

DEPARTMENT OF THE NAVY
BUREAU OF NAVAL PERSONNEL
WASHINGTON, D.C. 20370-5000

IN REPLY REFER TO

BUPERSINST 1710.16
Pers-656
28 OCT 1993

BUPERS INSTRUCTION 1710.16

From: Chief of Naval Personnel

Subj: ADMINISTRATION OF RECREATION PROGRAMS AFLOAT

Ref: (a) BUPERSINST 1710.11B, Navy Recreation Program
Operational Policies
(b) NAVSO P-3520 of Mar 82, Financial Management,
Policies and Procedures for Morale, Welfare and
Recreation Programs
(c) OPNAVINST 5040.7K, Naval Command Inspection Program
(d) BUPERSINST 1710.20, Administration of Navy Sports
Program
(e) OPNAVINST 1710.4B, Armed Forces Professional
Entertainment Program Overseas
(f) NAVCOMPT Manual, Vol 7, Financial Responsibilities
for Morale, Welfare and Recreation Activities
(g) COMNAVSEASYSKOMINST 7300.16A, Use of Shipbuilding and
Conversion, Navy (SCN) Funds by Commanding Officers
(CO) and Prospective Commanding Officers (PCO)
(h) BUPERSINST 7010.15, Navy Military Recreation Fund
Financial Reporting Procedures
(i) SECNAVINST 5212.5C, Disposal of Navy and Marine Corps
Records
(j) BUPERSINST 7043.1A, Procurement Policy for BUPERS
Nonappropriated Fund Activities
(k) SECNAVINST 5370.2J, Standards of Conduct and
Government Ethics
(l) BUPERSINST 1710.13A, Navy Club Food, Beverage,
and Entertainment Operations
(m) NAVSUPSYSCOM Manual P-485, Afloat Supply Procedures
(n) NAVSUPINST 4200.85A, Shore and Fleet Small Purchase
and Other Simplified Purchase Procedures
(o) CNO Msg 031337Z Mar 92, Reimbursement of Ombudsman
Expenses
(p) NAVMILPERSCOMINST 5890.1, Risk Management Manual for
Navy Recreational Services Nonappropriated Fund
Activities
(q) SECNAVINST 5870.4, Copyrighted Sound and Video
Recordings

Encl: (1) Administration of Recreation Programs
(2) Financial Management
(3) Procurement and Property Management
(4) Program Guidelines
(5) Index

1. Purpose. To provide policy and guidance for the administration and management of afloat recreation services and funds, and to support shipboard nonappropriated fund instrumentalities as described in reference (a) using accounting procedures as directed in reference (b). This instruction is a complete revision and should be reviewed in its entirety.

2. Cancellation. NAVMILPERSCOMINST 1710.3A.

3. Policy and Scope. The policy of the Navy is to provide naval personnel and their family members with programs which effectively contribute to their quality of life. The Navy recognizes the importance of the fleet recreation program in enhancing morale, enriching leisure time, and improving the fitness of personnel assigned to the fleet. The policy and guidance set forth in this instruction are applicable to all ships maintaining a ship recreation fund.

a. Enclosure (1) provides guidance for the administration of the afloat recreation program.

b. Enclosure (2) provides guidance for the financial management of the afloat recreation program.

c. Policy and guidance for the procurement and management of shipboard recreation property is contained in enclosure (3).

d. Enclosure (4) provides guidance for the uses of appropriated and nonappropriated shipboard funds.

4. Responsibilities

a. Chief of Naval Personnel (Pers-651) shall:

(1) Develop and provide policy guidelines regarding the administration of afloat recreation programs.

(2) Monitor program operations to ensure compliance with established policies, procedures, and guidelines set forth in this instruction.

(3) Provide technical assistance and training to commands.

b. Afloat commanding officers shall:

(1) Establish and execute a well-rounded recreation program within their commands consistent with the resources available.

(2) Assure compliance with established Navy policies, standards, and guidelines as set forth in this instruction.

(3) Establish local standard operating procedures (SOP) and policies for all elements of a shipboard recreation program to govern daily operations.

5. Action. Afloat commanding officers shall ensure compliance with the requirements set forth in this instruction.

6. Forms. The following forms are available in the Navy supply system:

<u>Form</u>	<u>Title</u>	<u>Stock Number</u>
DD 1342 (5-78)	DOD Property Record	S/N 0102-LF-001-3420
DD 1149 (3-59)	Requisition and Invoice/ Shipping Document	S/N 0102-LF-011-1801
NAVPERS 7010/2 (9-82)	Recreation Fund Financial Statement	S/N 0106-LF-070-1011
NAVCOMPT 742-1 (7-74)	Stock Record	S/N 0104-LF-700-7430
NAVCOMPT 743 (7-54)	Petty Cash Voucher	S/N 0104-LF-701-3300
NAVCOMPT 744 (10-63)	Custody Receipt	S/N 0104-LF-701-3401
NAVCOMPT 745 (7-54)	Custody Record	S/N 0104-LF-701-3500
NAVCOMPT 2212 (10-71)	Certificate of Disposition	S/N 0104-LF-706-5250
NAVCOMPT 2213 (3-72)	Purchase Order	S/N 0104-LF-706-5300

Distribution: (Two copies each unless otherwise indicated)
SNDL 21A1 CINCLANTFLT (Code N444 only)
21A2 CINCPACFLT (Code N47 only)
22A Fleet Commanders
24 Type Commanders
26A Amphibious Group

BUPERSINST 1710.16

28 OCT 1993

28 Squadron, Division and Group Commanders - Ships
29 Warships
30 Mine Warfare Ships
31 Amphibious Warfare Ships
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ADMINISTRATION OF RECREATION PROGRAMS

1. Responsibilities

a. Chief of Naval Personnel (CHNAVPERS). General supervision, technical and administrative guidance for all recreation programs afloat and ashore are the responsibility of the Program Manager, who is the Chief of Naval Personnel. BUPERS (Pers-651) exercises its responsibilities through the Head, Fleet Recreation Section (Pers-651G).

b. Fleet Commanders. The effective operation and administration of ships' recreation programs are command responsibilities beginning with the fleet commanders: Commander in Chief, U.S. Atlantic Fleet (CINCLANTFLT), Commander in Chief, U.S. Pacific Fleet (CINCPACFLT) and Commander in Chief, U.S. Naval Forces Europe (CINCUSNAVEUR). Fleet commanders will ensure that subordinate commanders (i.e., Type Commanders (TYCOM), Immediate Superiors in Command (ISIC) and Immediate Unit Commanders (IUC)) provide overall coordination and administration of recreation programs within their respective commands.

c. Immediate Superiors in Command. ISIC's (TYCOMs, group commanders, squadron commanders, and unit commanders) will continually review all afloat recreation programs and activities within their respective commands. The basic concept of the Naval Command Inspection Program as outlined in reference (c) is that inspections of subordinate commands and units shall be conducted periodically by the ISIC or the IUC. Appendix A to Enclosure (1) may be used as a guide for commands to prepare for inspections of the recreation program. ISICs will submit copies of unsatisfactory inspection reports to BUPERS (Pers-651).

d. Commanding Officers/Fund Administrators. Commanding officers are responsible for the administration, supervision, and operation of their shipboard recreation program. The commanding officer of each ship is designated as the Fund Administrator and shall establish and execute a well-rounded recreation program within their command which is supported by resources available for such programs. The responsibilities of the Fund Administrator are not transferrable to embarked staffs or attached mobile units such as aviation squadrons, Marine

Corps detachments, etc. Embarked units participate in their host command's recreation program and are not permitted to establish or operate separate recreation funds.

e. Fleet Recreation Coordinator (FRC). FRCs are located at major fleet concentration ports worldwide. They provide direct support to fleet units in all aspects of shipboard recreation programs and administration. Appendix B to Enclosure (1) outlines the support provided by local FRCs.

