



DEPARTMENT OF THE NAVY
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CNICINST 1710.2
N9

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CNIC INSTRUCTION 1710.2

From: Commander, Navy Installations Command

Subj: MORALE, WELFARE AND RECREATION RED FLAG REPORTING SYSTEM

Encl: (1) Sample Plan of Action and Milestones (POA&M)

1. Purpose. To implement policy for monitoring and correcting sustained financial underperformance by Morale, Welfare and Recreation (MWR) Category C activities within the Commander, Navy Installations Command (CNIC) Enterprise.

2. Cancellation. CNIC ltr 1710 Ser CNI/1072 of 22 Feb 05.

3. Background

a. The MWR Red Flag reporting system establishes metrics and identifies activities that are suffering from poor financial performance over an extended period of time. Activities identified under Red Flag are operating with serious financial stress and are depleting cash. As such, these activities are either approaching or are insolvent.

b. The Red Flag reporting system supports management efforts to develop and implement corrective action that results in improved long-term financial results and ensure Sailors and family members continue to receive quality products and services.

c. Terms of reference for purposes of this instruction:

(1) Category C Activity. These highly desirable programs provide recreational activities that contribute to building a sense of community and enjoyment. Activities in this group have the business capability of generating enough income to cover most of their operating expenses but they lack the ability to sustain themselves based purely on their business activity. Consequently, these activities receive limited Appropriated Funds support.

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(2) Fact of Life Exemption. The Region Commander (REGCOM) may request designation of a Category C activity on an installation as a "Fact of Life" activity. CNIC will decide if the activity qualifies, based on the following minimum criteria:

(a) Activities in the United States and Territories:

(1) Installation designation as "Isolated and Remote;"

(2) No equal program within commuting area (30 minutes);

(3) Patron base size unable to maintain self-sustaining fiscal posture;

(4) Data indicates it is in Navy's best interest to provide service and/or program.

(b) Overseas:

(1) All criteria listed above;

(2) Status of Forces agreement prohibits or applies pressure against reduction-in-force actions of local national employees.

(3) Morale, Welfare and Recreation (MWR) Fund. A nonappropriated fund instrumentality (NAFI) as maintained and reported within the CNIC N9 Non-Appropriated Funds accounting system.

(4) Negative Cash Flow. Negative cash flow is defined as net income plus depreciation netting less than zero. Operating with negative cash flow means the fund or activity is not generating sufficient cash to support direct operating costs or setting aside funds for recapitalization.

(5) Overdrawn Cash. Overdrawn cash is defined as having the dollar value of checks written exceeding available operational cash. Having overdrawn cash indicates a serious liquidity problem that must be addressed immediately.

(6) Red Flag Activity. Red Flag status exists when any of the following conditions are met:

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(a) The MWR Fund is operating with an overdrawn cash position (for example, no money in the bank to cover checks).

(b) The MWR Fund has been operating with negative cash flow for six consecutive months, including current month.

(c) An installation Category C activity has a rolling negative cash flow of \$50,000 or more for a 12-month period. As an example, if an Installation's overall golf program (for example, golf course operations, food & beverage, maintenance, resale, etc.), has negative cash flow of \$50,000 or more on a rolling year basis, the Installation golf program would be in Red Flag status.

4. Policy

a. MWR Funds are expected to maintain sufficient cash to ensure a positive balance in their checking account at all times to prevent being in an overdrawn cash position.

b. MWR Funds and their subordinate Category C activities are also expected to maintain a positive cash flow over the course of any 12 month period.

5. Responsibilities

a. CNIC Fleet and Family Readiness (N9) is responsible for:

(1) Identifying MWR Funds or MWR Category C activities in a Red Flag status.

(2) Issuing formal Red Flag notification letters to Region Commanders via HQWEB Taskers Correspondence Management System (TV4 Taskers), requesting a corrective Plan of Action and Milestones (POA&M) within 30 days for activities with negative cash flow.

(3) Initiating immediate formal notification to Regional Commanders (REGCOMS) with MWR Funds in an overdrawn cash position to address emergency corrective action to avoid having checks issued without funds to cover the disbursements.

b. REGCOMS are responsible for:

(1) Reviewing information provided by CNIC N9 and investigating the financial situation at the Red Flag activities.

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(2) Providing POA&M to CNIC, via HQWEB (TV4 Taskers), outlining specific corrective actions to be taken. The POA&M will specifically address planned revenue modifications; expense reductions; requests for CNIC staff assistance and support; and use of Region Operational Advisory Group to resolve food service issues that impact financial performance. Enclosure (1) provides a standard template to be used for a POA&M.

(3) Providing monthly updates explaining status of actions.

(4) Deciding to close activities that remain in a Red Flag status for more than 18 months or seeking a fact of life exemption.

c. The Installation Commanding Officer is responsible for:

(1) Assisting the REGCOMS in assessing financial situation of underperforming MWR Fund or Category C activities and providing information for POA&M development.

(2) Ensuring the POA&M is executed in underperforming activities.

6. Action

a. CNIC N9 shall:

(1) Generate a list of Red Flag activities within 30 days of the end of each quarter and provide the Commander with quarterly "dashboard" updates on this program.

(2) Review and provide additional research if needed.

(3) Issue formal Red Flag notification letters via Taskers to the affected Region.

(4) Track results of POA&M progress to ensure execution.

(5) Provide assistance as requested by REGCOMS or installation.

b. The REGCOMS shall:

(1) Provide POA&M to CNIC, via HQWEB (TV4 Taskers), outlining specific corrective actions to be taken.

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(2) Provide or arrange for assistance to the local installation in executing POA&M.

(3) Provide monthly updates to CNIC N9 on status of efforts to satisfy the POA&M.

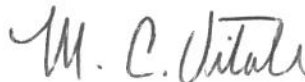
(4) Close MWR Funds or Category C activities operating in a Red Flag status for more than 18 months or seek Fact of Life exemption.

c. The Installation Commanding Officers shall:

(1) Execute the corrective POA&M as directed by the REGCOM.

(2) Update the REGCOMS monthly on status of corrective actions.

(3) Close activities in a Red Flag status, if so directed by the REGCOMS.



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Sample Plan of Action and Milestones (POA&M)

	Expected Financial Benefit	POC for Action	Expected Completion Date	Monthly Progress Report	Date Action Achieved	CNIC Assistance Requested
Revenue Modifications						
1 – Expected Revenue Modification Action						
2 – Expected Revenue Modification Action						
3 – Expected Revenue Modification Action						
Expense Modifications						
1 – Expected Expense Modification Action						
2 – Expected Expense Modification Action						
3 – Expected Expense Modification Action						