the cognizance of CNIC for oversight and administrative purposes only and are not considered MWR revenue-generating activities. AROs shall not be operated for the personal profit of any individuals, and no individual shall have any financial interest or right in any property used, acquired, or held in the ARO.

c. AROs are authorized to provide only the following merchandise for resale:

- (1) Non-alcoholic hot and cold beverages.
- (2) Donuts and other pastries.
- (3) Commercially prepared and packed snack items.
- (4) Commercially prepared and packaged sandwiches.
- (5) Emblematic merchandise such as plaques, ball caps, and decals must include the unit insignia of the particular organizational unit operating the ARO.

## 6. Policy

a. Operating and financial management policies will follow reference (b) and be on a cash/check basis. A sample inventory spreadsheet, and supplementary financial guidance are provided in enclosures (2) through (4).

b. Cooking and/or assembly of any food items (such as hamburger, hot dog, or deli sandwich) is specifically prohibited.

c. Merchandise sold in an ARO, if normally stocked by the local Navy Exchange or its distributors, shall be procured from the Navy Exchange at the established Navy Exchange selling price less 10 percent or cost, whichever is higher. The selling price to be used shall be obtained under the same conditions of sale at both the ARO and Navy Exchange. Merchandise not normally stocked by the local Navy Exchange or its distributors may be procured on the open market, to the amount of purchase authority officially granted at the discretion of the unit commander or installation commanding officer (CO) and documented for the record. Authorized purchases from the same supplier may not be split to avoid complying with purchasing authority limitations.

d. Sales are restricted solely to occupants of the work area in which the ARO is located. AROs shall not be involved with in-flight feeding functions aboard Navy aircraft.

e. At the installation/regional commander's discretion, net income generated by an ARO may be as a direct offset to unit allocation normally forwarded by MWR. Any discretion to unit allocation funds will be established at the time the ARO is approved by the CO.

f. Staffing to manage and operate AROs will follow reference (c) for Category C NAFIs. Active duty military personnel may be designated to perform duties involving ARO functions on an additional or collateral duty basis only. Such duties shall be in addition to the person's primary duty assignment. Military personnel may also be hired to work in an off-duty capacity. Such off-duty hires must be managed according to the non-appropriated fund (NAF) personnel policies procedures included in reference (e).

g. Any profits generated in AROs shall be expended per reference (c) and limited to equipment needs of the operation or for expenditures in support of the collective general welfare of the personnel assigned to the unit operating the ARO.

h. Per references (b) and (f), adequate insurance is essential to protect against financial loss, protect the individuals who operate AROs, patrons who use AROs, the unit or command operating the ARO, and the Navy. The following insurance requirements must be met and documented before an ARO may be allowed to operate:

(1) Each ARO must purchase and maintain adequate liability insurance from a commercial insurance company to protect against third party liability claims. All insurance premiums must be paid with local ARO funds.

(2) Minimum coverage limits for liability coverage are \$500,000 per person/\$1,000,000 per occurrence for personal injury or death and \$100,000 for property damage to others.

(3) The liability insurance policy must list the ARO, the unit/command where the ARO is located, and the United States of America as the "named insured."

(4) Each ARO must maintain worker's compensation insurance purchased from a commercial insurance company for any NAF employees working for the ARO.

(5) Each ARO is responsible for damages to and/or loss of its own equipment and thus should consider purchase of property insurance from a commercial insurance company to cover such losses.

(6) Any commercial insurance policy obtained for any ARO should be coordinated with the base/regional legal services

office to ensure the policy meets all requirements and contains acceptable claims processing procedures.

## 7. Fiscal Oversight and Inspections

a. All NAFs supporting AROs are government funds and are subject to all laws, rules, and regulations established for the control of NAF. In operating an ARO, care must be exercised to fix the responsibilities of those personnel involved in both the overall management and the daily operational functions. Effective financial controls are also required to protect the assets of the ARO by ensuring the accuracy of accounting records, taking periodic inventories, maintaining adequate control of cash/check receipts and disbursements, and scheduling/conducting periodic reviews (at a minimum annually) by the installation/regional command evaluation team.

b. Local reviews of AROs shall be performed following the guidance provided in reference (g). The conduct and adequacy of local fiscal oversight and reviews, and resulting corrective actions, are the responsibilities of the unit commander or installation commander. ARO reviews shall be included in the annual schedule and include those functions identified as highly vulnerable to fraud, waste, and abuse. Normally, these functions would include cash funds and receipts, sales, procurement, disbursements, payroll, and merchandise inventory. These reviews may be performed by using local command evaluation, internal audits, or other comparable staff (e.g., using a separate audit board or contracting with certified public accountants).

c. At a minimum, the following accounting records must be maintained:

(1) Record of Income. Documents the receipts to support sales proceeds. Close out transactions in income accounts at the end of each month and reconcile the income activity to the supporting records.