2. Training. The Fleet Recreation Management Course consists of training in recreation management and procedures as they relate to purchasing, internal controls, recreation services regulations, accounting, and programming for recreation aboard ship. The Fleet Recreation Management Course provides training in the tasks most frequently performed by the Recreation Services Officers and Fund Custodians throughout the fleet. This course is required training for all Recreation Services Officers, Fund Custodians, Fleet Recreation Coordinators, and Afloat Recreation Specialists. Any other personnel, as designated by the local chain of command, who are involved in the afloat recreation program, are highly encouraged to attend this training.

3. Shipboard Recreation Personnel. The Standard Organization and Regulations of the U. S. Navy (SORM) establishes personnel assignments to manage and administer the ship's recreation program as follows:

a. Commanding Officer. The commanding officer is responsible for the ship's recreation program and is also the Fund Administrator. With regards to the afloat recreation program, these terms may be used interchangeably.

b. Recreation Services Officer (RSO). The RSO is appointed in writing by the commanding officer to manage the ship's recreation program. For the purpose of continuity, tenure as RSO should be at least 1 year. Formal training, as required by this instruction, is essential to assist the Recreation Services Officers to perform their duties effectively. An RSO is the commanding officer's principal assistant for quality of life programs. Commanding officers should make every effort to appoint experienced, motivated leaders as RSOs. Assignment of a qualified chief petty officer as Recreation Services Officer is authorized provided a commissioned officer is unavailable for assignment. The principal duties of the RSO will include the following:

(1) Develop and conduct programs and services designed to maintain and improve the morale of the ship's crew and their dependents.

(2) Develop a recreation program financial plan.

(3) Train and supervise personnel assigned to the ship's recreation program.

(4) Maintain custody and control of recreation equipment and property inventories. In such cases formal transfer of inventories between incoming and outgoing RSOs will be completed as part of the relieving process.

c. Fund Custodian. The Fund Custodian is appointed in writing by the commanding officer to manage the shipboard recreation fund. Commanding officers are encouraged to assign one individual to serve as the RSO, another person to serve as the Fund Custodian. This division of responsibility generally results in a more proactive shipboard recreation program, and more efficient use of recreation funds. Where local situations dictate, a qualified chief petty officer may be assigned as Fund Custodian. Large commands may designate an alternate Fund Custodian. Members of the Chaplain Corps, the officers' mess treasurer or any individual assigned as a fund custodian for another account may not be designated as Recreation Fund Custodians. In reference (a), no officer detailed to duties involving the disbursement of appropriated funds shall be charged with the handling, custody, or accountability of records for recreation funds. The principal duties of the Fund Custodian are contained in the SORM. Some of the duties include:

(1) Accounting for the receipt and expenditure of recreation funds.

(2) Ensuring the propriety of expenditures.

(3) Verifying the accuracy of source data.

(4) Establishing internal controls at the local level.

(5) Controlling and accounting for recreation property.

(6) Preparing reports.

When the Fund Custodian is absent from the activity for more than 15 days and less than 30 days, the commanding officer shall designate, in writing, another officer to act as the custodian. The Fund Custodian will be relieved of duties if he/she will be absent for more than 30 days. A formal relieving process between incoming and outgoing Fund Custodians is required. The custodian being relieved will do the following:

- (1) Transfer all funds to the new custodian.
- (2) Inventory property and equipment and transfer same to the new custodian.
- (3) Transfer all records, accounts, vouchers, and bank accounts to the new custodian.
- (4) Insure that Audit Board members conduct an internal audit of the Recreation Fund.
- (5) The relieving custodian will note all shortages, missing documents, and discrepancies in the Letter of Relief.

d. Athletics Officer (AO). The Athletics Officer is responsible for providing a well-balanced program of sports activities (formal and informal) and for coordinating such programs with appropriate shore commands, fleet commanders, and BUPERS sports personnel. An officer, chief petty officer or petty officer may be assigned the duties of AO.

e. Afloat Recreation Specialist (ARS). Large commands (ship's complement greater than 1,000) may be authorized a billet for an ARS. An ARS is a full-time civilian recreation specialist employed by the recreation fund. The ARS program was developed by BUPERS. Personnel administration for ARS employees is handled by local shore MWR fund. The position can be either civil service or NAF. In the case of NAF, the afloat command pays the salaries and benefits of the ARS with nonappropriated funds.

4. Shipboard Recreation Organization. The SORM states that a program advisory source is essential in helping the Fund Administrator provide for specific recreational needs of their command. The Recreation Committee/Council/Board represents the crew in advising the commanding officer on recreation oriented issues affecting shipboard quality of life. A Recreation Committee consists of enlisted personnel; a Recreation Council consists of commissioned officers; and a Recreation Board consists of both officers and enlisted personnel. Commands may

have either a single Recreation Board or a Recreation Committee and Council. Recreation Committees, Councils, and Boards are advisory in nature and do not have any management/administrative control or custody of recreation funds.

a. Recreation Committee

(1) Organization. The committee consists of three or more enlisted personnel designated in writing by the commanding officer. The size and composition of the committee should ensure that the interests of all enlisted personnel are adequately represented. The committee is led by a chairman who may be appointed by the commanding officer or elected by committee members under the approval of the commanding officer. The RSO attends committee meetings to provide information about the recreation programs and the status of funds.

(2) Purpose. The Recreation Committee provides recommendations for the recreation program to the commanding officer via the Recreation Council. Meetings are usually governed by parliamentary procedure with recommendations being made by majority rule. Each member has one vote with the exception of the RSO who serves in an advisory capacity and does not vote. The committee meets prior to each council meeting and reviews the status of recreation funds, equipment and programs. A written report of the meeting with recommendations is submitted to the commanding officer with a copy to the Recreation Council.

b. Recreation Council

(1) Organization. The council consists of three or more commissioned officers, one of whom shall be the ship's store officer. When there is an inadequate number of commissioned officers onboard, small commands may appoint chief petty officers to the council. The senior member present acts as the chairman. The RSO attends council meetings either as a member or as an advisor. A representative from the Recreation Committee (usually the committee chairman) also attends council meetings. Members of the Recreation Council are designated in writing by the commanding officer.

