

**COAST GUARD  
NONAPPROPRIATED  
FUND INSTRUMENTALITIES  
(NAFI)**



**COMDTINST 7010.5D  
July 2022**

THIS PAGE INTENTIONALLY BLANK

U.S. Department of  
Homeland Security

United States  
Coast Guard



Commandant  
United States Coast Guard

US Coast Guard Stop 7101  
2703 Martin Luther King JR Ave SE  
Washington, DC 20593-7101  
Staff Symbol: CG-PSC  
Phone: (757) 842-4903  
Fax: (202) 475-3929

COMDTINST 7010.5D  
29 JUL 2022

## COMMANDANT INSTRUCTION 7010.5D

Subj: COAST GUARD NONAPPROPRIATED FUND INSTRUMENTALITIES (NAFI)

- Ref:
- (a) Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13 (series)
  - (b) Child Development Services, COMDTINST M1754.15 (series)
  - (c) Coast Guard Nonpay Compensation Program Internship Program, COMDTINST 1780.2 (series)
  - (d) Coast Guard Nonappropriated Fund (NAF) Personnel Manual, COMDTINST M12271.1 (series)
  - (e) Physical Security and Force Protection Program, COMDTINST M5530.1 (series)
  - (f) Ordnance Manual, COMDTINST M8000.2 (series)
  - (g) Motor Vehicle Manual, COMDTINST M11240.9 (series)
  - (h) U.S. Coast Guard Personal Property Management Manual, COMDTINST M4500.5 (series)
  - (i) Limited Personal Use of Government Office Equipment and Services, COMDTINST 5375.1 (series)
  - (j) Coast Guard External Affairs Manual, COMDTINST M5700.13 (series)
  - (k) Financial Resource Management Manual (FRMM), COMDTINST M7100.3 (series)
  - (l) Records & Information Management Program Roles and Responsibilities, COMDTINST M5212.12 (series)
  - (m) Safety and Environmental Health Manual, COMDTINST M5100.47 (series)
  - (n) Privacy Incident Response, Notification, and Reporting Procedures for Personally Identifiable Information (PII), COMDTINST 5260.5 (series)

1. PURPOSE. This Instruction sets forth policy and procedures for administering the Coast Guard Nonappropriated Fund Instrumentality (NAFI) Program.
2. ACTION. All Coast Guard unit commanders, commanding officers, officer-in-charge, deputy/assistant commandants, and chiefs of headquarters staff units must comply with the provisions of this Instruction.
3. AUTHORIZED RELEASE. Internet release is authorized.
4. DIRECTIVES AFFECTED. Coast Guard Nonappropriated Fund Instrumentalities (NAFI) Manual, COMDTINST M7010.5C is cancelled.

5. DISCLAIMER. This guidance is not a substitute for applicable legal requirements, and it is “NOT” itself a rule. It is intended to provide operational guidance for Coast Guard personnel and is not intended to, and does not, impose legally-binding requirements on any party outside the Coast Guard.
6. MAJOR CHANGES. Major changes include:
  - a. General. Updated to properly reflect the pagination through the Instruction.
  - b. Chapter 1.
    - (1) Defines current NAFIs and program direction responsibilities.
    - (2) Defines the Coast Guard Academy’s Academic Activities NAFL.
    - (3) Establishes oversight responsibilities for program direction for the CGX and MWR NAFIs to Commandant (CG-1) and the CAF, AAF, and Academic Activities NAFIs to Deputy Commandant for Mission Support (DCMS).
  - c. Chapter 2.
    - (1) Defines oversight and program direction for all NAFIs.
    - (2) Defines CSC Cyber, motor vehicle and any other insurance deemed necessary for NAFIs.
    - (3) Defines oversight responsibilities of the Cadet Activity Fund, Athletic Activity Fund and Academics Activity for NAFL operations belonging to the Coast Guard Academy.
    - (4) Prohibits private associations (i.e., Officers Association, CPOA, CWOA, and Spouse’s Club, etc.) from participating in NAFL Activities without the CSC approval.
    - (5) Clarifies the requirement to use APF vehicles in support of Category A and B MWR Activities.
    - (6) Requires operators and riders of NAF vehicles to comply with Reference (g) in the operation of a motor vehicle.
    - (7) Requires no minimum sale amount for credit and debit card purchases. Prices may be adjusted to offset payment card processing fees.
  - d. Chapter 4.
    - (1) Requires all NAFIs that open a bank account and/or pay wages and withholding taxes to have an Employer Identification Number (EIN).
  - e. Chapter 5.
    - (1) Directs NAFIs to collect on bad debt/returned checks.

- (2) Requires all NAFIs to use the CSC directed time and attendance system.
  - (3) Requires annual financial audits be conducted by NAFIs in addition to financial audits being conducted by a Certified Public Accountant.
  - (4) Resources and support provided by the CSC Loss Prevention Directorate for security, internal controls, and loss prevention are described.
  - (5) Requires the prompt notification of the chain of command and the CSC in the event of any suspected mismanagement of NAF.
  - (6) Allows the use of depreciation of assets such as equipment in accordance with General Accepted Accounting Principles (GAAP).
  - (7) Requires commands with NAF personnel to have a cash reserve of up to three pay periods to cover NAF personnel expenses.
- f. Chapter 6.
- (1) Provides guidance to compensate NAF accounts for expenses originally authorized appropriated fund (APF) support.
  - (2) Provides guidance for the use of APF to reimburse NAF accounts when NAF employees are detailed into vacant APF positions.
  - (3) Authorizes APF to be used to pay utility costs for Category A, B, and C (revenue generating, including CGX stores) activities, with the exception of golf courses and golf structures.
  - (4) Authorizes APF to pay commercial insurance requirements under certain circumstances.
  - (5) Authorizes APF to support NAF personnel pay and benefits under certain circumstances.
- g. Chapter 8.
- (1) Updates reporting requirements to CSC Admin for NAF employee injuries, accidents and other claims.
  - (2) Clarifies the requirement for employees, driving privately owned vehicles to conduct Category C MWR/NAFI official business, to have privately owned automobile liability insurance.
- h. Chapter 9.
- (1) Provides an extensive revision to NAF contracting policies and organization.
  - (2) Requires APF contracting officers and contracting specialists to use the FAR Part 13, Simplified Acquisitions Procedures, for NAF procurements.

- (3) Defines restrictions regarding the procurement of NAF personal services vice non- personal services contracts.
7. ENVIRONMENTAL ASPECTS AND IMPACT CONSIDERATIONS. The Office of Environmental Management, Commandant (CG-47) reviewed this Commandant Instruction and the general policies contained within, and determined that this policy falls under the Department of Homeland Security (DHS) categorical exclusion A3. This Commandant Instruction will not result in any substantial change to existing environmental conditions or violation of any applicable federal, state, or local laws relating to the protection of the environment. It is the responsibility of the action proponent to evaluate all future specific actions resulting from this policy for compliance with the National Environmental Policy Act (NEPA), other applicable environmental requirements, and the U.S. Coast Guard Environmental Planning Policy, COMDTINST 5090.1 (series).
  8. DISTRIBUTION. No paper distribution will be made of this Instruction. An electronic version will be located in the Coast Guard Directives System Library internally, and if applicable on the Internet at [www.dcms.uscg.mil/directives](http://www.dcms.uscg.mil/directives), and CGPortal: [cg.portal.uscg.mil/library/directives/SitePages/Home.aspx](http://cg.portal.uscg.mil/library/directives/SitePages/Home.aspx) .
  9. RECORDS MANAGEMENT CONSIDERATIONS. Records created as a result of this Instruction, regardless of format or media, must be managed in accordance with the records retention schedules located on the Records Resource Center SharePoint Online site: <https://uscg.sharepoint-mil.us/sites/cg61/CG611/SitePages/Home.aspx> .
  10. FORMS/REPORTS. The forms referenced in this Instruction are available on the Coast Guard Standard Workstation or on the Internet: [www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-C4IT-CG-6/The-Office-of-Information-Management-CG-61/Forms-Management/](http://www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-C4IT-CG-6/The-Office-of-Information-Management-CG-61/Forms-Management/).
  11. SECTION 508. This Instruction was created to adhere to Accessibility guidelines and standards as promulgated by the U.S. Access Board. If changes are needed, please communicate with the Coast Guard Section 508 Program Management Office at [Section.508@uscg.mil](mailto:Section.508@uscg.mil).
  12. REQUEST FOR CHANGES. Units and individuals may recommend changes via the chain of command to: Commanding Officer, U. S. Coast Guard, Community Services Command, Battlefield Technology Center 1, 510 Independence Pkwy, Suite 500, Chesapeake, VA 23320.

/DAVID C. BARATA/  
Rear Admiral Lower Half  
Commander, Personnel Service Center  
By Direction

## TABLE OF CONTENTS

CHAPTER 1	GENERAL	1-1
A.	Purpose	1-1
B.	Applicability and Scope	1-1
C.	Mission	1-2
D.	Legal Status	1-2
E.	NAFI Objectives	1-3
F.	Establishment	1-4
G.	Disestablishment	1-4
H.	Waiver Requests	1-4
I.	Definitions	1-4
CHAPTER 2	PROGRAM POLICY/CRITERIA	2-1
A.	Command Relationships	2-1
B.	Community Services Command Relationship with Commands	2-2
C.	Relationships among NAFIs	2-3
D.	NAF Personnel Policy	2-4
E.	NAF Travel	2-4
F.	Limitations on Activities	2-4
G.	Drinking Age for Coast Guard NAFIs	2-5
H.	Uniform Reimbursement	2-5
I.	Guns and Ammunition	2-5
J.	Tobacco Sales Policy	2-5
K.	NAF Vehicles	2-6
L.	Information Systems	2-7
M.	Remittances and Payments from NAFIs	2-8
N.	Credit, Debit Cards and the Military Exchange Credit (Star) Card	2-9
O.	Food and Beverage Operations	2-10
P.	Personal Service Activities	2-10
Q.	Check Approval and Check-Cashing Policy	2-10
R.	NAF Property Accountability	2-11
S.	Personal Identifiable Information (PII)	2-11
	Exhibit 2-1 Sample CGX and MWR Activities	2-12
CHAPTER 3	NAF BUSINESS ACTIVITIES	3-1
A.	Introduction	3-1
B.	Authorized NAF Business Activities	3-1
C.	Establishing NAF Business Activities	3-2
D.	Disestablishing NAF Activities	3-3

CHAPTER 4	CASH MANAGEMENT/NAF CONTROL, BANKING, AND INVESTMENTS	4-1
A.	Cash Management	4-1
B.	Banking	4-1
C.	Investments	4-2
CHAPTER 5	FISCAL MANAGEMENT	5-1
A.	Accounting Policy	5-1
B.	Accounting Periods	5-5
C.	Financial Reporting Requirements	5-5
D.	Inventory Verification Procedures	5-6
E.	NAFI Internal Audit and Control Procedures	5-7
F.	Budgeting	5-10
G.	Security and Loss Prevention	5-11
H.	NAFI Management Assistance Program	5-12
I.	Fiduciary Responsibility	5-13
	Exhibit 5-1 Chart of Accounts	5-14
	Exhibit 5-2 Month/Quarter-End Posting and Trial Balance Preparation	5-16
CHAPTER 6	USE OF APF FOR COAST GUARD NAF PROGRAMS	6-1
A.	Introduction	6-1
B.	APF Compensation	6-1
C.	APF Use Matrix	6-1
	Exhibit 6-1 Authorized APF Expenses	6-2
CHAPTER 7	SATELLITE EXCHANGE OPERATIONS	7-1
A.	Purpose	7-1
B.	Satellite NAF Activities	7-1
C.	Establishment of a Satellite Exchange Operation	7-1
D.	Disestablishment of Satellite Operations	7-4
E.	Guidance on Completing the Status of Satellite Exchange Example	7-5
	Exhibit 7-1 CGX Satellite Support Agreement	7-7
	Exhibit 7-2 Status of Satellite Exchange	7-10
	Exhibit 7-3 Status of Satellite Exchange - Example	7-11
	Exhibit 7-4 Record of Physical Inventory	7-12
CHAPTER 8	NAF CONSOLIDATED INSURANCE PROGRAM	8-1
A.	Introduction	8-1
B.	Insurance Categories	8-1
C.	Procedures for Reporting Losses	8-4



D.	Workers' Compensation Forms	8-7
	Exhibit 8-1 Department of Labor Workers Compensation Forms	8-8
CHAPTER 9	NAF CONTRACTING	9-1
A.	Purpose	9-1
B.	Responsibility and Authority	9-1
C.	Procurement Standards of Conduct	9-1
D.	Procurement Policies	9-2
E.	Statutory and Regulatory Applications	9-5
F.	Procurement of Operating Supplies, Equipment, and Non-Construction Services	9-8
G.	NAF Construction Procurements	9-12
H.	Procurement Records/Files	9-12
I.	Vending Operations	9-12
J.	Concession Contracts	9-14
K.	Procurement Authority of Goods using NAF	9-19
L.	Ratification of Unauthorized Commitments	9-19
M.	Protests	9-20
CHAPTER 10	PATRON PRIVILEGES	10-1
A.	Authorized Patrons	10-1
B.	Customer Identification	10-1
C.	Agents	10-2
D.	Visitors to Coast Guard NAFIs	10-2
E.	Issue and Control Procedures for CG NAF Employee Identification and Privilege Card	10-2
	Exhibit 10-1 Patron Offenses	10-3
CHAPTER 11	TAXATION	11-1
A.	General	11-1
B.	Federal Taxes	11-1
C.	State Taxes	11-4
D.	Local Taxes	11-6
Encl:	(1) Glossary of Terms and Acronyms	
	(2) NAF Program Checklist	

## CHAPTER 1. GENERAL

A. Purpose.

1. The purpose of this Instruction is to set policies and administrative procedures for Coast Guard Nonappropriated Fund Instrumentalities (NAFIs), including the Coast Guard Exchange System (CGES) also known by the trade name "CGX." and the Coast Guard Morale, Well-Being, and Recreation (MWR) Program. This Instruction is also applicable to the nonappropriated fund (NAF) activities of the Coast Guard Academy (CGA) Cadet Administration within the Cadet Activities Fund (CAF), the Academy's Athletic Division within the Athletic Activity Fund (AAF), and the Academy's Dean of Academic's Academic Activities NAFI. This Instruction is also applicable to other NAFIs that may be established in accordance with the procedures set forth within this directive. By the definition contained in Reference (a), Child Development Centers (CDCs) are considered Category B MWR Activities.
2. Amplifying policies and procedures applicable to NAFIs are provided in Reference (a) through Reference (d), and the Standard Operating Procedures (SOP) of CGX, CAF, AAF, and the Academic Activities NAFI and any promulgated Commandant directives regarding the operation of Coast Guard NAFIs.