(2) Record of Expenses. Documents the authorized cash or check disbursements for purchases from the Navy Exchange or other suppliers. Payments by check are strongly encouraged. These expense transactions should be closed at the end of each month and reconciled to proper supporting records. Late closing and significant discrepancies should be reported promptly for appropriate management attention.

d. Regional commands, as part of their inspections of subordinate commands, will ensure subordinate commands comply with the provisions of paragraphs 7a and 7b. Reports of any corrective actions required to achieve compliance will be monitored on a periodic basis by the regional command.

e. Guidelines for completion of an ARO inventory and the ARO Financial Statement are provided in enclosures (3) and (4).

8. Action

a. CNIC shall provide policy guidance for the operation and fiscal oversight of AROs.

b. Unit/host commanders shall ensure compliance with these policies, as well as the guidance provided by references (a) through (h). Also, unit commanders shall affect appropriate corrective action concerning findings/recommendations of completed regional commander reviews per reference (h) and comply with follow-up procedures per reference (a), paragraph 6.

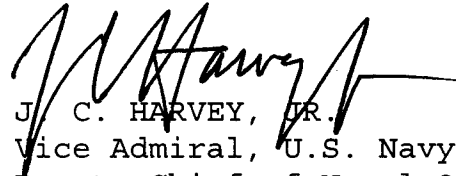
c. Reporting Requirements. Provide a copy of the completed monthly ARO Financial Statement (guidelines are provided in enclosure (4)) to the regional commander, host commander, or officer in charge (do not mail monthly reports to CNIC). Mail one copy of the annual report for each ARO in operation during the fiscal year (prepared as of 30 September) to Commander, Navy Installations Command, Millington Detachment (N9), 5720 Integrity Drive, Bldg 457, Millington, TN 38055-6550.

9. Disestablishment. Reference (b) provides guidance for the disestablishment of AROs. During the period between proposed activation and actual closing, disbursements will be limited to normal essential expenses. Future commitments will be cancelled and contractual agreements will be cancelled or renegotiated. Within 60 days after receipt of notification of closure, all outstanding payables will be liquidated. Upon final dissolution, all residual assets that remain after the transfer and liquidation of assets will be forwarded promptly by check, to Commander, Navy Installations Command, Millington Detachment (N9), 5720 Integrity Drive, Bldg 457, Millington, TN 38055-6520.

10. Forms and Reports

a. NAVPERS 4060/1 (Rev. 09-06), Auxiliary Resale Outlet (ARO) Financial Statement may be obtained at <https://forms.daps.dla.mil/>.

b. The reporting requirements contained in this instruction are exempt from reports control per reference (i).



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**SAMPLE REQUEST LETTER**

(Letterhead)

4060

(Serial number)

(Date)

From: (Unit Commander)  
To: Commander, Navy Installations Command, Millington  
Detachment (N9)  
Via: (Regional Commander/Installation Commander)  
  
Subj: REQUEST FOR ESTABLISHMENT OF AN AUXILIARY RESALE OUTLET  
(ARO) AT (FILL IN WHERE ARO WILL BE ESTABLISHED)

Ref: (a) OPNAVINST 4060.4C

Encl: (1) (Include the following elements - background  
justification for proposed merchandise or menu for  
sale in the ARO with selling price, procurement of  
merchandise, sources)

1. Per reference (a), request authorization to establish an Auxiliary Resale Outlet (ARO) for (insert where ARO located) as permitted by reference (a). The ARO will operate from (floor, building, and address).
2. Once approved, this ARO will only sell (emblematic items, commercially packaged food, coffee (list all categories that you intend to sell)).
3. Our point of contact is (fill in rank, name, and telephone numbers).