(2) Purpose. The Recreation Council reviews the report of the committee and submits its comments and suggestions to the commanding officer. The council can offer recommendations to the commanding officer concerning recreation matters, including recreation fund expenditures. Like the committee, meetings are usually governed by parliamentary procedure with recommendations being made by majority rule. Each member has one vote with the exception of the committee member who attends meetings in an advisory capacity. The council meets at least once each quarter.

c. Recreation Board. The Recreation Council and Committee may be combined into a single Recreation Board which perform the functions of both groups. The board should consist of a representative cross section of the crew including both officers and enlisted personnel. The ship's store officer is required to be a member of the Recreation Board.

d. Audit Board. The Audit Board consists of at least three or more persons (one of whom should be enlisted) with sufficient training and experience in accounting, auditing, and financial administration.

e. Contract Review Board. The Contract Review Board consists of three persons whose purpose is to review high-cost expenditures in accordance with local contract approval requirements. Further information on the Contract Review Board can be found in enclosure (3) of this instruction.

5. Shipboard Recreation Programs. The variety of shipboard recreation activities and programs is limited only by the resources of the command and the imagination of the crew. A short list of common shipboard programs include the following:

a. Intramural team sports such as interdivisional softball.

b. Individual sports competition such as a racquetball tournament.

c. Ticket rebate program whereby a crewmember participates in the recreation event of their choice and submits a ticket stub or receipt for reimbursement, in whole or in part, from the Recreation Fund.

d. Tours ashore.

- e. Unit social activities such as divisional parties or ship's picnic.
- f. Recreation education programs where sailors learn leisure skills such as outdoor adventure programs.
- g. Recreation equipment checkout.
- h. Bingo.

Local Fleet Recreation Coordinators can provide details and assistance in establishing or improving shipboard recreation programs. The BUPERS triannual publication "Fleet Edition" also highlights successful shipboard recreation programs.

6. Shore-Based Recreation

a. Local MWR departments offer a wide variety of sports, recreation and club activities. Local Fleet Recreation Coordinators sponsor special programs and activities specifically for fleet sailors in major fleet concentration areas. When inport, the recreation program should be centered around activities sponsored by the MWR department and the Fleet Recreation Coordinator.

b. Individual ships frequently host competitions and offer challenges to other commands. Many ISICs, especially at the squadron and group level, will sponsor recreational and sporting events.

c. Special interest groups are organized as a direct extension of the recreation program. Generally, membership is open to any patrons authorized to participate in the local MWR program. A photography club is an example of a special interest group.

d. Private organizations are similar to special interest groups but differ in that membership is restricted. A spouse association is an example of a private organization.

e. Recreation activities provided by the local community and business organizations can be a valuable adjunct to the ship's recreation program and that of the shore-based MWR program.

BUPERSINST 1710.16
28 OCT 1993

f. When overseas, American embassies, consulates and attaches can provide assistance to visiting naval units. Advance communication via the logistics request (LOGREQ) message is recommended. The Port Directory is a publication containing detailed information on ports of call throughout the world. On most ships, the Navigation Officer maintains custody of the Port Directory.

7. Programs and Services from Local MWR Departments. The following programs are typically offered through the local MWR department:

- a. Information, Tickets, and Tours (ITT) Operations
- b. Single Sailor programs
- c. Physical fitness facilities and programs
- d. Sports facilities
- e. Intramural sports program
- f. Aquatics and water sports
- g. Bowling
- h. Golf
- i. Outdoor recreation equipment rentals
- j. Community Centers/Fleet Recreation Centers
- k. Food and beverage facilities and services
- l. Child Development Center
- m. Youth Activities
- n. Auto skills shop
- o. Vehicle storage

8. Recreation Programs Governed by the Bureau of Naval Personnel and the Department of Defense

a. Navy Sports Program. Reference (d) provides policy and guidance for the administration and management of Navy sports programs. Navy sports range in scope from informal activities to international competitions. The hierarchy of organized activities is as follows:

(1) Local intramural sports - the lowest level of organized competition.

(2) Area/conference sports - competition at least one level higher than the local/base level.

(3) Interservice/National competition - competition at the highest levels within the Navy as well as competition between the Navy and the other Armed Forces.

(4) International Competition - competition includes participation in the Olympic Games, the Pan American Games and the Conseil International du Sport Militaire (CISM).

Navy personnel who feel they possess the high degree of athletic ability required to represent the Navy in interservice championships, to represent the U.S. Armed Forces in CISM, and/or to represent the United States in approved international competition are encouraged to submit an application for trial and training to the CHNAVPERS (Pers-651) via their commanding officer. An annual schedule of convening dates for each sports training camp will be distributed to the fleet.

b. The Department of Defense (DOD) Armed Forces Professional Entertainment Program Overseas (AFPEO) provides live entertainment to armed forces personnel in overseas locations. Military installations in remote and isolated areas and fleet units overseas are given priority for such entertainment. The AFPEO, which is staffed by representatives from the Army, Air Force, Navy and Marine Corps, is responsible for the operation and administration of the program. Reference (e) provides specific information.

AFLOAT RECREATION ASSIST VISIT CHECKLIST

From: Fleet Recreation Coordinator
To: Commanding Officer, _____
Subj: UNIT RECREATION FUND ASSIST VISIT CONDUCTED ON _____
(DATE)
Ref: (a) BUPERSINST 1710.16 (Administration of
Recreation Programs Afloat)
(b) SECNAVINST 5760.14B (Navy Relief Society Loan
Assistance for Emergency Leave Travel)

1. The following is submitted:

- a. Name of Commanding Officer: _____
- b. Name of Recreation Services Officer: _____
- c. Name of Fund Custodian: _____
- d. Name of FRC: _____
- e. Number of enlisted personnel on Recreation
Committee/Board: _____
- f. Number of officers on Recreation Council/Board: _____
- g. Are the following publications on board:

	<u>YES</u>	<u>NO</u>	<u>Notes</u>
(1) BUPERSINST 1710.16	==	==	
(2) BUPERSINST 1710.11A (Navy Recreation Operational Policies)	==	==	
(3) NAVSO P-3520 w/Ch-3	==	==	
(4) NAVMILPERSCOMINST 7010.2A	==	==	

h. Are the following designated
In writing by the Commanding
Officer, and on file:

- | | | |
|---|----|----|
| (1) Recreation Services
Officer (letter dated:
_____) | == | == |
| (2) Recreation Fund Custodian
(letter dated:
_____) | == | == |
| (3) Is a relieving letter on
File, from the outgoing
Recreation Fund Custodian,
Endorsed by the
Commanding Officer and
Incoming Fund Custodian
(letter dated:
_____) | == | == |
| (4) Recreation Council
(letter dated:
_____) | == | == |
| (5) Recreation Committee
(letter dated:
_____) | == | == |
| (6) If applicable, Recreation
Board (letter dated:
_____) | == | == |
| (7) Audit Board (letter
dated: _____) | == | == |
| (8) Establishment of Petty
Cash Fund (letter dated:
_____) | == | == |