B. Applicability and Scope. Nonappropriated funds (NAF) 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, must have no proprietary interest in NAFs or other assets. NAFs or other NAFI assets must not be transferred to private organizations. NAFs are designated for the collective benefit of authorized patrons and the purpose of the NAFIs. The following funds are excluded from the policies within this Instruction:

1. All funds accounted for under U.S. Treasury symbols and resources acquired with appropriated funds (APF).
2. Contractor and subcontractor funds (including concessionaire funds).
3. Funds of private associations as defined in Reference (a).
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. In general, properly accepted gifts of property are treated similar to property procured with APF.
  8. Funds available for cadet social, athletic, and recreational activities unless specifically designated in an established NAFI.
  9. Cadet Funds at the CGA.
  10. Employee retirement and pension plan funds.
- C. Mission. The missions of Coast Guard NAFIs are different, multi-faceted, 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 CGX is to provide quality merchandise and services and convenience to our Coast Guard service members as well as authorized patrons at competitive prices with a fair return to Coast Guard MWR programs.
  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, resiliency, and retention through customer-owned and driven MWR programs and services around the world.
  3. The mission of the CAF is to provide extracurricular programs comparable to other college campuses that also promote the Coast Guard's core values, ensuring diverse experiences and opportunities for developing future Coast Guard officers who are leaders of character and integrity.
  4. The mission of the AAF is to support the provision of intercollegiate sports program and physical and health-related educational needs of Coast Guard Academy cadets like what would be found in an institution of higher education of a similar size found in the local community.
  5. The mission of the Academic Activities NAFI is to provide academic enrichment opportunities for cadets and faculty members beyond those programs, projects, and activities necessary for the completion of a Bachelor's Degree.
- 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, territory, 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 Reference (d), 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. CGX and MWR NAFIs are under the program direction of Commandant (CG-1). The CAF, AAF, and Academic Activities NAFI are under the program direction of the Deputy Commandant for Mission Support (DCMS). 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 personnel mission readiness, resiliency, and retention. NAFIs provide vital nonpay 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. It must be fully understood that NAFIs are established to place controls on the nonappropriated funds within authorized Coast Guard programs. The NAFI does not define the programs in which they reside. NAFI program managers must 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 must establish policies, procedures, and systems to minimize fraud, waste, and abuse. The program director of a NAFI must 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 must only be established for programs through the Coast Guard Community Services Command (CSC) or the Coast Guard Academy. The authority for the establishment and oversight of NAFIs is vested in the Coast Guard Nonpay Compensation Board of Directors. 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 must be made in writing to the Coast Guard Nonpay Compensation Program Board of Directors through Commandant (CG-1). In addition to addressing the items identified above, the request must also identify the proposed program manager for the NAFI.
- G. Disestablishment. A NAFI must 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 Instruction must be addressed to the respective Program Manager via the chain of command. Waivers from the requirements of this Instruction may only be approved by Commandant (CG-1), or his/her designee, CSC, where special circumstances justify such waivers.
- I. Definitions. Definitions of selected, frequently used terms may be found in Enclosure (1) of this Instruction.

## CHAPTER 2. PROGRAM POLICY/CRITERIA

A. Command Relationships.

1. Coast Guard Nonpay Compensation Program Board of Directors. This Board provides approval authority and oversight of NAFIs. With respect to all NAFIs, the Board will:
  - a. Review and approve the annual central NAFI budgets, including the CGX Overhead budget, NAFI insurance budget, the CGX Operating budget, the CGX Capital Improvement Plan for three years, and the central, CSC NAF MWR budget.
  - b. Review and approve all proposed capital expenditures for CGX construction that exceed \$800,000 and all construction expenditures from the central accounts of other NAFIs.
  - c. Review and approve the investment policy of the NAF Cash Management Program and the annual Extraordinary Expense Fund distribution.
  - d. Review CGX financial operating results semiannually or as directed by the Chairperson.
  - e. Approve the formula and distribution of CGX profits.
  - f. Ensure management controls are in place to maximize NAFI objectives and minimize financial risks.
  - g. Conduct periodic reviews of operating results.
  - h. Provide senior leadership with annual reports on NAFI programs, as necessary.
  - i. Oversee, monitor and advocate for APF support for nonpay compensation programs.
2. Commandant (CG-1). Subject to the Commandant's general direction through the Nonpay Compensation Program Board of Directors, authority and supervision over Coast Guard NAFIs are vested in Commandant (CG-1), Deputy Commandant for Mission Support (DCMS) for CGA NAFIs, the Assistant Commandant for Human Resources, and further delegated to Commander, Personnel Service Center (PSC) for both the CGX and MWR NAFIs.
3. Program Management. Specific program management is vested in the Community Services Command (CSC) for the CGX and Coast Guard MWR programs, Commandant (CG-111), Chief, Office of Work-Life Programs, for the Child Development Services program, and the Superintendent, Coast Guard Academy for the CAF, AAF, and Academics Activity NAFI. The NAFIs do not define these authorized Coast Guard

programs. NAFIs are established to provide adequate controls over nonappropriated funds authorized within Coast Guard programs. They are not defined by the NAFIs within them.

4. **Cognizant Authority.** The cognizant authority is that command having oversight responsibilities for NAFI issues or NAF distribution responsibilities for subordinate commands. For example, the CSC is the cognizant authority for larger Coast Guard commands that receive NAF morale fund distributions directly from the CSC and the Base Commands that also receive NAF morale fund distributions directly from the CSC.
5. **Unit Commanding Officers.** Commanding Officers, commanders, and officers-in-charge must ensure that NAF programs operated at their commands comply with current Commandant directives and Coast Guard core values.

B. Community Services Command Relationship with Commands. Centralized administration and management of the CGX is vested in the CSC. Coast Guard Exchanges are typically tenants of the host commands. The CSC provides NAFI oversight to the NAF programs operated at commands in the field with the exception of CGA for its NAFIs. The following delineates command and CSC relationships:

1. Coast Guard Exchanges operate independently from the host command as tenants of the command. Although the operation of CGX activities is vested in the CSC, appropriated fund (APF) support may be provided by host commands.
2. With the approval of the CSC, 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. The CSC will coordinate and provide oversight of these operations. Satellite exchange policies and procedures are contained in Chapter 7 of this Instruction.
3. The CSC will 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, and disability insurance for all eligible NAFI employees.
  - b. General liability insurance for NAF insurable interests of all NAFIs on a reimbursable basis.
  - c. Cyber insurance, motor vehicle insurance, and any other insurance deemed necessary, by the NPCB, to lessen the risks associated with the NAF activities.

4. The CSC will manage a centralized cash management and investment program and banking services when it is efficient to do so.
  5. The CSC will provide all personnel and payroll services and administration of NAF employee benefit plans for eligible employees.
  6. The CSC will manage a financial audit program conducted by independent resources for CGX and MWR NAF activities. Audit responsibilities remain the primary responsibility of the unit commanding officer.
  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 must include NAF employees in required all-hands mandated training programs (i.e., Civil Rights Training) and at command's discretion, all command and control-related events (i.e., Coast Guard Day, Holiday and Cultural events and the like).
  9. The CSC has the authority to audit and inspect commands with NAF programs, as needed.
- C. Relationships Among NAFIs. MWR activities are the responsibility of the local command operating them. The CGX activities are the direct responsibility of the CSC. The CGA is responsible for the CAF, AAF, and Academics Activity NAFI operations and oversight. It is essential that individual activities be administered under the proper NAFI, as described below. Sharing of support functions among all NAFIs is authorized and encouraged.
1. CGX activities include 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 CGX 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 the CSC.
  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 (by policy definition), recreation areas, etc.), food and beverage operations, community centers, and food service facilities (i.e., cafeterias, snack bars, etc.). Chapter 5 of Reference (a), 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 and the CSC.



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. Questionable cases should be referred to the CSC 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 the CSC. Policy regarding NAF employees are found in Reference (d). 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 must use the same reimbursement rules to adjudicate travel claims as submitted by other Coast Guard official travelers.

F. Limitations on Activities.

1. The following activities are prohibited:
  - a. Activities of NAFIs by outside entities, including private associations (i.e., Chief Petty Officers Association, Chief Warrant Officers Association, Spouses' Clubs, etc.), unless otherwise approved in writing by the CSC.
  - b. The operation of games of chance or lotteries, except as authorized in Reference (a).
  - c. The sale of state tax-free alcohol and tobacco products through vending machines.
  - d. 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 advertising and commercial sponsorship program as defined in Reference (a).
  - e. The use of NAF for or to support command representation or protocol functions; scholarships (unless specifically approved by the CSC); free mailing and/or postage, or any special benefit for select individuals or groups; public affairs; medical; religious; or to pay for employees not performing duties directly related to the NAFI functions or missions. NAF expenditures must support the functions of the NAFI making the expenditure.

- f. A building, facility, or structure constructed, improved, or purchased using NAFs diverted to support use other than in direct support of the purpose for which it was acquired without prior concurrence of the CSC.
  - g. Memberships in professional organizations may be authorized in the name of the organization or position memberships but not in the name of an individual when beneficial to the NAFI. NAFs may be used to pay for professional credentials, including professional accreditation, State-imposed and professional licenses, and professional certifications and examinations when in the best interest of the NAFI.
2. Participation in commercial contests involving free prizes or premiums for authorized patrons is authorized.
- G. Drinking Age for Coast Guard NAFIs. On Coast Guard installations in the United States and its territories, the minimum age for purchasing, consuming, serving, or possessing alcoholic beverages shall be 21 years of age. Guidance on the serving of alcoholic beverages is contained in Reference (a).
- H. Uniform Reimbursement. To make military uniform items provided by the Uniform Distribution Center (UDC) readily available to uniformed members and Auxiliarists, CGX will sell military uniform items at the UDC price with no mark-up to eligible patrons. CGX is reimbursed from appropriated funds for the overhead and 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 approved CGX activities.
  2. These CGX activities are required to conform to all control, accounting, and licensing requirements contained in applicable Federal statutes and regulations, and applicable Commandant policy to include References (e) and (f), regarding the sale and security of guns and ammunition.
- J. Tobacco Sales Policy.
1. CGX facilities may stock tobacco products and sell them at prices consistent with the Armed Services Exchange Regulations (ASER).
  2. MWR activities are not authorized to sell tobacco products.

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.
2. The policies contained in this Section apply only to those vehicles procured through nonappropriated sources using NAF. Any vehicles obtained through the gift acceptance process must be treated like vehicles obtained through APF methods.
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 must be subject to the same inspection requirements as other Coast Guard vehicles regarding 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 Reference (g).
4. The use of Coast Guard NAF vehicles is restricted to official NAF business. NAF-procured vehicles must not be used to support activities authorized APF support. As an example, Category A and B MWR activities are authorized APF support as prescribed through Reference (a), therefore, APF Government and rental vehicles must be used to support these activities. Commands renting vehicles to conduct Category C business, with the use of NAF, must procure supplemental insurance coverage offered by the rental company.
5. Only authorized Government employees in the performance of their assigned duties may operate or use NAF vehicles. Operators must have in their possession a valid state, District of Columbia, or Puerto Rico motor vehicle operator's license. Vehicles must not be used by individuals for personal gain or benefit or be lent to another party for unauthorized use.
6. Operators must wear a seat belt when operating a NAF vehicle and are responsible for ensuring that all passengers wear seat belts as well.
7. Operators must not be impaired by alcohol or controlled substance use as determined by state, territorial, or District of Columbia laws. All other provisions of Reference (g) apply to employees who operate or ride in NAF vehicles.
8. The following policies apply to licensing NAF vehicles:

- a. NAF vehicles must be provided license plates through the same process used to obtain license plates for APF vehicles. License plates for NAF-obtained vehicles may be obtained by written request to the CSC. The request must include the year, make, model, serial or Vehicle Identification Number, purpose for each vehicle or trailer being considered for licensing, funding source used for obtaining the rolling stock, a copy of the title and bill of sale, and the maximum, one-way distance that it is anticipated that this vehicle will be driven off the installation. The CSC will then forward the request to the appropriate license plate issuing authority. This same process must be used for license plates requests for rolling stock used within the MWR program obtained through APF such as boat trailers and mobile grills. Vehicles and rolling stock not leaving the installation will not be eligible for a license plate.
  - b. Vehicle license plates are provided for a specific vehicle and purpose. License plates must not be transferred between vehicles, without written approval from the CSC and the license plate issuing authority. When a vehicle is disposed of, the license plates issued to that vehicle must be returned to the issuing authority. Vehicles must be disposed of in accordance with References (a), (g), and (h), or specific guidance provided to the command if the vehicle was obtained through the gift acceptance process.
  - c. For the purpose of efficiencies, other NAFIs may request 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.
9. All NAFIs must establish and maintain records and reports for NAF vehicles/rolling stock as required for all other Coast Guard vehicles as described in References (g) and (h). License plates issued for NAF vehicles are accountable property. Any losses of these license plates must be immediately reported to the CSC, the license plate issuing authority, 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 by authorized purposes only.
    - (2) The use of this equipment for any other purpose is governed by Reference (i).
    - (3) NAF computers shall only be loaded with officially licensed and approved software. No personal software may 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. Development and use of web sites and social media sites are authorized under the provisions of Reference (j).

(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. Reference (i) 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. 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. Remittances and Payments From NAFIs.

1. Periodically, NAFIs are required to make remittances to other accounts or to sub-accounts within the NAFI to conduct efficient business of the NAFIs. The following are required payments or remittances:

a. Remittances to MWR from CGX of profits for Service-wide use within the MWR program. The process for this distribution has been approved by the Nonpay Compensation Program Board of Directors and is defined in Reference (a).

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, cyber insurance, and reserve deposits for limited self-insurance

coverage. Reimbursement to the central NAF insurance account may be required of commands operating activities requiring the commercial insurance.

- c. Payments for the CSC incurred NAF overhead expenses. This assessment is made against CGX sales for the costs of central NAF personnel expenses, operating expenses, and any other central expense authorized by the Nonpay Compensation Program Board of Directors. This assessment is also used to fund the personnel and payroll system for all approved NAFIs.
  - d. Remittances to provide funds from profits of CGX to the NAF Capital Improvement Fund for capital improvements within CGX, which is maintained by the CSC. The process for this distribution of CGX profits must be approved by the Nonpay Compensation Program Board of Directors.
2. At least annually, the CSC must assess the Service-wide requirements and recommend adjustments to the Nonpay Compensation Program Board of Directors payments and remittances.
  3. Profits derived from MWR revenue generating activities operated in the field will be retained within the command 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 excess revenues over expenses generated from CDC activities will be used in accordance with the policies established in Reference (b).