Signature  
By direction

Enclosure (1)



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Print Name of Person Conducting Inventory      Date

Signature of Person Conducting Inventory \_\_\_\_\_ Date \_\_\_\_\_

18 Dec 06

**GUIDELINES FOR THE COMPLETION OF AN  
AUXILIARY RESALE OUTLET (ARO) INVENTORY**

1. General Instructions. An ARO inventory provides a means to compare the receipts turned in by the ARO operator in relation to the retail value of merchandise sold. This record should be completed whenever the operator is relieved of duties. The relieved and relieving operators should jointly complete an inventory of the on-hand resale provisions and provide this inventory to the ARO custodian or designated individual responsible for the recordkeeping functions. Resale merchandise that is in the ARO storeroom under separate custody (i.e., not broken out to the sales outlet) does not have to be inventoried when the ARO operator is relieved of duties. Regular inventories are an important function and should be conducted at least monthly; however, local instruction may direct inventories be done at any time (daily, weekly, quarterly, etc.)

2. Preparation for an ARO Inventory. A sample inventory sheet provided in enclosure (2) can be completed per the following instructions:

- a. Accountable Unit - Name of item(s) to be inventoried (e.g., peanuts, bottled water.)
- b. Item Size - Unit the item(s) is to be inventoried (e.g., each, can, bottle.)
- c. Beginning Inventory - Number of item(s) carried forward from the previous inventory.
- d. Issues - Number of item(s) issued since last inventory.
- e. Sub Total - Beginning inventory plus issues.
- f. Ending Inventory - Number of item(s) at time of inventory.
- g. Amount Sold - Number of items sold since last inventory (automatically calculated).
- h. Cost Price - Amount each item costs.
- i. Total Cost - Amount used times cost price.

18 Dec 06

j. Sell Price - Amount each for which item is sold.

k. Total Sales - Amount used times selling price.

Differences in excess of +/- \$5 between the funds turned in by the operator and the total sales value of resale merchandise assumed sold require investigation. Necessary actions to prevent recurrence should be taken. In cases where there are multiple operators, each will be responsible for accuracy of records developed during the shift.

3. Retention. ARO inventory information should be retained per reference (i) for a 3 year period and made available to the individual(s) responsible for evaluating, reviewing and/or auditing the monthly and annual ARO Financial Statements.

**GUIDELINES FOR THE COMPLETION OF THE  
AUXILIARY RESALE OUTLET (ARO) FINANCIAL STATEMENT**

1. Introduction. These guidelines establish uniform procedures for the completion and submission of the ARO Financial Statement by all activities maintaining an ARO. This is a single entry cash basis system of accounting and enables each activity to reflect its financial transactions during a specified period, as well as accurately represent its current financial condition.

2. General Information

a. The ARO Financial Statement reflects all income and expenses incurred by the ARO during the reporting period. All entries shall be recorded in U.S. dollars. DO NOT include income that is due but not received, or expenses that are owed but not paid, at the end of the period.

b. Line titles/descriptions must be adhered to whenever possible. Those items of income and expense that are not listed on the financial statement will be shown under the captions "Other Receipts" (Line 2) or "Other Expenses" (Line 8).

3. Preparation of the ARO Financial Statement

a. Identification

(1) Reporting Activity: Identify by command designation, geographic location (mailing address), and appropriate Unit Identification Code (UIC).

(2) Period Ending: An interim ARO Financial Statement shall be completed as of the last working day of each month and retained by the ARO with a copy to the host installation commander via the unit commander. A cumulative fiscal year ending report (annual report) covering the period 1 October through 30 September of each fiscal year, or date of disestablishment of the ARO, shall be submitted to CNIC (N9), postmarked by 15 October of each year, with copies to the regional commander and the ARO's chain of command.

b. The INCOME AND EXPENSE STATEMENT portion will be completed as follows:

18 Dec 06

Line 1: Sales Receipts - Enter revenue derived from merchandise sales during the reporting period.

Line 2: Other Receipts - Enter cash received in the ARO which is not included in Line 1 (i.e., interest from checking/savings accounts).

Line 3: Total Receipts - Add Lines 1 and 2 and enter the result. This figure represents ALL income received from ALL sources during the reporting period.

Line 4: Purchases from Navy Exchange (Resales) - Enter the total dollar value, at cost, of all merchandise purchased for resale from and paid to the Navy Exchange during the report period.