- (9) Letter Designating
BUPERS Successor
in Interest to Bank
Account (letter dated:
_____)
- (10) Letter Designating
Individuals Who Are
Authorized to Sign Checks
(letter dated:
_____)
- (11) Receiving Agent (letter
Dated: _____)
- (12) Establishment of change
Fund and Change Fund
Custodian appointment
(letter dated: _____
_____)
- (13) Letter designating
Purchasing Agent (letter
Dated: _____)
- i. Are the minutes from the
Meetings of the Recreation
Committee and Council/Board
on file, with the Commanding
Officer's action entered
Thereon?
- j. Are audits or reviewing of
Accounts of the recreation
fund conducted on or about
31 March and 30 September,
and when the Fund Custodian
is relieved? (date of last
audit report sighted:
_____)

28 OCT 1993

- k. Does the Recreation Services Officer attend the Committee/Board Meetings? == ==

- l. Does a Recreation Committee Representative attend each Recreation Council meeting? == ==
- +
m. Are cash accounts maintained as follows:
 - (1) Petty Cash Fund (letter Dated): _____ == ==
 - (a) Broken down as Follows:
 - Cash on Hand: \$_____

 - Petty Cash Vouchers: \$_____

 - Amount Authorized by Commanding Officer: \$_____
 - (b) Is the Petty Cash Fund Replenished by check? == ==
 - (c) Are signed Petty Cash Vouchers, NAVCOMPT 743, used to substantiate Each disbursement From the Petty Cash Fund? == ==
 - (2) Other than Petty Cash:
 - (a) Cash on Hand \$_____ as of_____
 - (b) Savings Acct \$_____ as of_____

28 OCT 1993

- n. Is a Statement of Operations
And Net Worth prepared at the
End of each month, summarizing
That month's income/expenses,
And signed by the Commanding
Officer? == ==

- o. Is an authorized purchase
Order form utilized for all
Services, equipment and
Supplies purchased commercially,
Except from the
petty cash fund? == ==

- p. Are purchase order forms
pre-numbered starting with
the beginning of the fiscal
year? == ==

- q. Are a minimum of three competitive
bids obtained for
all purchases over \$ 2500? == ==

- r. Are purchase orders and
checks accounted for and
controlled by securing in a
locking receptacle? == ==

- s. Are liabilities incurred
against the fund approved by
the Commanding Officer or his
designated representative? == ==

- t. Is a sufficient balance on
hand to meet obligations? == ==

- u. Are debts paid within a
30 day period or less? == ==

- v. Were taxes paid for purchases or was generated interest withheld from the recreation fund? == ==

- w. Are inventories conducted semi-annually, as of 31 March and 30 September, and upon relief of the Fund Custodian, On all property valued under \$ 300 (consumable/expendable)? (Last inventory date: _____) == ==

- x. Is a record of all property Maintained? == ==

- y. Are inventories conducted Annually as of 30 September And upon relief of the Fund Custodian, on all property valued at \$ 300 or more non-consumable/nonexpendable)? (Last inventory date: _____) == ==

- z. Were the results of the inventory reconciled with the Property and Equipment Inventory Form and Stock Record cards and necessary accounting adjustments processed? == ==

- aa. Is a NAVCOMPT 2212, Certificate of Disposition, used to dispose of property? == ==

- bb. Is all nonexpendable and controlled expendable property in excess of \$ 300 that is received or dropped recorded on the NAVCOMPT 742-1, Stock Record? == ==

- cc. Are inventory numbers affixed to all expendable and nonexpendable property in excess of \$ 300 by metal tags or other permanent means? == ==

28 OCT 1993

- dd. Are signed NAVCOMPT 745, Custody Record cards, utilized for all major items of equipment not in actual custody of the Fund Custodian, such as TV sets, radios, and lounge furniture? == ==

- ee. Are Custody Receipts retained For all property (i.e., gear Issue) used until they are Returned/accounted for? == ==

- ff. Are signed copies of the NAVPERS 7010/2, Recreation Fund Financial Statement, on file? == ==

- gg. Was the original of the Recreation Fund Financial Statement forwarded to BUPERS (Pers-652), with additional copies forwarded to the TYCOM And the Immediate Superior In Command (ISIC) by 15 October? == ==

- hh. Is a general, operational Financial plan (budget) prepared For each fiscal year? == ==

- ii. Are the bank statements Reconciled monthly by:
 - (1) Verifying and signing the Checking account statement And checkbook register and Receipt and Expenditure Record?
(Date of last statement Sighted: _____;
Date of last check Sighted: _____) == ==

- | | | |
|---|----|----|
| (2) Number of personnel in attendance? | == | == |
| (3) Policy concerning accumulation of funds? | == | == |
| (4) Return of receipts and/or excess funds? | == | == |
| oo. Does a vehicle usage and Maintenance instruction or policy exist? | == | == |
| Does it cover: | | |
| (1) Driver qualifications? | == | == |
| (2) Scheduled maintenance responsibilities? | == | == |
| (3) Check-in/check-out procedures? | == | == |
| (4) Key/vehicle control? | == | == |
| (5) Appropriate recreation use of vehicle? | == | == |
| pp. Is Base MWR Services Information obtained and Posted on a bulletin board (including facilities available, Movie schedules, tours, Discount tickets, club Events, etc.), along with Brochures and maps of the Local community, outlining Points of interest, special Local cultural/sporting Events and tours available? | == | == |

qq. The following athletic teams
are entered in league competition
(intramural):

_____	_____
_____	_____
_____	_____

rr. What activities/services does
the recreation program offer:

_____	_____
_____	_____
_____	_____
_____	_____

ss. The following activities were
organized within the ship:

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. All steps within this checklist require a "yes" or "not applicable" answer. Corrective action should be taken on all "no" answers in order to achieve a fully satisfactory rating. The following recommendations or requirements are pertinent:

FLEET RECREATION COORDINATOR
FUNCTIONAL GUIDELINES

1. Provide daily support to shipboard recreation personnel in all aspects of the ship's recreation program.
2. Provide on-site training and assistance in the areas of recreation program accounting, auditing, procurement, general program administration and fund management.
3. Provide guidance and assistance in providing recreation activities and programs.
4. Assists afloat commands in efficiently using limited resources to meet recreation wants and needs.
5. Identify realistic alternatives to program constraints and limitations.
6. Act as a liaison between the shipboard recreation organization and the shore-based MWR organization.
7. Facilitate ship's participation in the ashore MWR intramural sports program.
8. Provide assistance in identifying reliable local community services and vendors in procuring necessary recreation equipment and supplies (i.e., sports equipment vendors).
9. Serve as the recreation liaison between commanders/commanding officers ashore and ship's commanding officer.
10. Provide information about recreation opportunities both on-base and off-base.
11. Locally implement the BUPERS O&M,N and OP,N equipment grant program.
12. Provide recommendations and technical assistance for shipboard exercise equipment and exercise spaces.
13. Maintain a library of applicable fleet recreation references.