N. Credit, 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 the CSC.
2. Concessionaires will determine whether or not to accept credit or debit cards, unless otherwise contractually obligated to do so.
3. There must be no minimum sale amount for credit and debit card purchases. Prices may be adjusted to offset payment card processing fees. Discounts for cash or other alternatives that result in different prices is prohibited.
4. The Army and Air Force Exchange System (AAFES) will establish policies and procedures for the use of the Military Star card within CGX.

5. The type of credit card or debit card program supported by CGX operations is determined by the CSC. 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; however, the authority to accept credit cards within NAFIs must be approved by the CSC, in writing. All units accepting credit and debit cards must ensure prior to being authorized the use of these tools that they are Payment Card Industry (PCI) and Europay Master Card Visa (EMV) compliant, based on the Payment Card Industry Standards. Units accepting credit and debit cards must certify each year that their operations remain in compliance, based on guidance published by the CSC. Failure to maintain PCI compliance will result in the loss of the ability to accept credit and debit cards in NAFI operations.

O. Food and Beverage Operations.

1. NAF food and beverage operations are classified as Category C MWR Activities, as defined in Reference (a). Policies and procedures regarding the establishment and operation of these activities are found in that directive.
2. A NAFI must 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 personal services are defined in Exhibit 2-1 of this Instruction.

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 must be presented prior to cashing any "first party" checks. For the purposes of this Instruction, first party checks are defined as those made payable to the NAF activity and signed by the presenter. No other checks must be accepted.
2. The check-cashing policy must be posted in locations authorized to cash checks. Social Security Numbers must not be required or written on any checks presented within a NAFI

operation. 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 must develop procedures for the management and oversight of property procured with nonappropriated funds. NAFIs must maintain property records in accordance with Reference (h) and must define accountable property using the same definitions for accountable property procured with appropriated funds. Reportable NAF property must be inventoried at least annually in conjunction with an audit. Additionally, to facilitate APF Coast Guard Financial Statement preparation, all capitalized APF property must be inventoried during the last quarter of the appropriated fiscal year (July through September). Property inventories must be reconciled with property records. NAF-obtained property must be maintained in the Coast Guard's property management system. NAF property must be entered at cost using the Major and Minor Property Codes established by Commandant (CG-8). This Policy does not apply to CGX property which is reported on CGX balance sheets and depreciated.
- S. Personally Identifiable Information (PII). In accordance with Reference (n), commands must avoid collecting any PII to the maximum extent. To the extent that PII is required, commands must have the appropriate processes in place to safeguard the information collected.



EXHIBIT 2-1  
SAMPLE CGX AND MWR ACTIVITIES

CGX 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 M1710.13 (series))  
Bowling Centers Golf Courses Swimming Pools  
Sport/Athletic Programs Theaters  
Boating and Sailing Teen Clubs  
Game Rooms  
Camping, Hunting, & Fishing Intramural Sports  
Gear Lockers Camper Rentals Ticket Programs Youth Programs  
Dances, Parties, & Shows Libraries  
Lodging Activities  
Child Development Centers Fitness Centers  
Food and Beverage Operations Warfighter and Family Services Programs

## 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 nonpay compensation benefit. To this end, NAFIs augment authorized Coast Guard programs that are authorized some level of APF support. The NAFIs do not define the authorized Coast Guard program, but instead contribute to the program's ability to provide vital nonpay compensation programs that contribute to the mission readiness, resiliency, and retention of Coast Guard members and eligible patrons or enhance the authorized programs at CGA. 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. For the most part, these activities are expected to operate within the revenues that they generate; however, APF support is authorized in specific areas.

B. Authorized NAF Business Activities.

1. All business activities as categorized and authorized in Reference (a). These activities must 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 (both in-person and online), groceries, garden shops, package stores, "toylands," gift shops, sight and sound shops, and convenience stores. CGX has the exclusive right to sell merchandise, including unit ballcaps and logo merchandise, for resale at all Coast Guard commands. In limited instances at smaller operational commands where no local CGX exists, it may not be cost effective for CGX to directly 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, if authorization is obtained in writing from the CSC. Without this authorization, commands are prohibited from selling merchandise.
3. An activity selling petroleum products, automotive accessories, parts, and tools is an automotive and service station. CGX has the exclusive right for establishing automotive service station activities at Coast Guard commands. This activity must 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 CGX or MWR activities as detailed in Chapter 9.I., of this Instruction. CGX has the exclusive right to vending operations ashore unless documented in writing from the CSC that it has waived its right of first refusal and then the command's MWR program may operate vending at specified locations. Afloat commands are

authorized to operate vending activities through their MWR programs or satellite exchange activity at the discretion of the commanding officer.

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 CGX to establish at Coast Guard commands. The CGA is authorized to sell cadet yearbooks through the CAF and to sell football programs through the AAF.

C. Establishing NAF Business NAF Activities.

1. To accommodate the ever-changing desires of eligible patrons, commands must consider establishing new or different business 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 business activities must not be established at Coast Guard commands without written authorization from the CSC. Commands desiring to establish a NAF business activity must forward their written request to the CSC through the appropriate cognizant authority and chain of command. As a general rule, business activities will not be authorized at commands with only collateral duty personnel. This written request must contain a detailed business plan that must include the following information:
  - a. NAF business activity desired.
  - b. Results from customer surveys documenting demand for the NAF business 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 business activity.
  - h. Pro forma income statement presenting the projected revenue and expenses associated with the operation of the NAF activity. 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. Required training for food and beverage operations may be found in Reference (a).
  - k. Technical competencies of the staff members that will oversee and manage the activity in such areas as NAF personnel management, accrual basis of accounting, funds control, and specific NAFI policies.
  - l. An attestation from the command that all risks associated with the operation of this activity have been minimized. This would include a safety inspection by a professional in the Coast Guard whose position it is to inspect facilities for safety and Americans with Disabilities Act (ADA) compliance, if applicable.
2. Initial capitalization or additional funding requirements for establishing the NAF business activity must also be submitted in writing to the NAFI program manager. Return on Investment (ROI) 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 business activity must be provided. These letters of authorization must be retained in command files.

D. Disestablishing NAF Activities.

1. When disestablishing NAF activities, commands must 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 unseizable property used in a NAF activity, must 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, resale 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 or workers' compensation claims.
  - h. The notification to the cognizant authority of any potential unemployment compensation claims or workers' compensation claims that may result from the disestablishment.
  - i. The disposition of other NAF activity assets.
  - j. A copy of the final financial reports for the NAF activity.
2. A copy of the disestablishment memo must also be forwarded to the CSC. Upon review and approval of all actions taken incident to the disestablishment, the CSC must provide the affected command written acceptance of the disestablishment. Once disestablished, a NAF activity must not be reestablished without going through the process as detailed above for establishment.

## 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 CGX activities and available to other NAFIs on a modified basis. Satellite exchanges however, may not participate in this program unless adequate banking facilities are not available.

1. For CSC operations as discussed above, a central bank structure is in place to concentrate all CSC cash receipts and disbursement activities. Central accounts, managed by the CSC, 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. Most of 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, or various times a week depending on the volume. Payments of payment card sales will be wired directly into the concentration account by the card processor and/or respective payment card company. The CSC will oversee these processes.
2. Other Coast Guard NAFIs may participate in a modified cash management system by sending a written request to the CSC via the appropriate chain of command. NAFIs must follow existing program guidance on cash management prior to submitting such a request. Under a modified process, non-CSC activities must acquire their own local depository accounts or make deposits directly to the central banking account set up for that activity. The CSC will authorize the closing and opening of the banking account, designate authorized signatories, and authorize “on-line” banking protocols. Activities having accounts under the central system will be able to participate in quarterly interest distributions generated through the concentration of system-wide cash and in most cases will not have to pay banking fees associated with their account under the central banking system.

B. Banking.

1. Most participating 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. Central accounts also facilitate the pooling of invested funds without having to move funds manually and minimize banking costs while maximizing interest rates and revenue. This permits positive identification and control of all cash assets within the system, field access to the disbursement accounts, and the facilitation of the investment of the funds to maximize interest revenue.

2. Limiting the numbers of banks participating in this system facilitates easy concentration of funds for control and investment. Accordingly, use of the Coast Guard NAF cash management lead bank must be considered as this helps to reduce banking costs and maximize overnight investments.
3. Implementation of NAF banking is as follows:
  - a. All CSC activities must use the central banking system. Local depository accounts for CSC activities will be designated by the CSC and the movement of cash through the system from local depository accounts to the concentration account will be controlled by the CSC under the direction of the Coast Guard Nonpay Compensation Program Board of Directors.
  - 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 the CSC via the appropriate chain of command.
  - c. NAF activities desiring to withdraw from the cash management system must submit written requests to the CSC via the chain of command.
4. All NAFIs that open a bank account and/or pay wages and withholding taxes must have an Employer Identification Number (EIN). Application for an EIN is made on Application for Employer Identification Number, Form SS-4, available from the Internal Revenue Service or applied for online through the Internal Revenue Service website.
  - a. Local bank selection for NAF accounts must 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.
    - (2) Coinage and bill exchange services.
    - (3) Check cashing services.
    - (4) Federally insured depository insurance.
    - (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 Nonpay

Compensation Program Board of Directors. In this section, investments only apply to the NAFIs under the Coast Guard Academy.

2. All funds in NAFI accounts participating in the NAF cash management fund will be pooled for investment and all investments will be made by the CSC. NAF cash investments not part of the central NAF cash management program will be governed by guidance established by the Coast Guard Nonpay Compensation Program Board of Directors and other Commandant directives.
3. Funds will be invested in accordance with the investment guidelines of the Coast Guard Nonpay Compensation Program Board of Directors and may be amended from time to time.
4. Investments must be made through licensed financial institutions/brokers and such who must be provided a copy of the investment guidelines of the Coast Guard for nonappropriated funds.
5. Commands with NAF cash assets, not part of the Coast Guard NAF cash management program, are only authorized to invest in Federally insured instruments such as savings accounts and certificates of deposit, and the amounts invested or on deposit must not exceed the limits established by the Federal insurance.



## 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 will be provided by the respective program directives.

1. The following general guidance applies to NAF accounting:
  - a. Accounting procedures must 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 must be used for all NAF activities, except for small MWR programs that have no Category B or C MWR Activities, as defined in Reference (a).
  - 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 if all program requirements are met.
  - e. The respective NAFI program manager will establish standard financial reporting periods.
  - f. Financial reports will be prepared in accordance with Chapter 5.C. of this Instruction.
  - g. Physical inventories of resale merchandise must be conducted in accordance with Chapter 5.D. of this Instruction.
  - h. Cash register over and short documentation must be utilized for internal control purposes.
  - i. Departmental sales data for major activities must be maintained. These records must 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 NAFI Program Manager, or at least annually. Reference (a) applies to the MWR program's audit requirements.

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 must document and utilize a chart of accounts for their NAF general ledger. Exhibit 5-1 provides a numerical structure for a typical chart 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 must be paid through the central payroll process maintained by the CSC and managed through the CSC directed time and attendance system.
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 is 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 using 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 must make every effort possible to collect bad debt/returned checks. Should a command have difficulties in collecting on a check not backed by sufficient funds, CSC will provide assistance in seeking restitution.
  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 NAFI reporting periods. All transactions through the last day of the accounting period must be included in the operations of that quarter. NAFI program managers will provide specific requirements.
    - b. Exhibit 5-2 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 includes 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 includes 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 or information related to any electronic funds transfer.
- 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. The unmatched receiving document file contains 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.
- e. The accounts payable file 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.
- f. Merchandise transfer documentation files should be filed chronologically after posting to the appropriate ledger.
- g. Bank statement files contain monthly bank statements, reconciliations, cancelled checks, and other supporting documents.
- h. An accounting payroll file should be maintained separate from the personnel file. This file should contain current individual payroll documentation.
- i. The inventory file contains inventory sheets, worksheets, markup/markdown vouchers and other information pertaining to the physical inventory.

- j. Budget and financial statement files contain financial statements (i.e., income statement, balance sheet, and statement of cash flows) and all supporting worksheets.
  - k. The contracts and agreements file contains concession contracts, vendor agreements, loan agreements, satellite exchange agreements, etc.
  - l. The correspondence file is a file of correspondence kept in accordance with the standard Coast Guard correspondence system.
  - m. The accounts receivable file includes 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 receivable transactions.
  - n. The satellite exchange activity file contains a copy of the satellite exchange agreement, quarterly financial statuses of satellite exchange activity, 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. CGX accounting periods are consistent with those published by the National Retail Federation and are published each year with the budget formulation process by the CSC. Specific guidance is provided in the CGX SOP. Other NAFI accounting/report cycles are published in Reference (a) and the SOPs of each NAFI.
- 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 is used to summarize the revenues and expenses for each NAF activity over a certain period and must calculate net profit.
      - (2) Balance Sheet. The balance sheet is used to report the assets, liabilities, and net worth for an individual NAF activity or group of NAF activities on a specific date.

- (3) Other reports. The NAFI program manager may require additional reports, as needed.
- b. The NAFI Program Manager may also 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 must be followed unless amended by the Program Manager. For example, property assets may not be presented on balance sheets and depreciation, such as equipment, may not be recorded unless accounting staffs possess the necessary competencies to record depreciation in accordance with GAAP.
  - (1) For CGX, these instructions are published in the CGX SOP.
  - (2) For MWR and CDCs, these instructions are published in Reference (a).
  - (3) For the CAF and AAF, this guidance is published in the respective SOPs after approval by the CSC.
  - (4) For any approved NAFI, program managers are required to develop financial reporting requirements and must have them approved by the CSC.