Line 5: Purchases from Other Vendors (Resales) - Enter the total dollar value, at cost, of all merchandise purchased for resale from and paid to vendors other than the Navy Exchange during the report period.

Line 6: Salaries and Wages Expense - Enter the total of all salaries and wages (Direct, General, Administrative, and Maintenance), employee benefit costs, employer Federal Insurance Compensation Act (FICA), other contributions, other payroll taxes, and employee incentive awards actually paid during the period.

Line 7: Operating Supplies/Equipment Expense - All equipment with a unit cost of under \$2,500 and supplies which were purchased during the period will be reflected on this line. Do not include items purchased for resale (reported on Lines 5 and 6).

Line 8: Other Expense (Other Expenditures - Non Resale) - Enter the total dollar value of all other expenses not included on another expense line.

Line 9: Total Cash Expenditures - Add lines 4, 5, 6, 7, and 8 and enter the total.

Line 10: Net Profit or Loss - Add line 3 and subtract line 9.

Line 11: General Checking Account - Report the amount of ARO nonappropriated funds on deposit in a regular or special

bank checking account per local records as of the last day of the period. Include any undeposited checks, amount of petty cash fund, or other cash on-hand awaiting deposit.

Line 12: Savings Account - Report the amount of nonappropriated funds of the ARO on deposit in bank savings account(s) and/or other interest bearing account(s) per local records as of the last day of the period.

Line 13: Petty Cash Fund - Report the amount of cash and receipts for cash on-hand in the petty cash fund as of the last day of the period. Petty cash funds will be maintained per references (b), paragraph C050602 and (g), enclosure (1), paragraph 1.23.

Line 14: Total Cash Available - Total cash available for operations.

c. The Statistical Data section will be completed as follows:

Line 15: Number of Military Personnel Working in ARO - Reflect the number of part-time military (off-duty) personnel receiving compensation from the ARO as of the last day of the period.

Line 16: Number of Civilians Paid from Nonappropriated Funds - Reflect the number of civilian personnel (full-time/part-time) employed by the ARO as of the last day of the period.

Line 17: Total Value of Property with Cost Over \$2,500 - Reflect the book value (i.e., undepreciated amount) of all non-expendable property (property acquired with a unit cost of more than \$2,500) procured from nonappropriated funds by the ARO in both the current and prior fiscal years, held at the end of the period. This amount must agree with the property on-hand as shown on the Property/Inventory Record, which must be maintained locally for the ARO, as for any activity, as prescribed in references (b) and (g).

4. Certification Requirements. Completion of the certification is required before the statement can be accepted or retained as an official document. Undated or unsigned annual statements will not be accepted and will be returned by CNIC (N9) to the originator for appropriate corrective action.

OPNAVINST 4060.4C  
18 Dec 06

5. Contact. If policy assistance is needed, contact CNIC (N9) at commercial (901) 874-6640/DSN 882.

**SUMMARY OF CHANGES**  
**OPNAVINST 4060.4C**  
**ESTABLISHMENT OF AUXILIARY RESALE OUTLETS (AROs)**

The current instruction was signed out on 19 March 1993 and was principally revised to update responsibilities due to recent organizational changes and references. During review of this instruction, the following updates/changes were made:

- Under responsibilities, listed Commander Navy Installations Command (CNIC) as approving authority for the establishment of AROs. CNIC will take into consideration the suggested operating hours and location of existing food service facilities prior to approval.
- AROs are under the cognizance of CNIC for oversight and administrative purposes only and are not considered Morale, Welfare and Recreation revenue-generating activities.
- Installation/regional commanders are tasked with the responsibility of overseeing and monitoring the operation of AROs.



**SYNOPSIS OF CHOPS**  
**OPNAVINST 4060.4C**

CNIC (N2) - Minor change - Concur, change made.

DNS-51 - Minor change - Concur, change made.

PERS-00J - Concur, no changes recommended.

## COORDINATION PAGE

Ms. Cheryl Loft, CNO (N1351), (901) 874-6538	7 Nov 06
Mr. Bill Lauer, CNIC (N9), (202) 433-4647	26 Oct 06
Ms. Sharon Williams, CNO (DNS-32) (202) 685-6506	25 Oct 06
CDR Dave Berger, NAVPERSCOM (PERS-00J) (901) 874-3159	12 Oct 06
RDML M. A. LeFever, N13, (703) 614-5570	<u>29 Nov 06</u>