BUPERSINST 1710.16
28 OCT 1993

14. Provide assistance in budgeting.
15. Attend meetings of the recreation council/committee or board when requested by the command.
16. Provide orientation briefs for crews relocating to a new homeport as well as to those ships returning from deployment.
17. Although the actual duties of Fleet Recreation Coordinators will vary from location to location, their common goal is a commitment to enhance the quality of life of shipboard personnel. The potential is unlimited and the rewards are immeasurable for those commands who make full use of the professional expertise available from the worldwide network of fleet recreation coordinators. FRCs are located in the following fleet concentration areas:

EAST COAST

COMNAVBASE DET Boston
COMNAVBASE Charleston
NWS Earle
NAVPHIBASE Little Creek
NAVSTA Mayport
SUBASE New London
NAVSTA New York
NETC Newport
NAVSHIPYD Norfolk
NAVSTA Norfolk
NAVSUPPFAC Pascagoula
SUBASE Kings Bay

WEST COAST

NAS Alameda
NAVSHIPYD Bremerton
NAVSTA Long Beach
NAVSTA San Diego
COMNAVBASE Seattle
NAVSTA Puget Sound

OVERSEAS

NAVSTA Guam
NAVSTA Guantanamo Bay
NAVSUPPACT Naples
NAVSTA Pearl Harbor
NAVSTA Panama Canal
NAVSTA Roosevelt Roads
NAVSTA Rota
COMFLEACT Sasebo
NRCC Singapore
COMFLEACT Yokosuka
ADMINSUPU Southwest Asia (Bahrain)

FINANCIAL MANAGEMENT

1. Applicability. The provisions of this section apply to afloat commands with established recreation funds such as those supported by a ship's store or resale operation.

2. Definitions

a. Ship's Recreation Fund. The ship's recreation fund is an officially established fiscal entity of an individual ship available for use by the commanding officer as a means of promoting morale and well-being by providing quality recreation programs. The ship's recreation fund serves as an official vehicle for the receipt, control, and disbursement of shipboard nonappropriated recreation funds.

b. Appropriated Funds. Appropriated funds (APF) are government monies set aside by Congress for a specific purpose or use. Operations Target (OPTAR) monies are one example of appropriated funds.

c. Nonappropriated Funds. Nonappropriated funds (NAF) are cash and assets other than monies appropriated by the Congress of the United States. While nonappropriated funds are government funds, these funds are separate and apart from funds that are recorded in the books of the Treasurer of the United States. Monies distributed from ship's store profit or proceeds from a resale operation are examples of nonappropriated funds.

d. Nonappropriated Fund Instrumentality (NAFI). A NAFI is a DOD organizational entity that performs government functions. The ship's fund is a NAFI which provides recreation programs for the command. As a fiscal entity, a NAFI maintains control over its nonappropriated funds. A NAFI is not incorporated under the laws of any state or the District of Columbia and it enjoys the legal status of an instrumentality of the United States.

e. Resale Operation. Established aboard ships with a recreation fund but without a ship's store. Ships are authorized to sell prepackaged foods, snack items, emblematic items, and other appropriate items of ship memorabilia.

f. Fund Administrator. The individual responsible for the administration of a nonappropriated fund instrumentality (NAFI). Commanding officers serve as the Fund Administrators for their ship's recreation fund.

3. Establishment of a Ship's Recreation Fund. CHNAVPERS retains the authority to permit commands to establish a ship's recreation fund. No afloat command may establish a NAFI without the approval of the CHNAVPERS. Commands desiring to establish a ship's recreation fund must obtain permission from BUPERS (Pers-65). In the case of ships undergoing construction, which are eligible for precommissioning support from the BUPERS Central Fund, the ship's recreation fund is established officially at the time of initial grant distribution.

4. Disestablishment of a Ship's Recreation Fund. Procedures to disestablish a ship's recreation fund are provided in Appendix A to enclosure (2). The Fund Administrator is responsible for ensuring an orderly and proper disestablishment process. The chain of command is primarily responsible for redistributing excess, serviceable recreation equipment to other afloat units. Residual funds in the ship's recreation account(s) shall be transferred to BUPERS (Pers-652) as the successor in interest.

5. Funding Sources

a. Shipboard Sources

(1) Ship's appropriated funds. OPTAR will be the primary source of support for mission sustaining activities. In reference (f) the Comptroller of the Navy identifies the following as mission sustaining activities:

- (a) Physical fitness
- (b) Shipboard activities
- (c) Sports/athletics (self-directed, unit level and intramural)
- (d) Unit level programs and activities

(2) Ship's Store. Ship's stores are usually managed by the Sales and Disbursing Officer. A percentage of the ship's store profits is transferred to the ship's recreation fund and constitutes the major source of nonappropriated funds. Usually, the Sales and Disbursing Officer also manages shipboard vending machines and electronic game machines, both of which can be an important source of income for the recreation fund.

(3) Fees and Charges. Reasonable fees and charges are appropriate for relatively high-cost recreation programs, e.g., an offshore fishing charter or weekend ski trip. Fees and charges for rental operations/gear issue may also be appropriate.

(4) Fund Raising. Appendix B to Enclosure (2) addresses policies and procedures for fund raising aboard ship.

b. Financial Assistance from BUPERS Central Fund.

(1) BUPERS Precommissioning Grants. These grants are provided due to the long lead time between crew members reporting aboard a vessel under construction and the actual commissioning of the vessel. Upon request, a grant will be provided to precommissioning crews at the rate of \$2.08 per person per month. Funds will be provided only to that portion of the nucleus crew stationed at the precommissioning site. Written requests should be sent directly to the CHNAVPERS (Pers-652) with information copies to the chain of command.

(2) BUPERS Commissioning Grants.

(a) New ships will be provided an initial grant of funds within 60 days of commissioning. This grant is provided for the purchase of initial recreation equipment and supplies for the ship's crew until such time as the ship's store, where applicable, can generate profits for supplemental support of the recreation program. The following rates apply:

<u>Complement</u>	<u>Rate per crew member</u>
Less than 100	<u>\$7.75</u>
101 - 200	<u>\$6.75</u>
201 - 300	<u>\$6.25</u>
301 - 400	<u>\$5.75</u>
401 - 750	<u>\$4.75</u>
751 - 1500	<u>\$4.25</u>
More than 1500	<u>\$3.75</u>

(b) The minimum amount for a commissioning grant will be \$375.00. The total amount of the grant will be rounded to the next highest \$5.00. Example: A ship with 425 crewmembers would receive \$2,020.00 vice \$2,018.75 (425 X \$4.75).

(c) Aircraft squadrons and mobile units will not be provided commissioning grants since such groups will generally be allowed to participate in a local MWR fund.

(3) BUPERS Shipyard Grants. Ships undergoing major conversion, repair, or overhaul may request financial assistance from BUPERS (Pers-652) in advance by providing dates of the overhaul period, estimated ship's complement; local funds available during the period; net ships store profits available for transfer to the recreation fund; and intended use of funds granted by BUPERS. Funding will not be provided retroactively (i.e., for prior yard periods) or for yard periods of less than 30 days in duration. The grant is based on a uniform standardized rate of \$25.00 per crewmember per year or \$2.08 per crewmember per month. This program does not apply to aircraft carriers. Assistance to aircraft carriers will be considered on a case-by-case basis. For assistance in preparation of the grant request, contact the local Fleet Recreation Coordinator.

(4) Loans. Afloat commands may not borrow funds commercially or purchase items on deferred payment plans without prior authorization from the CHNAVPERS (Pers-65).