D. Inventory Verification Procedures.

1. 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 CGX 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 must 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 is to be prepared for the facility to be inventoried, including reserve stock space and remote stockrooms under the manager's supervision. This

- plan includes 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 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 normally, an in-house count team will count all stock to be inventoried and enter quantities on an inventory form. Third party inventory companies generally use their own documentation.
  - e. Upon completion of the inventory count, a recount of selected items should be conducted with an emphasis on high-value merchandise.
  - f. After the recount, all inventory sheets need to be turned into the program accounting office for inventory valuation.
- E. NAFI Internal Audit and Control Procedures. Units with NAF activities are required to have a financial audit of its program conducted annually or at times prescribed by the Commanding Officer. Additionally, NAF activities are required to have routine audits conducted by a Certified Public Accounting firm. The timeline and requirements for these third-party audits shall be prescribed by the NAF activity program manager. Commanding officers may appoint a local audit board to conduct annual financial audits of NAF, MWR, or shipboard independent exchange activities, depending on the directives published by each program.
- 1. General principles of NAF internal controls are as follows:

- a. NAF activities must operate with well-defined internal controls to minimize risk and to safeguard NAF assets. An internal control review process must 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. Testing compliance of the internal controls must be developed and implemented by the command. The results of these tests will be used to evaluate the appropriateness and effectiveness of the controls in question.
  - c. Due to the variety of businesses in which each command is involved, it is impossible to develop a standardized audit checklist to be all-inclusive.
  - d. Each command must develop written guidelines for developing and maintaining appropriate internal controls specific to that NAF activity.
  - e. Each command must also develop a plan for periodic review to determine if a more detailed and thorough audit is necessary in accordance the MWR Internal Control Guide. This guide can be found at [www.dcms.uscg.mil/mwr](http://www.dcms.uscg.mil/mwr) under Professional MWR Resources; MWR Loss Prevention & Security.
  - 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.
    - (3) The MWR Operational Risk Assessment Guide can be utilized for targeted or extensive review of internal controls and can be found at [www.dcms.uscg.mil/mwr](http://www.dcms.uscg.mil/mwr) under Professional MWR Resources; MWR Loss Prevention and Security.
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 managed by the same person are examples of compensating internal controls.
3. For internal control reviews NAFIs may contact, via CG Portal, the CSC Loss Prevention Directorate to conduct a thorough review of NAF business activities. Alternately, selection of an internal auditor contains the following elements:
- a. Commands with NAF activates must 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 not be appointed as internal auditors
  - b. An internal auditor must be chosen based upon a person's expertise and technical competencies 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. The report must 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 within NAFIs.
- a. The following is a list of some categories of internal controls. The specific controls are found elsewhere in this Instruction or in the particular NAFI's policy manuals, standard operating procedures, 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, credit card processing, 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. Contact CSC Loss Prevention Directorate, via CG Portal, for assistance with internal controls.

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 operation will give the chain of command 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 and have personnel expenses. 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 must ensure that NAF budgets are prepared for each budget year. At a minimum, the budget must contain an income statement and the appropriate balance sheet accounts for each quarter of the budget year. Discreet business activities must 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. NAFI Program Managers must ensure that business activities break even.
3. The Coast Guard Nonpay Compensation Program Board of Directors will approve certain NAF budgets each year as specified in Commandant policy or directives.
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, commands must ensure that they properly monitor the personnel costs within the activity. This monitoring must 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. Additionally, commands with NAF personnel must budget to have a cash reserve of up to three pay periods to cover NAF personnel expenses.
5. Program Managers for NAFIs must 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, procedures, and awareness are essential for protecting assets in NAFIs of the Coast Guard. CSC's Loss Prevention Directorate, who can be contacted via CG Portal, can assist with developing specific controls in your program.
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. Procedures for handling counterfeit currency and other negotiable instruments.
  - d. Internal cash controls.
  - e. Keys, lock, and safes.
  - f. Warehouse access and security.
  - g. Patron and employee sales and refunds.
  - h. Cash register void and "No Sale" procedures.
  - i. Employee standards of conduct.
  - j. Shoplifting prevention.
  - k. Inventory control.
3. Commands operating NAF activities must 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. Reference (e) provides Coast Guard-wide guidance on physical security policies that are applicable to NAFIs.
4. The CSC may assist local commands with fraud, waste, and abuse concerns in their NAF operations by conducting thorough internal control reviews.

#### H. 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 nonpay compensation programs because of the inherent risks and liabilities associated with these programs.
  2. The oversight responsibility may be accomplished through a variety of means such as:
    - a. Unit self-assessments.
    - b. CPA financial/program audits and reviews.
    - c. Coast Guard inspections.
    - d. Inspector General audits.
    - e. General Accountability Office (GAO) audits.
    - f. Program Manager reviews.
    - g. Office of Management and Budget reviews and assessments.
    - h. Operational Risk Assessments (ORA)
  3. Commands may request assist visits from the applicable Program Manager. Program Managers, in the exercise of their oversight responsibilities, may also schedule assist visits.
- I. 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. Potential violations of this fiduciary responsibility must be promptly reported to the chain of command and the CSC. If a loss of cash or merchandise is unexplainable, the CSC's Loss Prevention Directorate, who can be reached via CG Portal, must be notified for guidance on next steps.

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

EXHIBIT 5-2  
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.



## 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 nonpay compensation programs governed by this Instruction is based upon several sources, including Federal statutes, Comptroller General decisions, Reference (k), and the policies and procedures followed by the other military Services for the use of APF in nonpay compensation programs. Policy and guidance on the authorized use of APF in each NAFI, must be provided by the NAFI program manager in their respective directives or operating manuals. In general, APF must be used when it is authorized and available.
2. Differentiation in the use of APF in these programs 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; this includes the settlement of any liability claims in these programs. Resale and business operations are authorized less APF support due to their revenue-generating capabilities. However, regardless of whether the activity generates revenue or not, certain APF support may still be authorized. Commands must continually bear in mind that these programs are authorized Coast Guard programs that by policy, have a NAF component.

B. APF Compensation.

1. At times, APF may be used to compensate NAF accounts for expenses originally authorized APF support.
2. Under provisions which provide that funds must be used for the purposes for which they were appropriated, APF may compensate NAF when the initial use of NAF supported an expenditure authorizing APF support.
3. Compensation between these accounts may be made via Funds Transfer Authorization from the unit's APF line of accounting to the benefiting unit's NAF account or vice versa; after which, a request memo must be sent to FINCEN (OPA) lockbox or to: FIN-SMB-INVOICES@uscg.mil, with supporting documentation to support the transfer to the appropriate NAF/APF account (i.e., NAF/APF checks paid/procurement orders, invoices, etc.). A sample request memo for this purpose to FINCEN may be found at: [www.dcms.uscg.mil/mwr](http://www.dcms.uscg.mil/mwr) under Professional MWR Resources.

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

EXHIBIT 6-1  
 AUTHORIZED APF EXPENSES

1. Personnel Pay and Benefits.

- a. Coast Guard members and APF civilian personnel.....YES
- b. NAF personnel:
  - (1) MWR Category A and B Activities.....YES,  
See Note 1
  - (2) CGX.....NO
  - (3) CGA Academic Activities, AAF and CAF.....NO

2. Travel

- a. Permanent change of station (PCS).
  - (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. Temporary Duty (TD).
  - (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 APF (versus NAF) programs or  
policies, including evacuation orders.....YES
  - (3) Local travel of military or Civil Service personnel  
for non-NAF business (e.g. military medical or  
administrative processing).....YES

3. Training and Education.

- 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, Redacted content per EO No. 14176 or sexual harassment)..... YES

4. Vehicles.

- a. Coast Guard-owned or leased vehicles used for command and control, unit support, or other APF 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 authorized for procurement with APF..... YES
  - (2) Shipment of items purchased with NAF to support the operational needs of OCONUS business activities such as store fixtures..... YES
  - (3) Resale merchandise transported from a CONUS sea or aerial port to an overseas port of debarkation by a vendor..... YES
  - (4) In overseas areas, the inland movement of U.S. resale goods from port of debarkation to destination, or from a NAF logistical support point to destination when commercial transportation is not readily or feasibly available..... YES
  - (5) Movement of merchandise, equipment, and supplies between Coast Guard bases because of base closure/relocation, or to safeguard goods under emergency conditions, e.g., natural disaster..... YES
  - (6) At a unit, the relocation of merchandise, equipment or supplies that 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..... YES
- 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 promotions and new hires. Also includes relocation of existing NF-4 or higher positions.....NO
  
- 6. Purchase and Resale of Uniform Merchandise. Overhead and operating costs 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.....YES
  
- 7. Equipment and Supplies Purchase/Rental. Costs of equipment, furnishings, and expendable items. Items required for command and control purposes or authorized APF funding in expense items 18 through 20, below.....YES
  
- 8. Equipment Maintenance and Repair.
  - a. Government-owned (APF purchased) equipment.....YES
  
  - b. Equipment purchased with NAF, but 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 Reference (k).....YES
  
  - c. All other. Work indicated as initially supported by NAF, may be performed under APF by using APF labor and materials subject to NAF reimbursement.....NO
  
- 9. Purchase of Real Property. Real property is not to be purchased without the written approval of the CSC. It must be essential for command and control functions.....YES
  
- 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 the CSC.
  - a. Any area outside of the 48 continental United States.....YES
  
  - b. Facilities space required for command and control purposes when located separately from NAF operating spaces.....YES
  
- 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 located separately from NAF operating spaces..... YES
- b. Overseas NAF logistical facilities used to directly support military mission, such as administrative offices, storage and maintenance facilities, laundry and dry-cleaning plants, etc..... YES
- c. Common support infrastructure (e.g., parking lots, utility systems, roadways, landscaping, and sidewalks) which will support other facilities or activities in addition to the NAF facility..... YES
- d. Converting spaces for use as NAF facilities when business activities are 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..... YES
- e. All other construction. A NAF project may be performed using APF labor and materials subject to NAF reimbursement..... NO

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; or, preserve building exteriors.

- a. Work required to execute a project not directly associated with the NAF building or NAF business operations..... YES
- b. Work required to correct construction code, safety, health or environmental deficiencies, regardless of funding source of original construction..... YES
- c. Work required on a building acquired with APF 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 CGX facility..... YES
- d. Work required for a building originally constructed with NAF located on Coast Guard property. Use of APF is subject to restrictions listed in Reference (k)..... YES
- e. All other. A NAF project may be performed using

APF labor and materials subject to NAF reimbursement.....NO

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, and 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 CGX within the buildings discussed in expense 12, above.

a. Damage resulting from structural, integral systems or utilities deficiencies or failures in buildings authorized for APF maintenance and repair..... YES

b. Damage resulting from NAF equipment (not part of building structural or integral systems).....NO

c. Spaces used for both CGX/business activity and non-CGX/non-business activity purposes

(1) Work directly or primarily attributable to the non-business activity use of the spaces..... YES

(2) All other. A NAF project may be performed using APF labor and materials subject to NAF reimbursement.....NO

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 other facilities or activities in addition to the CGX/NAF business facility..... YES

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

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 source) or Coast Guard-leased property..... YES
  - (2) If NAFI-leased property..... NO
- e. Work may be performed using APF labor and materials, subject to NAF reimbursement..... NO

16. Utilities.

- a. All OCONUS area activities YES
- b. CONUS command and control spaces located separately from NAFI operating spaces and other NAF activities..... YES
- c. All other CONUS MWR and CGX activities APF may be used to pay utility costs for Category A, B, and C (revenue-generating, including CGX stores) activities, with the exception of golf courses and golf structures..... YES

17. Custodial/Janitorial Services.

- a. For command and control spaces located separately from NAF operating spaces..... YES
- b. All other. Work supported by NAF may be performed using APF labor and materials subject to NAF reimbursement..... NO

18. Telephone Services.

- a. One line/extension and instrument, with government long distance call capabilities, for the NAF manager to use in conducting command and control, and other official Coast Guard business..... YES
- b. Other lines/extensions, instruments, and capabilities as

commands deem necessary to ensure the efficient conduct of command and control and official Coast Guard business. .... YES

19. Computer systems/equipment.

a. One Coast Guard standard work station for the NAF manager to use in conducting command and control and other official Coast Guard business. .... YES

b. Other Coast Guard standard workstations as commands deem necessary to ensure the efficient conduct of command and control and other official Coast Guard business. .... YES

20. Electronic Media Systems. Pertains to such systems as closed circuit television, satellite communications, etc., that support or provide services throughout the installation. .... YES

21. Postal Services.

a. For official Coast Guard business, command, and control needs, including NAF employment actions when they require the approval of, or coordination with, higher authority. .... YES

b. All other. Placing mail in this category in envelopes or packages containing official mail whose postage is paid with appropriated funds is prohibited. .... NO

22. Architectural and Engineering (A/E) Services.

a. For designing Category A and B MWR Activities. .... YES

b. For developing master plans or similar documents that address unit or Coast Guard, rather than only NAF requirements or proposals. .... YES

c. For inherently governmental functions, such as planning proposals scopes of service, post-occupancy reviews, contract administrations, etc. .... YES

d. For CGX professional services typically performed by A/E firms such as design, development, plans and specifications, construction surveillance, etc. .... NO

e. For a CGX design initiative, any direct, non-salary project administration costs, such as required travel,



- printing, and mailing of bid packages, etc.....NO
23. Coast Guard Administrative/Support Staff Services. Technical advice and assistance provided by members of personnel, 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. .... YES
24. Common Services.
- a. Those services are normally provided throughout a unit 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..... YES
- b. In CONUS, trash and garbage removal services for all facilities except command and control spaces located separately from the main CGX facilities, may be performed under APF contract subject to reimbursement by NAF.....NO
25. Audits. When DHS, Coast Guard, or other government organizations perform as assigned responsibilities..... YES
26. Printing and Reproduction. For official Coast Guard business, 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..... YES
27. NAF Liability Program: Includes Insurance Premiums, Workers Compensation Payments and Liability Claims:
- a. MWR Category A and B Activities ..... YES  
See Note 2
- b. CGX ..... NO
- c. CGA Academic Activities ..... NO
- d. AAF and CAF ..... YES  
See Note 2
28. Legal Services. Applies to the service and assistance provided by or , through respective Servicing Legal offices..... YES

29. Procurement Office Assistance and Administration.....YES

**Note 1:** In some circumstances, APF may be used to reimburse NAF accounts when NAF employees are detailed into vacant APF positions when leaving the positions vacant would have an adverse impact on the ability of the command to execute its mission.

In addition, reimbursement of NAF salaries with APF may be authorized when NAF employees are detailed to assist in Category A and B MWR Activities per the employee's position description.

The reimbursement request must be reviewed, for legal sufficiency, by the unit's SLO.

**Note 2:** Activities and functions authorized APF should be supported with APF in the settlement of any potential liability or workers compensation claims. Additionally, NAF liability premiums for Category A and B MWR activities, activities of the Cadet Division, and activities of the Athletic Division of the Coast Guard Academy are authorized to be paid with APF. See Chapter 8 of this Instruction for further guidance.

## 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 exchange 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. The satellite exchange provides the unit an opportunity to make available approved resale merchandise and not invest local unit morale funds.
- 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 satellite exchanges are operated by the local command using inventory and working capital provided by CGX through a "parent exchange" that also provides primary merchandise and oversight support.
- C. Establishment of a Satellite Exchange Operation.
1. A CGX Satellite Support Agreement between the local command and the CSC is mandatory. This agreement defines the authority and responsibilities 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. CGX will provide working capital for the operation of satellite exchanges, not to exceed three times the anticipated monthly sales or \$30,000, 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 CGX Satellite Support Agreement. Safeguarding of the working capital (cash and other assets, such as resale inventory purchased with the working capital) is the responsibility of the local command. Satellite exchange working capital belongs to CGX 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 CGX operation. Purchases from CGX 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. CGX-procured merchandise must be sold at the CGX retail price. This percentage shall be documented in the CGX Satellite Support Agreement. If a situation necessitates procurement of merchandise from any source other than CGX (i.e., an extended deployment), the unit may do so. The required items should be purchased from a local source and the merchandise must 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. Units must retain invoices in an organized manner (i.e., separated by fiscal month and year). The purchase of merchandise from a source other than CGX over the long term requires the written approval of the CSC.

- a. The gains in sales from merchandise procured through a CGX 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 (shrink).
  - b. Units are required to transfer quarterly overages of 10% of the capital amount provided by CSC to the unit's morale fund. Commands shall ensure that sufficient funds remain in the satellite exchange account to support the working capital advance from CGX and any satellite exchange expenses. Any losses to the working capital advanced by CGX not properly accounted for through the CGX 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 CGX 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 without CSC approval. 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. The payment amount to the exchange operator is at the discretion of the commanding officer, but in no way will diminish the level of the working capital provided by CGX.

6. Cash receipts shall be deposited in a Federal government-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 CGX activity. The bank depositories shall be notified in writing that the Coast Guard Nonpay Compensation Program Board of Directors is the successor of interest to the satellite exchange account. A copy of this letter shall be provided to the CSC. See Enclosure (19) to Reference (a) for an example of this letter. Commands accepting checks through their satellite exchange operations shall ensure that Social Security numbers are not written on these checks. Reference (e) applies 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 may not be returned unless specifically approved by the parent exchange.
8. Satellite exchange operations shall be reported quarterly for the duration of the support agreement. At the end of each nonappropriated fund quarter, the satellite exchange officer shall conduct a physical inventory and document the results on the Status of Satellite Exchange. Exhibit 7-2 is 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 quarterly and upon the relief of the satellite exchange officer to the CSC. Exhibit 7-2 and Exhibit 7-3 are examples. An electronic version of these reports will be provided along with the approved CGX 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 quarterly and during audits and satellite exchange officer reliefs. The record of physical inventory will be recorded in the format provided in Exhibit 7-4.
  - e. Bank Statements. Bank statements shall be reconciled monthly.
  - f. Record Maintenance. Satellite Exchange reporting requirements will be established through the unit's CGX Satellite Support Agreement. Satellite Exchange records shall be maintained in accordance with the schedule provided in Reference (1).
  - 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 CGX 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 CGX Satellite Support Agreement. A written memo report shall be made of the audit and its findings and provided to the unit commanding officer and CSC.
- 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, the CSC 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, along with the parent exchange manager, and action taken to reconcile 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 CGX operation; 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 authorized working capital amount shall be forwarded to the CSC. Any residual value

above the working capital provided by CGX may be deposited into the unit's morale fund.

E. Guidance on Completing the Status of Satellite Exchange Example.

1. Commands must submit a financial status of its satellite exchange each quarter. This status must be submitted within thirty days of the quarterly closing dates (30 April, 31 July, 31 October, and 31 January). The example as provided in Exhibit 7-2 may be used for this submission. The following represents guidance on using this tool.
  - a. Line 1, Cash on Hand. The total amount of cash on hand, checks to be deposited on hand, cash in the bank, and outstanding credit accounts. Each of these forms of tender should be counted and listed separately on the appropriate sub-lines. A copy of the reconciled bank statement must be attached with the status.
  - b. Line 2, Merchandise On Hand. Total value of all merchandise based on the physical inventory conducted at the end of the quarter. A copy of this inventory must accompany the status submission.
  - c. Line 3, Permanent Merchandise Loss. Total value of all merchandise not fit for resale and not included in Merchandise on Hand. A memo must accompany the status on the circumstances surrounding this loss.
  - d. Line 4, Accounts Payable. Any merchandise that has been received and added to the satellite exchange inventory, but has not been paid. In most cases, merchandise needs to be paid in full at the time of purchase and this line will be "zero." When applicable, entries to this line will be negative.
  - e. Line 5, Total. This is the sum of Lines 1 through 4 and equals the funding level established in the Satellite Support Agreement. Any variation between actual assets on hand and this amount is reflected as either an overage or shortage on Line 7.
  - f. Line 6, Total Exchange Fund Advanced. This is the amount established in the Satellite Exchange Agreement.
  - g. Line 7, Overage or Shortage. This is discussed in the guidance for Line 5, above.
  - h. Line 8, Merchandise on Hand (Beginning of Quarter). The value of the merchandise inventory at the end of the previous quarter, or line 2 of the last status.
  - i. Line 9, Purchases and Other Transfers. The total value of all merchandise purchased since the last status. This amount needs to reflect the actual retail value of

- merchandise purchased. It must not reflect any discounts obtained from the parent exchange.
- j. Line 10, Merchandise Available for Sale. The total of Lines 8 and 9.
  - k. Line 11, Sale of Merchandise. The total sales since the last status submission. This total needs to be taken from the cash register's closing report. A copy of this closing report needs to be attached to this status update. If a cash register is not used, then cash and/or sales receipts need to document the value of these sales.
  - l. Line 12, Losses and/or Return of Merchandise. Same as Line 3, above.
  - m. Line 13, Total Sales and Losses. The sum of Lines 11 and 12.
  - n. Line 14, Merchandise on Hand End of Period. This is the difference between Lines 10 and 13. This total needs to match the value of the physical inventory. Any difference is a shortage or overage.
  - o. Line 15, Cash on Hand (Beginning of Quarter). This is the amount from Line 1 of the previous status update.
  - p. Line 16, Purchases. This is the same amount as reported on Line 9, above.
  - q. Line 17, Total Cash Available. This is Line 15 minus Line 16.
  - r. Line 18, Sales. This is the same as Line 11, above.
  - s. Line 19, Other Cash Operations. This is typically zero. If there is a value here, an explanation must accompany the status submission.
  - t. Line 20, Total Sales and Other Cash Operations. This is the total of Lines 18 and 19.
  - u. Line 21, Cash on Hand, End of Period – From Records. This is the sum of Lines 7 and 20 and needs to match Line 1, above.



EXHIBIT 7-1  
CGX SATELLITE SUPPORT AGREEMENT

1. This CGX SATELLITE SUPPORT AGREEMENT is between the Community Services Command (CSC) and   **(Name of Unit)**   for establishing a supported Satellite Exchange activity. The satellite exchange will be located at   **(Address of Satellite)**  .
2. CGX 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 CGX balance sheet. Upon disestablishment of the satellite exchange or the cancellation of this agreement, all operating capital shall be returned to CGX.
3. The satellite exchange command agrees to:
  - a. Assume responsibility for the operation of the satellite exchange and compliance with this support agreement, the CGX Standard Operating Procedure (SOP), and the Nonappropriated Fund Instrumentalities (NAFI) Manual, COMDTINST M7010.5 (series).
  - b. Designate in writing 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 CGX SOP.
  - d. Establish a satellite exchange checking account at a local bank with Federally-backed depository insurance. All charges incurred in the maintenance of the account are the command's responsibility.
  - 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 at the end of each quarter and submit the

report to the CSC, 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 shortages noted on the report.

- j. Conduct a physical inventory at the end of every quarter or upon the relief of the Satellite Exchange Officer and attach a copy of the appropriate inventory to the Status of Satellite Exchange.
  - 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.
  - 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.
  - 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, unless specific authorization to do so is provided by the CSC. 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 CGX be used to accommodate this loss. Any losses to the value of the CGX 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. CGX 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 satellite 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 exchange officer, 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 the CSC.
6. Amendments to this agreement will be numbered, dated, and signed by CSC 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.

\_\_\_\_\_  
Community Services Command

\_\_\_\_\_  
Commanding Officer

EXHIBIT 7-2  
 STATUS OF SATELLITE EXCHANGE  
 QUARTER ENDING \_\_\_\_\_ YEAR \_\_\_\_\_

<b>Part I - ACCOUNTABILITY FOR AMOUNT ADVANCED</b>										
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)									
<b>Part II - ANALYSIS OF MERCHANDISE OPERATIONS</b>										
8.	Merchandise on Hand (Beginning of Quarter)									
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)									
<b>Part III - ANALYSIS OF CASH OPERATIONS</b>										
15.	Cash on Hand (Beginning of Quarter)									
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)									
UNIT NAME:						DATE:				
SATELLITE EXCHANGE OFFICER:										
COMMANDING OFFICER:						DATE:				

EXHIBIT 7-3  
 STATUS OF SATELLITE EXCHANGE-EXAMPLE  
 QUARTER ENDING \_\_\_\_\_ YEAR

Part I - ACCOUNTABILITY FOR AMOUNT ADVANCED							
1.	Cash On Hand (Actual)						\$3,766.74
1a.	Cash					\$892.96	
1b.	Checks					\$35.00	
1c.	Credit Accts					\$0.00	
1d.	Checking Account					\$2,838.78	
1.e.	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)						\$7,472.90
6.	TOTAL EXCHANGE FUND ADVANCED						\$7,500.00
7.	Overage (positive number) or Shortage (-negative number)						-\$27.10
Part II - ANALYSIS OF MERCHANDISE OPERATIONS							
8.	Merchandise on Hand (Beginning of Quarter)						\$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 Quarter)						\$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
UNIT NAME:							
SATELLITE EXCHANGE OFFICER:						DATE:	
COMMANDING OFFICER:						DATE:	

EXHIBIT 7-4 Record of Physical Inventory

SATELLITE EXCHANGE

RECORD OF PHYSICAL INVENTORY

QUARTER REPORTED

USCGC/UNIT: \_\_\_\_\_

	A	B	C	D	E	F	G	H	I	J
1	Merchandise	Beginning Inventory	Purchases	Sales	Returns	Ending Inventory	Physical Count	Variance	Price (ea)	Extended Price
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.									

Conducted By: \_\_\_\_\_

Approved By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## CHAPTER 8. NAF CONSOLIDATED INSURANCE PROGRAM

A. Introduction.

1. The NAF Consolidated Insurance Program administered by the CSC, 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 the CSC. Program managers of NAFIs are responsible for the payment of approved insurance premiums and related expenses associated with their insurance coverage. In general, activities and functions authorized APF support must be supported with APF in the settlement of any potential liability claims. This would include category A and B MWR activities, activities of the Cadet Division, and activities of the Athletic Division of the Coast Guard Academy.
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 Reference (a). The CGX SOP provides additional information on coverage that applies to CGX. 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 the CSC from remittances received from NAFIs. Since the cost of insurance coverage is based upon actual claims (cost) incurred, commands must continually monitor security, safety, and administrative procedures to minimize exposure and risk. All NAF claim payments are processed and maintained by the CSC. There is no presumption that a potential liability claim arising in the MWR program, the Cadet Administration program or the Athletics Division of the Coast Guard Academy is a NAF claim. Although each potential liability claim must be adjudicated on its own merits, in general, approved liability claims arising out of category A or B MWR activities will be settled with APF.
4. The CSC 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 unless otherwise advised by the CSC.

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 CGX 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 CGX and receiving compensation from NAF. Although no insurance coverage is available for losses of money, securities, and other property, CSC will assist the local command with investigating these losses.
  - 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 CGX 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 CGX 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 CGX 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 CGX assets. 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 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 vehicle on authorized official Category C MWR/NAFI business, to the extent that the employee has private automobile liability insurance will be settled under the individual's insurance first; the employee must report the accident, or incident, to his/her insurance carrier then to CSC Admin. 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 and a valid driver's license, as required in the State the vehicle is registered, shall not be authorized to use their privately owned vehicles for official Category C MWR/NAFI business. Commands renting vehicles to conduct Category C business, with the use of NAF, must procure supplemental insurance coverage offered by the rental company.

- (2) Any claim, incident, or customer complaint arising from the operations of a NAF contractor or concessionaire 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) In any instance where a NAF civilian employee voluntarily pays or settles a loss prior to final disposition of the claim, NAF will not be used to reimburse the employee for this voluntary act.
- (4) Any incident that is actually a customer complaint, rather than a 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 or command.

C. Procedures for Reporting Losses.

1. Procedures for reporting fidelity claims:
  - a. Managers of NAF activities shall promptly report fidelity losses of NAF to the CSC Admin and request investigation by the Coast Guard 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. For all subsequent correspondence and investigations pertaining to the claim, the CSC must be provided copies.
  - c. The CSC will coordinate and review the submission of all f claims for final settlement. In cases involving major losses of NAF for all NAFIs, 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 the CSC Admin via telephone call and follow-on written notification.
  - b. Loss notification memos shall be submitted to the CSC 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. The CSC 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 NAFI operations and exchange managers shall submit notification of third party injury or property damage to CSC Admin as soon as possible.
    - b. Commanding officers with CDC operations shall also notify Commandant (CG-111) and the Health Safety Work-Life Service Center (HSWL SC) of any injuries or accidents.
    - c. A copy of all public liability claims shall be sent to Commandant (CG-LCL) and the Legal Service Center (LSC). 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 Reference (m). All relevant information is 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, a detailed description of the accident and damage to the vehicle or property shall also be provided.
    - e. 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 CSC. The unit's servicing legal office shall also be advised.
    - f. Copies of all notifications and all subsequent correspondence concerning claims shall be forwarded to the CSC, Commandant (CG-LCL), and the LSC in a timely manner.
    - g. Any incident involving a third party, whether there is apparent injury or not, must be reported to CSC Admin.
  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 CSC Admin. Injury or damage to third parties shall be reported in accordance with public liability claim procedures in

- Chapter 8.C.3 of this Instruction. Repair or replacement of Coast Guard-owned NAF vehicles is the responsibility of the local command.
- 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 documentation shall be forwarded to CSC Admin.
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 the quickest methods available to the CSC.
  - b. When an employee is injured, the following reporting requirements and procedures apply:
    - (1) The employee's manager must complete and sign the Department of Labor Form, LS 202. This is the employer's First Report of Accident or Occupational Illness. They will then send this to the CSC Admin within 3 days of injury or illness. CSC Admin will file this form through a Third-Party Administrator (TPA) and the Department of Labor. 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 CSC Admin.
    - (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 the CSC Admin and also be contacted via telephone. Failure to timely report an injury may result in monetary penalties being imposed by the Department of Labor. 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 must 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 must 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 CSC Admin, 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 must be provided to the employee.