(5) TYCOM Sponsored Unit Allocations. The cognizant TYCOM for ships and submarines not having a ship's store may request financial assistance in the form of unit allocations from BUPERS (Pers-652) on an annual basis at the rate of \$10 per person per year. Such requests should be submitted by 15 September of each year for the following fiscal year and should include the names of the ships or submarines and addresses where the funds should be forwarded. To avoid a duplication of funding, requests for those ships and submarines also undergoing major conversion, repair, or overhaul during the same fiscal period will be annotated to indicate their restricted availability dates.

(6) Ships Construction, Navy (SCN). Reference (g) provides guidance on the use of SCN funds. Funds are budgeted by Commander, Naval Sea Systems Command (COMNAVSEASYSKOM), and passed down through the project managers to shipyard elements responsible for placing initial outfitting equipment onboard ships under construction. The recreation equipment allowance list used for initial outfitting was prepared by BUPERS (Pers-65) and any changes must be approved by the Comptroller of the Navy and BUPERS (Pers-65).

(7) BUPERS Equipment Program. Operations and Maintenance, Navy (O&M,N), funds are used to purchase recreational equipment for the fleet. Annually, these funds are budgeted centrally by BUPERS and

are based on nominations submitted by FRCs via the chain of command. O&M,N equipment has a unit cost of or below \$15,000. Other Procurement, Navy (OP,N), are funds budgeted for by BUPERS. OP,N equipment is defined as having a unit cost over \$15,000. FRC's submit nominations via the chain of command for OP,N funded equipment. Automotive vehicles cannot be procured with OP,N monies.

6. Commercial Sponsorship. Afloat commands are prohibited from soliciting or accepting support stemming from commercial sponsorship. However, local MWR departments are authorized to solicit and accept commercial sponsorship support on behalf of ships.

7. Texas

a. Legal Status. Recreation funds are instrumentalities of the Federal Government and should participate in whatever immunities such status may derive under the Constitution and Federal Statutes.

b. Tax Exemption Certificate. The unit shall obtain this certificate from the Regional Internal Revenue Service Office by filing Form SS4. The IRS will issue the command an employer's identification number to validate the recreation fund's tax exempt status.

c. Federal Taxes Not Applicable

(1) Monies derived from recreation functions are excluded from the provisions of the Internal Revenue Code.

(2) To acquire a tax-free number or employer ID number, contact your local fleet recreation coordinator for assistance.

(3) Recreation activities are exempt from payment of the Federal Communication tax on the following types of communications:

(a) Long distance telephone or radio telephone messages.

(b) Domestic telegraph, cable or radio dispatch messages. No certificate of exemption is necessary for the purpose of establishing exemption from the tax on amounts paid directly for telegraph, telephone, radio and cable services or facilities. A recreation fund may note on any bill submitted that it is an

instrumentality of the United States Government. This exemption applies only to official calls and services and does not apply to personal calls placed from the activity.

(c) Communications with Federal Authorities. The initiation of inquiries or replies to Federal authorities regarding taxation and regulations affecting recreation functions and/or recreation funds shall be cleared via the chain of command with BUPERS (Pers-65) before any action is taken.

(d) State and Local Tax. Instrumentalities of the United States Government are not subject to direct taxation by state or local taxing authorities, except when authorized by Federal statute. The initiation of inquiries or replies to state or local officials on matters pertaining to taxation shall be cleared via the chain of command with BUPERS (Pers-65).

(e) State Taxes Not Applicable. Recreation functions and/or recreation funds are exempt from the payment of the following state and local taxes:

1. Unemployment insurance taxes and contributions.
2. Income taxes.
3. Real estate and personal property taxes.
4. Sales, use, and license taxes on property purchased for consumption or resale, to the same extent as other departments of the U.S. Government.
5. Gasoline taxes, using the same exemptions as other departments of the U.S. Government.

8. Financial Planning. A financial plan is a formal written statement of plans for the future. It embraces both accounting and management functions. Planning contributes to effective management control in that variations are revealed and attention can be focused on areas which require immediate corrective action. It is recommended that a general financial plan be prepared for each fiscal year (1 Oct - 30 Sep) to ensure that anticipated income is utilized with maximum efficiency in providing a well-rounded recreation program and in meeting equipment requirements. Recommendations for proposed

expenditures should emanate from, and be reviewed by, the local recreation council and committee or board. The completed financial plan should be approved by the Fund Administrator.

9. Accounting Principles. The accounting for afloat recreation funds will be accomplished using the guidelines set forth in reference (b). Ships' recreation funds use a uniform cash basis of accounting where only those transactions involving cash are recorded in the books of account. These procedures represent a single entry cash basis system of accounting and prescribe statements and reports which will reflect the financial condition of the Fund.

10. Checking and Saving Accounts. Reference (b) addresses checking and savings accounts in detail. The primary purpose of establishing a checking account is to deposit cash and make disbursements by check. The printing on the checks should read "USS (name of ship) Recreation Fund." The primary purpose in establishing a savings account is to earn interest on funds in excess of those needed for short-term requirements. Accounts may be opened with either banks or credit unions; very large deposits may be kept with the BUPERS 65 Centralized Banking System. Large ships with an average balance exceeding \$50,000 in their recreation fund will participate in the BUPERS 65 Centralized Banking System.

11. Federal Deposit Insurance Corporation/Federal Savings and Loan Insurance Corporation Coverage. Government regulations stipulate that all nonappropriated fund investments and cash deposits must be insured by the Federal Savings and Loan Insurance Corporation (FSLIC), by the Federal Deposit Insurance Corporation (FDIC), or backed by the U.S. Government. Funds are insured by FSLIC and FDIC only up to \$100,000.00 in any one institution for any one Recreation Fund. Per appendix (b) of reference (b), ships are required to follow the rules relative to the protection of bank deposits, avoiding funds exceeding \$100,000.00 in any one financial institution. Activities shall submit semi-annual reports to the Comptroller of the Navy concerning uninsured deposits or deposits which exceed the limit specified in Appendix B of reference (b).

12. Successor in Interest. Depositories must be notified in writing that the Bureau of Naval Personnel is designated as the successor in interest to a ship's recreation fund and a copy of the letter shall be forwarded to BUPERS (Pers-65). A letter, containing the following information will suffice:

BUPERSINST 1710.16
28 OCT 1993

"This letter is to inform the First National Bank of Ringsted, Iowa, that the Bureau of Naval Personnel (Pers-652), Washington D.C. 20370-6500, is the Successor in Interest to the Recreation Fund of USS Ringsted (CG-98)."

13. Petty Cash Fund. Purchases using ship's recreation funds are normally made with purchase orders and paid by check. Petty cash funds provide an expedient method of making small cash purchases or purchases in situations where the use of a purchase order and check are impractical. Recreation funds are not required to establish petty cash accounts. Chapters five and eight of reference (b) provide detailed procedures in the administration and use of petty cash.

14. Change Fund. Change funds may be maintained and administered per chapters five and eight of reference (b). Change funds will be maintained in minimum amounts, consistent with the needs of the recreation fund. The purpose of the fund is for making change and it should not be used to make refunds or cash checks.

15. Cash Receipts. Cash receipts require the fullest possible measure of control. Cash receipts of an entity relate to the receipt of currency, coins, checks, bank drafts and money orders.