- D. Workers' Compensation Forms. Exhibit 8-1 lists the forms used for Longshore and Harbor Workers' Compensation Act claims.

EXHIBIT 8-1  
DEPARTMENT OF LABOR  
WORKERS COMPENSATION FORMS  
([www.dol.gov](http://www.dol.gov))

1. Request for Examination and/or Treatment, LS-1 - Locally initiated. Give to employee to give to physician.
2. Notice of Employee's Injury or Death, LS-201 - Given to employee on request. Employee or representative completes.
3. Employer's First Report of Accident or Occupational Illness, LS-202 - All injuries and/or death - initiated by CSC Admin.
4. Notice of Controversion of Right to Compensation, LS-207 - Initiated by TPA on behalf of employer.
5. Notice of Final Payment or Suspension of Compensation, LS-208 - Initiated by TPA within 16 days. If not filed timely, fines could result.
6. Employer's Supplementary Report of Accident or Occupational Illness, LS-210 - Initiated by CSC Admin upon knowledge of any change in the employee's status, such as return to work.

Additional forms such as light duty and medical consent forms initiated by CSC Admin.

## CHAPTER 9. NAF CONTRACTING

- A. Purpose. This Chapter establishes procurement policies, assigns responsibilities, and prescribes processes for NAF contracting. It describes the responsibilities of the Coast Guard NAF Procurement Officer (CGNAFPO) as well as field NAF contracting personnel. This Chapter applies to appropriated fund contracting activities when awarding NAF contracts.
- B. Delegated Authority. This Chapter is prepared, issued, and maintained per the legal authority expressed in Chapter 1.D of this Instruction and applies to all NAFIs. The Coast Guard's Head of Contracting's (HCA) warranted contracting officers and purchase card holders have the authority to execute NAF Funds.
- C. Responsibility. The CSC is responsible for ensuring the proper management of centralized NAF contracting and providing program management review of field level NAF contracting. With the exception of those actions reserved specifically for the HCA approval, authority 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.
- D. CGNAFPO Contracting Authority and Responsibilities.
1. The CSC has been designated as the CGNAFPO with contracting authority to oversee and monitor the NAF contractual procedures of NAFIs and field-level entities under their cognizance. Procedures and controls necessary for effective oversight need to be established and maintained. Only those entities that are authorized to perform delegated NAF contracting functions for the Coast Guard and who have personnel with contracting officer appointments may execute these delegated contracting functions. This general contracting authority includes authority to enter, execute, and approve contracts. The CGNAFPO shall:
    - a. Prescribe organizational authority, limitations, and levels of approval for solicitation, negotiation, award, administration and termination of contracts, and resolution of protests and contract disputes.
    - b. Ensure individual responsibility for properly using NAF resources and preventing waste, loss, or unauthorized use. Procedures regarding individual liability for unauthorized commitments of NAF resources shall be specified.
    - c. Limit delegation of NAF procurement authority to Federally or NAFI employed personnel. Procurement personnel with procurement authority shall be designated in writing via a Certificate of Appointment, a written appointment by position or job title, or an equivalent document. These documents shall state the scope and limitations of NAF procurement authority and be posted within public view or made

available upon request. Personnel with APF authority are not required to have a separate certificate of appointment for NAF.

- d. Establish training requirements, continuing education, and certification requirements for procurement personnel based upon the scope and complexity of the NAF procurements to be accomplished.
  - e. Advise Commanding Officers on the appropriate execution of NAF funds execution.
2. Commanding Officers: Commanding Officers are required to prevent waste, fraud, and abuse within their respective NAF activities. Unit COs with NAF Category B and C activities shall authorize individuals who can expend NAF funds in support of their programs. HCA delegated purchase authorities remain authorized to support NAF activities.
  3. Commandant (CG-094) provides legal advice and counsel to Coast Guard contracting activities. All NAF contracting personnel are required to consult with their JAG support office on all questions of a legal nature. At a minimum, JAG review is required for protests, contract disputes, claims, and terminations for default. It is emphasized that the JAG is an integral member of the NAF procurement team; however, the NAF contracting officer is ultimately responsible for all contracting decisions.
- E. Purchasing Authorizations of the CGNAFPO. The following individuals may be designated agents of the CGNAFPO:
1. NAF Contracting Officers (NKO). NKOs are appointed by the Commanding Officer of the CSC and is authorized to execute purchases using NAF funds. The NKOs have limited delegation authority to NAF funded requirements and are not authorized to expend appropriated funds. NKOs:
    - a. Delegate authority in accordance with NAF procedures.
    - b. Execute contracts within the limits of their warrants.
    - c. Settle contract disputes.
    - d. Seek legal coordination and review as required or otherwise appropriate.
  2. Field Purchasing Agents (FPA). Commanding Officers are authorized to identify field level NAF credit card holders to conduct simplified acquisitions (primarily



micropurchases) for supplies or services for operational requirements. Responsibilities of the FPA are:

- a. Record and maintain all requests for purchase on an electronic spreadsheet.
  - b. Maintain documentation that the designated senior NAF official at the command has reviewed each purchase.
  - c. Do not re-delegate their authority. In addition, the CGNAFPO may establish additional limitations or requirements to maintain an effective and efficient FPA program.
3. Technical Advice and Oversight of NAF Activities. The NKO will provide contracting support, technical advice, and oversight to NAF activities as requested while using the guidance and processes identified in this Chapter to support local NAF requirements. The NKO will provide NAF contracting support as follows:
- a. Construction contracts that exceed NAF purchasing authority.
  - b. NAF requirements placed against APF indefinite-delivery contracts.
  - c. Special requests for contracting support or technical assistance.

F. Agency Control and Compliance Procedures.

1. Commanding Officers are required to ensure statutory and regulatory requirements are followed, as noted in paragraph 9.I or subsequent direction. Provisions and clauses prescribed by the Federal Acquisition Regulations (FAR) may be used.
2. Annual Review. Commands must certify on an annual basis that adequate controls are in place and that NAF contracting is being conducted in accordance with current directives. This can be accomplished in conjunction with their annual MWR reporting and audit processes for MWR programs and internally to the Coast Guard Academy(CGA) for CGA NAFIs.
3. CGNAFPO Review. The CGNAFPO will conduct periodic reviews of installation NAF purchasing programs.

G. APF Contracting Offices support for NAF Procurements.

1. Coast Guard APF contracting officers 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, in accordance with the FAR. 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 policies and procedure/contracting regulations.

2. All APF procurements for goods, services or construction are to be accomplished as follows:
  - a. The requesting NAF entity must furnish a procurement request (PR) certifying that sufficient non-appropriated funds are available.
  - b. The PR and purchase order (PO) will be completed outside of the Coast Guard financial system and the use of the appropriate forms and applicable contract clauses. The payment for NAF procurements will be made in the name of the unit, address and NAFI/morale fund account name. Payment is not payable to FINCEN. Although the Federal Procurement Data System - Next Generation (FPDS NG) reporting requirements do not apply to NAF procurements, copies of contracts or agreements must be on file.

#### H. NAF Procurement Standards of Conduct.

1. All individuals involved in any aspect of procurement and related activities are responsible for conducting all business transactions in a manner that can be identified as completely above reproach. This type of conduct is one wherein all individuals endeavor to avoid the intent and appearance of unethical or compromising practice in relationships, actions, and communications by displaying conduct such that they, or others, would have any reticence should full disclosure be required
  - 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 the CGNAFPO..
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.

#### I. NAF 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 non-appropriated 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. Non-appropriated 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. All NAF procurements are to be accomplished:
  - a. Using purchase orders and contracts. Procurement methods that result in firm fixed-price contracts are preferred; however, price adjustment provisions may be used when the contracting officer determines it is in the best interest of the NAF activity.
  - 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.
7. 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 competition requirement does not apply if sole source negotiation is justified and authorized by the CGNAFPO or commanding officer of the NAF activity and documented in the procurement file

8. NAF procurements shall not be conducted without an approved PR 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).
9. 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.
  - d. Is otherwise qualified and eligible to be selected under applicable laws, regulations, and similar directives.
10. Consolidated procurements from single sources shall be utilized whenever it is practical to obtain savings through volume pricing, reduced transportation costs, and decreased administrative requirements.
11. 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. Emergency, due to catastrophic event, an urgent need for the procurement.
  - d. Unacceptable delays in fulfilling requirements.
  - e. Non-discretionary time constraints that have the potential to impact the delivery of products or services.

12. 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 practicable.
  13. To the extent practicable, depending upon organizational size and staffing, NAF activities shall 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.
  14. 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.
  15. Whenever Coast Guard APF contracting officers conduct NAF procurements for nonresale 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 non-appropriated funds are available for the procurement.
  16. Whenever APF and NAF funded requirements are contained in the same acquisition, the NAF requisition requirements are to be processed separately, when applicable, and a person authorized to conduct APF procurement must conduct the acquisition.
  17. 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 Instruction contains information concerning Federal, state, and local taxes.
- J. NAF Statutory and Regulatory Applications.

Redacted content per Presidential Executive Order No.14151

Redacted content per Presidential Executive Order No.14151

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, Part 19 Small Business Program
  - 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.

Redacted content per Presidential Executive Order No.14151

Redacted content per Presidential Executive Order No.14151

Redacted content per Presidential Executive Order No.14151

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 (41 U.S.C. 6701 et seq.), 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 obtain a latest revision of a wage rate determination from the Department of Labor at <https://beta.sam.gov>.
  - (2) For services not expected to exceed \$2,500 (currently at \$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. FAR Part 25 Subpart 25.1 (Buy American Act Supplies).
  - b. FAR Part 25, Subpart 25.2 (Buy American Act – Construction Materials).
  - c. FAR Part 25, Subpart 25.4 (Trade Agreements).
9. The Walsh-Healey Public Contracts Act (41 U.S.C. § 6501 et seq.) 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. In 40 U.S.C. chapter 31, subchapter IV, Wage Rate Requirements (construction), formerly known as the Davis-Bacon Act, provides that contracts in excess of \$2,000 to which the United States or the District of Columbia is a party for construction, alteration, or repair (including painting and decorating) of public buildings or public works within the United States, shall contain a clause (see 52.222-6) that no laborer or mechanic employed directly upon the site of the work shall receive less than the prevailing wage rates as determined by the Secretary of Labor. The Wage Rate Requirements (construction), formerly known as the Wage Rate Requirements (Construction), 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 Wage Rate Requirements (Construction) by taking

kickbacks on wages paid employees and authorizes the imposition of criminal penalties for the violation of the Act.

12. The Miller Act (40 U.S.C. § 3131) is applicable to construction contracts. It requires that prior to the award of any construction contract exceeding \$100,000, the construction contractor must furnish a performance bond and payment bond.

K. NAF 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 "micro-purchase" 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 vice non-personal service contracts. NAF personal service contracts must be made only when direct employment is not possible or feasible. Approval is required by the CSC (48 CFR§ 37.104). NAF non-personal contracts may be made with the understanding that there's "no employer employee relationship" and that potential vendors and/or private contractors are performing services per the specified terms of the contract (FAR -- Part 37 Service Contracting).
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:
  - 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. The following procurement amounts may be addressed by individual command instructions:
  - a. For procurement of supplies within micro-purchase threshold:
    - (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 supplies above micro-purchase threshold:
    - (1) Whenever possible, a minimum of three (3) quotes are to be obtained and documented (if verbal) or included (if written). Two (2) 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.
    - (3) If sole source procurement and written justification is justified, document the reasons therefore, negotiate or obtain a verbal or written quote, and include all this information in the file.
  - c. For procurement of goods and services for capital improvement greater than \$25,000:
    - (1) Purchases of capital equipment or of materials for capital improvement must receive the specific approval of CSC for the MWR and CGX NAFIs. The CGA Superintendent will approve for the other CGA NAFIs.

- (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 procurement of non-concession services:

- (1) If applicability of the Service Contract Act of 1965 is not readily apparent, a warranted contracting officer will assist the procuring organization.
- (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 five (5) years, with provisions of contract renewal for five (5) one-year options either separately or a combination thereof with a not to exceed five (5) Option Years. The total duration of a service contract, including renewal(s), is not to exceed ten (10) 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 D.7.a. (1) to D.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, CSC must approve requests for longer commitments.

█ [REDACTED]  
█ [REDACTED] Redacted content per Presidential Executive Order No.14151 [REDACTED]  
█ [REDACTED]  
█ [REDACTED]

█ [REDACTED]  
█ [REDACTED] Redacted content per Presidential Executive Order No.14151 [REDACTED]  
█ [REDACTED]  
█ [REDACTED]  
█ [REDACTED]

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.

L. NAF Construction Procurements.

1. Construction contracts executed by CGNAFPO may be executed using the FAR as a guideline; however, the process for acquiring construction may be based upon standard commercial practices if such practices are in the best interest of the NAFI. Such commercial standards may include a total turnkey service, including construction with the same firm that provided the architectural and engineering design. Compliance with the Wage Rate Requirements (Construction) for construction contracts in excess of \$2,000 is required.
2. For CGX activities, construction contracts shall be awarded and administered in accordance with the current CSC policy on Reserve for Capital Improvement Accounts.
3. For all other NAFIs, contracts are to be developed, awarded, and administered by contracting officers. Unit Commanding Officers are required to coordinate appropriate contracting support through Civil Engineering Units or local support mechanisms for executing NAF construction procurements greater than the micro-purchase threshold. DOD NAFI components are also authorized to execute such procurements. Units may also request support from CSC.
4. NAF construction procurement within the micro-purchase threshold may be conducted in accordance with the procedures for procurement of goods or services, as outlined in Paragraph G.5., above.

M. Records/Files. The following documents forms/notations concerning procurement for nonresale goods and services must be maintained in appropriate record/files sufficient to constitute a complete history of the transaction. In accordance with FAR 4.8 Government Contract Files. Record/Files either paper, electronic, microfilm or NAF SharePoint filing system if the files are retrievable: 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 either paper, electronic, microfilm or NAF SharePoint filing system and shall utilize the Standard Form-1449, Solicitation/Contract/Order for Commercial Items or Optional Form 347 Order for Supplies or Services, or similar form as deemed appropriate.

N. 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. CGX 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 CGX activities or satellite exchanges, vending operations shall be operated under the direction of the CGX activity. At shore commands without a tenant CGX activity, vending may be operated by the local morale fund, as long as CSC is given the “right of first refusal.” Vending operations on afloat commands may be operated as an MWR or satellite exchange 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 CSC, except on floating units.
3. Vending activities operated by CGX 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 CGX, 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.
  - 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 and the CSC for appropriate liability insurance coverage.

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).

O. 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. CSC has determined that NAF direct hire is not appropriate and has issued this determination in writing.
  - b. CSC has authorized the NAFI to operate a resale activity by concession contract.
4. The requesting activity is responsible for obtaining approvals cited in Paragraph K.3., above. Standard NAF concession contract formats may be obtained from CSC.
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 separates 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.
    - (5) Errors and omission 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.

P. Procurement Authority of Goods for resale Using NAF.

- 1. Authority to purchase goods using NAF is delegated to the CSC 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 the purchasing goods for resale.

Q. 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. The only individuals who can bind the Government are warranted contracting officers and purchase cardholders acting within the limits of their delegated authority.
- 3. For unauthorized commitments, regardless of amount, the ratification authority is CSC for CGX ratifications and the commanding officers for other NAFI activities.
- 4. 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.
5. 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.
- R. Protests. Servicing contracting officer (KO) makes determinations on protests for contracts executed centrally at the CSC. The contractor has ten (10) days from the day of a decision by the KO to appeal to CGNAFPO. Protests filed at the unit level will be resolved by the unit commanding officer. All protests will be reviewed by the servicing legal office prior to the contracting officer's decision. Contractor appeals of the contracting officer's decision must be filed within ten (10) days from the contracting officer's decision and will be forwarded to CSC. Appeals forwarded to CSC must be accompanied with a background paper outlining the facts, a copy of the contract and all related documents, and a proposed reply. The CSC will be the decision authority on appeals. Protests involving NAF contracts (except when issued by an APF contracting office) are not subject to the jurisdiction of the Government Accountability Office (GAO) or courts. Comptroller General decisions and this Instruction are the primary sources of authority for deciding protests.

## 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 nonpay compensation programs will be under the guidance of this Instruction and directives of the respective NAFI. Each NAFI must publish a listing of eligible patrons. The basic purpose of NAFI operations is to provide nonpay 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 the CSC via the chain of command to request the revocation of privileges or other disciplinary action. The CSC will assist commands in the revocation of privileges of any patron and will advise the host commanding officer of the intended action in regards to the revocation of CGX privileges. All revocations are to be coordinated between the commands and the CSC. 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 First Class Mail or other traceable means. The duration of suspension will be commensurate with the offense, as set forth in Exhibit 10-1. ID cards required for other entitlements will not be confiscated.

- B. Customer Identification. The manager must employ all practical means to ensure that authorized patrons are identified before being provided goods, services, or programs offered

by the NAFI. All employees must be familiar with the list of authorized patrons, as well as other program regulations contained in policies and procedures promulgated by the NAFI.

C. Agents. The term “agent” means a person temporarily authorized in writing, to purchase NAFI merchandise and services for an authorized patron. The activity 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 or obtaining services 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 must 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 nonpay compensation program activities. If the local command or activity manager has security concerns and/or a high volume of visitor traffic results, visitor access may be limited.
2. Nonpay compensation programs must 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 facility.
3. If the activity is utilizing a door checker(s) for ID validation, visitors must be entered on the visitor’s log upon entering the activity.

E. Issue and Control Procedures for CG NAF Employee Identification and Privilege Card. All CGX employees, dependents, and retirees, who are not otherwise authorized exchange privileges, are authorized limited shopping privileges in all Coast Guard, Navy, Marine Corps, and Army/Air Force Exchange Service (AAFES) exchanges. The procedures for issuing and maintaining these ID cards for this purpose are provided in the CGX 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.

EXHIBIT 10-1  
PATRON OFFENSES

ACTION	1 <sup>ST</sup> OFFENSE	2 <sup>ND</sup> OFFENSE	3 <sup>RD</sup> OFFENSE
(R = Revocation)			
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

**NOTE:** Any punishment requires specific approval by the CSC.



## 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 the same privileges and 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 to ensure compliance.

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 (<https://www.irs.gov>). 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. As a routine practice, providing free meals or discounted meals to employees at their work place is not authorized.
  - 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 NAF 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 must ensure the following FITW tax documentation is included in payroll records for each employee: IRS W-4 and U. S. Customs & Immigration Service, I-9 form.
  - 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 to the IRS.
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 must 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. The CSC will pay such bills and invoice the appropriate NAF activity 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 CGX 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, must 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 must 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 are instrumentalities of the United States government, deemed essential for the performance of Government functions. Therefore, they are not subject to direct taxation or regulation by state or local 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 must 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 must 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 must be stocked with products on which the applicable state and local taxes have been paid.
    - d. CGX managers must establish a system to regulate and monitor sales of tax-free cigarettes. Specific guidance on quantity control may be obtained from the CGX 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 CGX. 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.

GLOSSARY OF TERMS AND ACRONYMS

AA.....	Academics Activity.
AAF.....	Activity Fund.
AAFES.....	Army and Air Force Exchange Service.
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.
Activity.....	A function or service provided by a NAFI.
ADA.....	Americans with Disabilities Act (depending on context, ADA could also be the Anti-Deficiency Act).
AFAR.....	Air Force Acquisition Regulations.
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.
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.
Best Value.....	The expected outcome of an acquisition that, in the NAFI's estimation, provides the overall greatest benefit in response to a requirement.
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 highest capability to generate revenue through the sale of goods and services to eligible patrons.
CAF.....	Cadet Activities Fund.
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.
CGA.....	Coast Guard Academy.
CGX.....	Coast Guard Exchange System.
CGX.....	Coast Guard Exchange System.
CGIS.....	Coast Guard Investigative Service.
CGMWR.....	Coast Guard Morale, Well-being, and Recreation.
CGNAFPO.....	Coast Guard Nonappropriated Fund Procurement Office.
COLA.....	Cost of Living Allowance.
Command and Control.....	Those managerial staff functions and positions located above the direct operational level of individual MWR activities that support planning, organizing, directing, coordinating, and controlling the overall operations of MWR programs at a command. Command and control consists of program, fiscal, logistical, and other managerial functions that are required to ensure oversight.
CONUS.....	Continental United States.
Concessionaire.....	A person or business that has been given the right to sell something on the property of someone else.
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.....	A mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. It includes all types of commitments that obligate the Government with regards to payment and that, unless otherwise authorized, are in writing. Contracts include, but are not limited to, awards and notices of awards; job orders or task letters issued under basic ordering agreements; orders such as purchase orders, under which a contract becomes effective by written acceptance or performance; and bilateral (two-party) contract modifications.

Contracting.....	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 contract administration. It does not include the determination of requirements.
CPA.....	Certified Public Accountant.
CSC.....	Community Services Command.
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.
DCMS.....	Deputy Commandant for Mission Support.
DDO.....	Deputy Director of Operations.
Depreciation.....	The process of allocating the cost of long-term assets over their expected useful lives.
Delivery/Task Order.....	An order for supplies or services placed against an established contract or with Government sources.
DFAR.....	Defense Federal Acquisition Regulations.
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.
EMV.....	European Mastercard VISA.
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.
FPA.....	Field Purchasing Agent.
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.
FUTA.....	Federal Unemployment Tax.
GAAP.....	General Accepted Accounting Principles.
GAO.....	General Accountability Office.
General and Administrative.....	Those indirect expenses incurred by NAF activities associated (G&A) Expenses 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.

GSA.....	General Services Administration.
HAC.....	Head of the Contracting Activity.
HSWL SC.....	Health Safety Work Life Service Center.
INC.....	Item Number Code.
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.
Invitation for Bids.....	The process by which businesses are asked for price information on a specific set of specifications or requirements for equipment or services.
IRS.....	Internal Revenue Service.
Liabilities.....	Obligations to other entities that are the result of something that has already occurred.
Limited Privileges.....	An authorization to procure items and use services of a NAFI at lower levels than those patrons with Unlimited Privileges. This generally refers to CGX shopping privileges where some categories of patrons may not buy alcohol, tobacco, or uniform items.
Long Term Liabilities.....	Noncurrent debts that come due later than one year.
LSC.....	Legal Service Command.
Micropurchase.....	An acquisition of supplies or services using simplified acquisition procedures, the aggregate (total) amount of which does not exceed the micropurchase threshold.
Military Services.....	The United States Coast Guard, Army, Navy, Air Force, and Marine Corps.

MWR.....	Morale, Well-Being, and Recreation.
NADA.....	National Automobile Dealers Association.
NKO.....	NAF Contracting Officer.
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.....	An integral Coast Guard organization that performs a Instrumentality (NAFI) governmental 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.
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; one which has been issued to a vendor, against which specified purchases may be made for or within a specified period of time.
ORA.....	Operational Risk Assessment.
PA.....	Personnel Assistant
Payroll.....	Expenses related to employee salaries and wages.
Payroll Ledger.....	An accounting record used to record all payroll information for individual employees
PCI.....	Payment Card Industry.
PCS.....	Permanent Change of Station.
PII.....	Personally Identifiable Information.

PSC.....	Personnel Service Center.
Perpetual Inventory.....	A count maintained throughout the year of the number of units of an individual stock item on hand.
Physical Inventory.....	Value of inventory by actual count.
Prepaid Expenses.....	Payments for goods and services in advance of their use.
Procurement.....	The acquiring by contract of supplies or services (including construction) for the use of the NAFI through purchase or lease, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated. Procurement begins at the point when the organization's needs are established and includes the description of requirements to satisfy the organization's needs, solicitation and selection of sources, award of contracts, contract performance, contract administration, and those technical and management functions directly related to the process of fulfilling the organization's needs by contract.
Purchase Order (PO) .....	An offer by the Government to buy supplies or services, including construction and research and development, upon specified terms and conditions, using simplified acquisition procedures.
Procurement Action.....	Includes, but is not limited to, written contracts and purchase orders, delivery orders, task orders contract modifications, blank purchase agreements, orders placed electronically, and purchases made using the Government Purchase Card.
Procurement Personnel.....	Procurement personnel are assigned to a NAF procurement office, including buyers, contracting officers, contract specialists, procurement analysts, contract administrators, purchasing agents, and contracts and procurement clerks.
Protest.....	A written objection by an interested party to a solicitation, a proposed award, or the actual award of a contract.
Purchase Register.....	An accounting ledger maintained for all financial activities of the unit to record purchases and accounts payable.
PSC.....	Personnel Service Center.

Real Property.....	Defined in the Civil Engineering Manual, COMDTINST 11000.11 (series) and the US Coast Guard Real Property Manual, COMDTINST 11011.11 (series).
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.
Solicitation.....	Any request to submit offers or quotations to the Government. Solicitations under sealed bid procedures are called “invitations for bids.” Solicitations under negotiated procedures are called “requests for proposals.” Solicitations under simplified acquisition procedures may require submission of either a quotation or an offer.
SOP.....	Standard Operation Procedures.
Statement of Cash Flows.....	The financial statement used to summarize the sources of cash inflow and outflow.
Statement of Objectives.....	A Government prepared document incorporated into the solicitation that states the overall performance objectives. It is used in solicitations to provide the maximum flexibility to each offeror to propose an innovative approach or response.
Supplies.....	Items, not intended to be resold, which are purchased to be consumed during the normal course of business.

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 CGX 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.
Warranty.....	A promise or affirmation given by a contractor to the Government regarding the nature, usefulness, or condition of the supplies or performance of services furnished under the contract.
Working Capital.....	Excess of current assets over current liabilities



## NAF PROGRAM CHECKLIST

This checklist is intended as an aid for commands with activities within a NAFI to test compliance with Commandant policies contained in this Instruction.