16. Daily Activity Records. NAVCOMPT Form 2211, Daily Activity Records (DAR), is a document used to record daily financial operations of a nonappropriated fund instrumentality. DAR's will be used for each business day.

17. Cash Registers. Cash registers will be used if available and feasible and each transaction will be rung up in view of the customer. Someone other than the cashier must be assigned to record register readings. The tape should be removed from the register and attached to the daily activity record. Chapter five of reference (b) addresses procedures for the use of cash register.

18. Cash Boxes and Sales Tickets. Where cash registers are not available, the cashier should be furnished a cash drawer or metal box. Sales must be recorded on prenumbered sales tickets. The original copy of the sales tickets will be attached to the daily activity record as support.

19. Cash Deposits. When cash receipts exceed \$100, they will be deposited in the recreation fund's bank or credit union. In instances where the location of the depository precludes making deposits, a government check will be obtained from the command's disbursing officer or arrangements made to purchase money orders from the ship's post office. Copies of deposit slips should be retained and attached to the recreation fund's bank statement and Receipt and Expenditure Record.

20. Storage of Cash. Cash on hand will be kept in locked receptacles and cash receipts must be physically segregated from petty cash and change funds. Classified material or personal property will not be kept in safes with cash. Cash receipts are for deposit only and will not be used for any other transaction.

21. Custody of Cash Funds. Persons entrusted with cash will obtain signed receipts for funds turned over to other persons. Custodians of cash will be furnished with locked receptacles for the safe keeping of the funds and they will be the only persons with access to such funds.

22. Financial Records

a. A Receipt and Expenditure Record is a locally generated document used to record all cash or checks received (receipts) and to record all payments/disbursements (expenditures). The entries recorded on the Receipt and Expenditure Record are summarized each month on the Statement of Operations and Net Worth. Chapter eight of reference (b) addresses the Receipt and Expenditure Record.

b. The Statement of Operations and Net Worth is a locally generated document used to provide a recapitulation of receipts and expenditures for a particular month. This document serves primarily as a tool for preparing the annual financial statement required by the CHNAVPERS per reference (h). Chapter eight of reference (b) addresses the Statement of Operations and Net Worth. Furthermore, it can be used as a monthly report for the Fund Administrator.

23. Financial Reports

a. Financial Statement. Recreation Fund Financial Statements will be prepared and submitted annually (on or about 15 October) or upon disestablishment of the recreation fund, as prescribed in reference (h).

b. Prompt Payment Act. Federal agencies are required to make interest payments to contractors for late payment of a dealer's proper invoice. Echelon II commanders and other elements in the chain of command may require commands to report interest paid in the case of overdue bills.

c. Statement of Bank Balances. Activities shall submit semi-annual reports to the Comptroller of the Navy concerning uninsured deposits or deposits which exceed the limit specified in Appendix B of reference (b).

24. Disposition of Records. Financial records and general correspondence files will be retained for a period of 3 years. Reference (i) provides specific guidance for the storage and disposition of all records.

25. Audits. The primary responsibility for the audit and/or review of afloat recreation fund activities rests with the Fund Administrator. Audits of the recreation fund will be conducted as prescribed below and should utilize Audits of Shipboard Recreation Fund Accounts, Appendix C to Enclosure (2).

a. Audit Boards

(1) The board shall consist of three or more qualified personnel who have had sufficient previous experience or training in accounting, auditing, and financial administration. At least one enlisted person shall be appointed to the board if qualified as outlined above.

(2) Audit board members shall be required to exercise at least as much conscientious effort in performing audit duties as they do in performing normal duties. The quality of performance shall be noted in fitness reports and performance evaluations.

(3) The board shall audit all nonappropriated recreation funds at the activity. Each member shall be assigned continuing responsibility for auditing or verifying the adequacy of internal controls for specific functional areas i.e., cash funds and receipts, sales, accounts receivable, bank account reconciliations, procurement, receiving, cash disbursements, accounts payable, resale inventory, and fixed assets and payroll. Appendix C to Enclosure (2), provides audit programs and internal control questionnaires for use in auditing these functional areas.

b. Audit Requirements

(1) Frequency. Each Fund shall be audited semiannually on 30 September and 31 March, upon relief of the Fund Custodian, or upon disestablishment of the fund.

(2) Scope. As a minimum, all applicable steps in Appendix C to Enclosure (2) should be covered as well as procedures prescribed here.

(3) Documentation. Audits shall be documented by the audit working papers and other records required to fully explain the audit findings and recommendations. Working papers shall be retained in local files for 3 years for inspection by higher authority.

(4) Inventories. All nonexpendable and expendable property over \$300 in unit cost shall be inventoried in conjunction with each audit and the results reconciled with property and equipment inventories and stock record cards. Inventories of both expendable and nonexpendable property shall be made upon the relief of the Fund Custodian. Guidance provided in paragraphs 570 to 574 of reference (b) should be used.

(5) Cash Verification. Cash funds shall be verified at least once each quarter by a surprise cash count, usually conducted by a member of the audit board or other impartial person. Cash funds shall also be verified in conjunction with each audit. The bank statement, checkbook register, and monthly Receipt and Expenditure Record shall be reconciled monthly or upon receipt of bank statements by a member of the audit board, recreation council, or accounting staff. All three documents will be signed and dated for verification.

(6) Certification. If the auditors consider the financial condition satisfactory and the operations of the fund follow existing regulations, they shall sign and attach, to the working papers, a certificate of audit as set forth below:

"The audit of the accounts and records of the fund represented by the attached indicate that these working papers reflect the financial condition of the fund at the end of (date) and the summary of operations for the period indicated. From our examination, we believe that the fiscal affairs of the fund were conducted

following instructions, orders, and regulations of the Department of the Navy and that the financial condition of the fund is satisfactory."

c. Local Audit Reports

(1) Audit reports, supported by adequate working papers, shall be presented simultaneously to the Fund Administrator and the Fund Custodian in writing within 10 days after completion of each audit, or section of an audit.

(2) Within 10 days after receipt of the audit report, the Fund Custodian shall notify the Fund Administrator in writing of actions to be taken to correct deficiencies and make improvements recommended in the report. Responses should state either concurrence or nonconcurrence with each recommendation, corrective actions taken or planned, and realistic target completion dates for such actions. Unresolved issues will either be deleted from the report, or referred to the next level of command for review and resolution.

(3) The Fund Administrator shall provide a copy of all directed actions to the audit board for follow-up information. The head of the audit board, or senior auditor assigned to the audit, is responsible for comparing the management's responses with the intent of the recommendation and advising the Fund Administrator of his review comments as to whether or not the responses are satisfactory, and what additional information is needed, if appropriate.

26. Command Inspections. Reference (c) provides guidelines for the Naval Command Inspection Program. Fleet Commanders, Type Commanders, and Immediate Superiors in the Chain of Command issue specific inspection criteria for command inspections. Appendix A to Enclosure (1) is a broad guideline that can be used to prepare for subject inspections.

DISESTABLISHMENT OF RECREATION FUNDS

1. General. When a ship or submarine disestablishes its recreation fund, it shall be accomplished according to the policy and procedures outlined in this section. The Fund Administrator is responsible for ensuring an orderly and proper disestablishment process.