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
1. Are commands including CGX employees in mandated Training or other command and control events? Chapter 2.B.8.	_____	_____	_____
2. Are NAF activities operated within the appropriate NAFI? Chapter 2.C.	_____	_____	_____
3. If not, is there written approval for the deviation? Chapter 2.C.2.	_____	_____	_____
4. Does the activity hire NAF employees? Chapter 2.D.	_____	_____	_____
5. Are all NAF employees paid through the CSC? Chapter 2.D.	_____	_____	_____
6. Is NAF travel adjudicated under the rules governing APF travel? Chapter 2.E.	_____	_____	_____
7. Are independent activities or private associations operating NAF activities? Chapter 2.F.1.a.	_____	_____	_____
8. Does the NAF activity operate games of chance or lotteries? Chapter 2.F.1.b.	_____	_____	_____
9. Does the NAF activity sell alcohol or tobacco through vending machines? Chapter 2.F.1.c.	_____	_____	_____
10. 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.	_____	_____	_____
11. Are NAFI properties used by firms for advertising, promotion, or solicitation? Chapter 2.F.1.d.	_____	_____	_____
12. Is NAF allowed to support command presentation functions or other functions not in support of the purpose of the NAFI? Chapter 2.F.1.e.	_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
13. Are buildings acquired with NAF used only to support the purposes of the NAFI? Chapter 2.F.1.f.	_____	_____	_____
14. Are any membership paid with NAF procured in the name of an individual? Chapter 2.F.1.g.	_____	_____	_____
15. Is the possession, consumption, or purchase of alcohol consistent with the laws of the state or territory in which the installation is located? Chapter 2.G.	_____	_____	_____
16. Are uniform items procured from the UDC being sold at cost? Chapter 2.H.	_____	_____	_____
17. Does the NAF activity sell firearms or ammunition? Chapter 2.I.	_____	_____	_____
18. Is a copy of Physical Security and Force Protection Program, COMDTINST M5530.1 (series) available? Chapter 2.I.2.	_____	_____	_____
19. Is a copy of the Ordnance Manual, COMDTINST M8000.2 (series) readily available? Chapter 2.I.2.	_____	_____	_____
20. Are applicable federal statutes and regulations readily available in regard to firearm and ammunition sales? Chapter 2.I.2.	_____	_____	_____
21. Does the NAF activity have authorization from the CSC to sell firearms and ammunition? Chapter 2.I.1.	_____	_____	_____
22. Does the MWR activity sell tobacco products? Chapter 2.J.2.	_____	_____	_____
23. Are NAF vehicles used only for NAF purposes? Chapter 2.K.4.	_____	_____	_____
24. Are only Government employees authorized to operate NAF vehicles? Chapter 2.K.4.	_____	_____	_____
25. Are all NAF vehicles properly licensed? Chapter 2.K.7.a.	_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
26. Is there an accurate listing of all NAF vehicles and plates issued? Chapter 2.K.7.	_____	_____	_____
27. Have there been any loss of license plates? Chapter 2.K.7.	_____	_____	_____
28. If yes, were the proper procedures followed in reported the loss? Chapter 2.K.7	_____	_____	_____
29. Does the unit have a NAF web site or social media site? Chapter 2.L.1.b.(1).	_____	_____	_____
30. Is the unit adhering to the policies in the Coast Guard External Affairs Manual, COMDTINST M5700.13 (series)? Chapter 2.L.1.b.(1).	_____	_____	_____
31. Are there sales minimums established for the use of credit cards? Chapter 2.N.3.	_____	_____	_____
32. If credit/debit cards are accepted, is the activity PCI compliant? Chapter 2.N.5.	_____	_____	_____
33. Are multiple NAFIs operating food and beverage operations at the command? Chapter 2.O.2.	_____	_____	_____
34. Are check cashing policies posted? Chapter 2.Q.2.	_____	_____	_____
35. Are Social Security Numbers required on checks for payment? Chapter 2.Q.2.	_____	_____	_____
36. Does the NAFI have policies regarding the management of NAF property and is it being followed? Chapter 2.R.	_____	_____	_____
37. Does the unit operate any resale activities? Chapter 3.B.2	_____	_____	_____
38. If so, does the unit have authorization for this from the CSC? Chapter 3.B.2.	_____	_____	_____
39. Does the command have on file authorization for the establishment of any business activities? Chapter 3.C.1.	_____	_____	_____
40. Has the command provided the CSC copies of memos disestablishing any business activities? Chapter 3.D.2	_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
41. Does the command participate in the Coast Guard NAF cash management program? Chapter 4.	_____	_____	_____
42. Does the command only invest local NAF in Federally insured instruments? Chapter 4.C.5.	_____	_____	_____
43. Is the command utilizing the accrual basis of accounting? Chapter 5.A.1.b.	_____	_____	_____
44. Are cash over/under logs utilized? Chapter 5.A.1.h.	_____	_____	_____
45. Are departmental sales data for major activities maintained? Chapter 5.A.1.i.	_____	_____	_____
46. Does this NAF activity maintain a chart of accounts? Chapter 5.A.3.	_____	_____	_____
47. Has the command had any bad debt? Chapter 5.A.10.	_____	_____	_____
48. Are the accounting records closed at least quarterly? Chapter 5.A.11.a.	_____	_____	_____
49. Are the following accounting files maintained? Chapter 5.A.12.			
a. Cash receipt file.	_____	_____	_____
b. Cash disbursement file.	_____	_____	_____
c. Purchase order file.	_____	_____	_____
d. Unmatched receiving file.	_____	_____	_____
e. Accounts payable file.	_____	_____	_____
f. Merchandise transfer file.	_____	_____	_____
g. Bank statement file.	_____	_____	_____
h. Accounting Payroll file.	_____	_____	_____
i. Inventory file.	_____	_____	_____
j. Budget and financial statement file.	_____	_____	_____
k. Contract and agreement file.	_____	_____	_____
l. Correspondence file.	_____	_____	_____
m. Accounts receivable file.	_____	_____	_____
50. Is the NAF Activity following the standard accounting periods as prescribed? Chapter 5.B.	_____	_____	_____
51. Is the command producing income statements and balance sheets at least quarterly? Chapter 5.C.2.a.	_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
52. Are physical inventories of resale items taken at the end of the accounting period? Chapter 5.D.1.	_____	_____	_____
53. Has a financial audit been conducted at least annually? Chapter 5.E.	_____	_____	_____
54. Does the NAF activity have well defined internal controls? Chapter 5.E.1.	_____	_____	_____
55. Has an internal auditor been appointed in writing? Chapter 5.E.3.a.	_____	_____	_____
56. Has the internal auditor submitted a written report to the command with his or her findings and recommendations? Chapter 5.E.3.e.	_____	_____	_____
57. Has a NAF budget been completed for the current year? Chapter 5.F.2.	_____	_____	_____
58. Are business activities at least breaking even? Chapter 5.F.2.	_____	_____	_____
59. Does the command use the NAF budget to monitor activities? Chapter 5.F.4.	_____	_____	_____
60. Has the NAFI program manager published amplifying budget policies and procedures? Chapter 5.F.5.	_____	_____	_____
61. Does the command have written security and loss prevention policies and procedures? Chapter 5.G.3.	_____	_____	_____
62. Has the NAF activity experienced any losses due to theft? Chapter 5.H.1.	_____	_____	_____
63. Does the NAFI program manager have a management assist verification program? Chapter 5.H.3.	_____	_____	_____
64. Are potential violations of NAF fiduciary responsibility being promptly reported? Chapter 5.I.	_____	_____	_____
65. Are there amplifying policies provided by the NAFI Program Manager regarding the use of APF? Chapter 6.A.1.	_____	_____	_____
66. Is the command following the provisions of Chapter 6	_____	_____	_____

regarding the use of APF?

- 67. Are only authorized NAF expenses being properly compensated for by APF? Chapter 6.B.2. \_\_\_\_\_
- 68. Does the unit have a CGX satellite exchange? Chapter 7. \_\_\_\_\_
- 69. If so, is there a current CGX Satellite Exchange Agreement on file? Chapter 7.C.1. \_\_\_\_\_
- 70. Has the satellite exchange working capital been used for any improper purposes such as gifts and representational purposes? Chapter 7.C.2. \_\_\_\_\_
- 71. Is merchandise being procured through CGX to the maximum extent practical? Chapter 7.C.3. \_\_\_\_\_
- 72. Are invoices for merchandise procured maintained by month and year? Chapter 7.C.3. \_\_\_\_\_
- 73. Are units transferring quarterly amounts in excess of 10% of the capital provided by the CSC to the unit morale fund? Chapter 7.C.3.b. \_\_\_\_\_
- 74. Is logo merchandise being procured through the satellite exchange operations? Chapter 7.C.4. \_\_\_\_\_
- 75. Are the Satellite Exchange Officer and Exchange Operator designated in writing by the command? Chapter 7.C.5. \_\_\_\_\_
- 76. Is the command complying with current IRS rules regarding any payments to the enlisted satellite exchange operator? Chapter 7.C.5. \_\_\_\_\_
- 77. Are satellite exchange funds maintained in a Federally insured account? Chapter 7.C.6. \_\_\_\_\_
- 78. Are deposits being made at least weekly or when on-hand cash exceeds \$200 or in a timely manner? Chapter 7.C.6 \_\_\_\_\_
- 79. Is the satellite exchange account established in the name of the unit? Chapter 7.C.6. \_\_\_\_\_
- 80. Is the proper Federal Employer's Identification Number being used on the account? Chapter 7.C.6. \_\_\_\_\_
- 81. Are successor of interest letters on file for the satellite account? Chapter 7.C.6. \_\_\_\_\_

82. 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. \_\_\_\_\_
83. Are satellite exchange reports being forwarded to the CSC in a timely fashion? Chapter 7.C.8. \_\_\_\_\_
84. Does the satellite exchange maintain: Chapter 7.C.8.
- a. Status of Satellite Exchange files. \_\_\_\_\_
  - b. Sales and cash receipt records. \_\_\_\_\_
  - c. Cash disbursement records. \_\_\_\_\_
  - d. Physical inventory files. \_\_\_\_\_
  - e. Bank statements. \_\_\_\_\_
85. Are satellite exchange bank statements reconciled monthly? Chapter 7.C.8.e. \_\_\_\_\_
86. 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. and Chapter 5.A.12.o. \_\_\_\_\_
87. Are satellite exchange operations audited at least annually and upon relief of the Satellite Exchange Officer? Chapter 7.C.8.g. \_\_\_\_\_
88. Has the auditor provided a memo report to the commanding officer and the CSC of the findings and recommendations associated with the audit? Chapter 7.C.8.g. \_\_\_\_\_
89. Has the unit complied with the provisions of Chapter 7.D. in the disestablishment of its satellite exchange operations? \_\_\_\_\_
90. Has the unit submitted a claim against the NAF Consolidated Insurance Fund in the last 12 months? Chapter 8. \_\_\_\_\_
91. Are NAF vehicle rental contracts including supplemental liability insurance? Chapter 8.B.3.d.(1). \_\_\_\_\_
92. Are potential claims being reported promptly to the CSC? Chapter 8.C. \_\_\_\_\_
93. 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. \_\_\_\_\_

- 94. Are NAF procurements made only after documentation that funding is available? Chapter 9.D.8. \_\_\_\_\_
- 95. Are any sole source purchases being properly justified? Chapter 9.D.11. \_\_\_\_\_
- 96. Are there proper separation of duties in the NAF procurement process? Chapter 9.D.13. \_\_\_\_\_
- 97. Is the NAFI conducting business with companies disbarred? Chapter 9.D.14. \_\_\_\_\_
- 98. Are procurements citing APF and NAF funding sources being awarded by APF contracting personnel? Chapter 9.D.16. \_\_\_\_\_
- 99. 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.1. \_\_\_\_\_
- 100. Are Minority Businesses being considered for concession and retail personal services and facility construction? Chapter 9.E.3. \_\_\_\_\_
- 101. If the NAF activity complying with the Wagner-Day Act in regard to purchases from blind and disabled agencies? Chapter 9.E.4. \_\_\_\_\_
- 102. Is the Randolph-Sheppard Act being complied with in regard to vending operations? Chapter 9.E.5. \_\_\_\_\_
- 103. Is the McNamara-O'Hara Service Contract Act being complied with regarding minimum wage issues in NAF contracts? Chapter 9.E.7. \_\_\_\_\_
- 104. Are the provisions of the Buy American Act being followed for NAF procurements? Chapter 9.E.8. \_\_\_\_\_
- 105. Are the provisions of the Walsh-Healy Act being complied with for NAF procurements? Chapter 9.E.9. \_\_\_\_\_
- 106. Is the Davis-Bacon Act being complied with for construction contracts over \$2,000? Chapter 9.E.10. \_\_\_\_\_
- 107. If qualified, are non-resale goods and services being obtained from sources identified in Chapter 9.F.2? \_\_\_\_\_



- 108. Are at least 3 quotes being obtained for procurements greater than \$3K and less than \$25K? Chapter 9.F.5.b.(1). \_\_\_\_\_
- 109. Are capital procurements greater than \$25K being approved, in advance by the CSC? Chapter 9.F.5.c.(1). \_\_\_\_\_
- 110. Are concession services and non-concession services contracted for no more than 5 years? Chapter 9.F.5.d.(3) and Chapter 9.F.5.e.(2). \_\_\_\_\_
- 111. Are Coast Guard CEUs involved in construction procurements greater than \$2K? Chapter 9.G.3. \_\_\_\_\_
- 112. Are NAF procurement files being maintained for each procurement? Chapter 9.H. \_\_\_\_\_
- 113. Was CGX given the right of first refusal for required vending activities? Chapter 9.I.2. \_\_\_\_\_
- 114. Has the concession contract been reviewed by the servicing legal office for legal sufficiency? Chapter 9.I.3. \_\_\_\_\_
- 115. Is any vending contract in writing and contain the required responsibilities of the NAFI and the concessionaire? Chapter 9.I.4.c.(10 through 19). \_\_\_\_\_
- 116. Are there any alcohol or tobacco vending machines? Chapter 9.I.6. \_\_\_\_\_
- 117. Does the concessionaire carry the required insurance and is this certification available? Chapter 9.J.8.a. \_\_\_\_\_
- 118. Are the required clauses included in any concession contracts? Chapter 9.J.7.a. through k., Chapter 9.J.10.a. through e.; and Chapter 9.J.11.a. through g. \_\_\_\_\_
- 119. Has the NAF procurement authority for Goods been delegated in writing? Chapter 9.K.2. \_\_\_\_\_
- 120. Has the command had to ratify any NAF procurements? Chapter 9.L. \_\_\_\_\_
- 121. If so, has the ratification been approved by the authorized ratification authority? Chapter 9.L.2. \_\_\_\_\_

- 108. Are at least 3 quotes being obtained for procurements greater than \$3K and less than \$25K? Chapter 9.F.5.b.(1). \_\_\_\_\_
- 109. Are capital procurements greater than \$25K being approved, in advance by the CSC? Chapter 9.F.5.c.(1). \_\_\_\_\_
- 110. Are concession services and non-concession services contracted for no more than 5 years? Chapter 9.F.5.d.(3) and Chapter 9.F.5.e.(2). \_\_\_\_\_
- 111. Are Coast Guard CEUs involved in construction procurements greater than \$2K? Chapter 9.G.3. \_\_\_\_\_
- 112. Are NAF procurement files being maintained for each procurement? Chapter 9.H. \_\_\_\_\_
- 113. Was CGX given the right of first refusal for required vending activities? Chapter 9.I.2. \_\_\_\_\_
- 114. Has the concession contract been reviewed by the servicing legal office for legal sufficiency? Chapter 9.I.3. \_\_\_\_\_
- 115. Is any vending contract in writing and contain the required responsibilities of the NAFI and the concessionaire? Chapter 9.I.4.c.(10 through 19). \_\_\_\_\_
- 116. Are there any alcohol or tobacco vending machines? Chapter 9.I.6. \_\_\_\_\_
- 117. Does the concessionaire carry the required insurance and is this certification available? Chapter 9.J.8.a. \_\_\_\_\_
- 118. Are the required clauses included in any concession contracts? Chapter 9.J.7.a. through k., Chapter 9.J.10.a. through e.; and Chapter 9.J.11.a. through g. \_\_\_\_\_
- 119. Has the NAF procurement authority for Goods been delegated in writing? Chapter 9.K.2. \_\_\_\_\_
- 120. Has the command had to ratify any NAF procurements? Chapter 9.L. \_\_\_\_\_
- 121. If so, has the ratification been approved by the authorized ratification authority? Chapter 9.L.2. \_\_\_\_\_

122. Are there eligible patron lists promulgated by the NAFI?  
Chapter 10.A.1. \_\_\_\_\_
123. Is access to NAFI activities and programs restricted to  
eligible patrons of the NAFI? Chapter 10.B. \_\_\_\_\_
124. Are employees reporting cash tips to the NAF activity  
manager? Chapter 11.B.2.b. \_\_\_\_\_
125. Are meals being provided to employees? Chapter 11.B.2.c. \_\_\_\_\_