2. Policy and Steps in Liquidation. Assets supporting nonappropriated fund activities shall be used judiciously so that these resources are available for future use in support of Navywide recreation requirements. Wasteful expenditures designed to reduce funds and other assets to a zero balance prior to disestablishment are prohibited. Command authorities shall avoid extravagant expenditures and dissipation of assets of nonappropriated fund activities being disestablished, and shall ensure proper redistribution of equipment. The following procedures are intended to prevent the occurrence of claims and adjustments subsequent to disestablishment of nonappropriated fund activities. These procedures are applicable to type commanders and commanding officers of afloat forces.

3. Actions Required by Ships

a. Custody of furniture, furnishings, and equipment purchased with appropriated funds shall be returned to the supply department.

b. The commanding officer will appoint a board of not less than three officers to inventory all recreation property purchased with nonappropriated funds. This board will identify all material deemed unfit for redistribution.

c. Unserviceable material shall be disposed of as set forth in this basic instruction. The board will also list recreation material suitable for redistribution and shall indicate the quantity, description, and condition of all such items.

d. The inventory of material for redistribution shall be forwarded to the cognizant authority with a copy to BUPERS (Pers-651).

BUPERSINST 1710.16
28 OCT 1993

e. With the exception of recreation and rental automotive vehicles, the cognizant authority shall effect redistribution within his area or to other commands, as feasible.

f. Redistribution of recreation automotive vehicles shall be effected by the fleet commander. Any material which cannot be redistributed in this manner will be reported to Pers-65 for disposal instructions.

g. All purchase orders will be adjudicated in a timely manner. No outstanding purchase orders will be redirected to other activities.

h. Survey all unsalable resale merchandise on hand and report merchandise to the type commander. Redistribute all unsold merchandise in salable condition to other activities, as directed by the type commander.

i. Contact all creditors to ensure that there are no outstanding liabilities. If obligations cannot be liquidated before disestablishment, creditors should be instructed to forward claims to BUPERS (Pers-652) for payment.

j. Draft checks or obtain postal money orders for remaining recreation funds payable to the CHNAVPERS and revert such funds to BUPERS (Pers-652). Residual recreation funds will not be transferred to another ship or station.

k. Instruct the financial institution holding the ship's recreation funds on deposit to forward the final checking statement and any bank balance (made payable to Bureau of Naval Personnel) remaining 6 months after disestablishment of the Fund to BUPERS (Pers-652).

l. Prepare a letter to BUPERS (Pers-65), with a copy to the appropriate type commander, which shall include:

(1) A statement that all procedures listed above have been taken and if there are outstanding obligations or claims against the fund. For all outstanding obligations or claims, indicate the name(s) of creditor(s), amount of claim, and reason for which the claim cannot be liquidated prior to disestablishment.

(2) State location of Federal Records Center where recreation fund records are stored.

(3) Submit the following enclosures:

(a) Audited copy of the final NAVPERS 7010/2, Recreation Fund Financial Statement.

(b) Check or Postal Money Order payable to Bureau of Naval Personnel for the remaining recreation funds, after the balance has been recorded to satisfy outstanding checks.

(c) Copy of the letter required by paragraph k, above.

(d) Close out all purchase orders.

4. Type Commanders. Type Commander will ensure that ships comply with paragraph 1.

5. Storage of Records. The recreation fund financial records and related correspondence shall be forwarded to the nearest Federal Records Center per reference (i).

FUND RAISING GUIDELINES

1. Fund Raising. Recreation activities may conduct occasional fund raising events for specific recreation programs such as youth activities.

2. Background. The two instructions governing fund raising are: (1) SECNAVINST 5370.2J, Standards of Conduct and Government Ethics, Chapter VIII, and (2) SECNAVINST 5720.44A, Department of the Navy Public Affairs Policy and Regulations.

3. Policy

a. The Standards of Conduct and Government Ethics prohibits raffles, lotteries, and other forms of gambling on government-owned, leased or controlled property, or otherwise while on duty for the government. Gambling activities include lotteries or polls, and games of chance for money or property. Any exceptions must be approved by the Secretary of the Navy. Such an exception is granted for SECNAVNOTE 5340, Navy Relief.

b. On the job solicitation is the only approved method for the Combined Federal Campaign (CFC).

c. Official support of fund raising campaigns solely for the benefit of U.S. teams competing in the Olympic or Pan American Games may be authorized by installation commanders.

d. The heads of overseas offices and installations may, at their discretion, permit their military and civilian personnel to solicit each other on behalf of local voluntary agencies at times which do not conflict with the CFC or Navy Relief drives.

e. Commanding Officers may authorize official support of fund raising programs that:

(1) are purely local in nature;

(2) are of community-wide interest and benefit;

(3) have the support or endorsement of local, united, federated, or joint campaign officials; and

(4) are authorized by the Chief of Information or the Director of Public Affairs; or

(5) warrant, in the commanding officer's judgment, support as part of the responsible role of the command in the local community. This exception is limited to support of purely local programs such as, volunteer fire departments, rescue units, or youth activity fund drives.

f. Fund Raising by Nonappropriated Fund Instrumentalities:

(1) Commanding officers may authorize support of fund raising events for specific recreational programs, but any solicitations so authorized must not conflict with the CFC or Navy Relief campaigns, may not be conducted on the job, and may not be performed as an official duty.

(2) Public Affairs Regulations stipulate that Navy personnel may participate (as private citizens during their off-duty hours) in fund raising activities which are not recognized for on-the-job solicitation with the Federal Service. They may not, however, participate in their official military capacity either during duty or non-duty hours.

4. Summary

a. When planning fund raising events insure that: (1) solicitations are not on-the-job, (2) military are not involved as part of their official duty, (3) events do not conflict with the CFC or Navy Relief Fund Drives, and (4) fund raising activities are not forms of gambling.

b. The above does not preclude tenant activities from conducting occasional fund raising events provided they are conducted in accordance with the above guidelines and funds generated are deposited in the base MWR Fund for credit to the generating unit.

AUDIT AND REVIEW OF SHIPBOARD RECREATION FUND ACCOUNTS

SECTION A: INTRODUCTION

1. Purpose. The purpose of this program is to provide guidance to internal auditors in the performance of audits and/or reviews of shipboard recreation funds. This audit program can also be useful to Navy and Marine Corps commands in performing their internal control reviews, including vulnerability (risk) assessments and management control reviews.

2. Background

a. Shipboard recreation funds are government funds, generated from sources other than those appropriated by Congress, which are used to support afloat recreation programs. These funds are subject to all laws, rules, and regulations established for the control of such funds and will not be donated to any individual, firm, or organization (charitable or otherwise), except for the welfare and recreation of embarked personnel and their dependents.

b. Policy pertaining to financial support furnished to recreation funds afloat will be found in this instruction and reference (f).

c. This audit program is designed to aid managers and internal auditors in identifying areas where internal controls are weak or missing, particularly those areas highly susceptible to fraud, waste, abuse, and mismanagement.

3. Scope. This audit and review program applies to all afloat units functioning with a recreation fund.

4. General Instructions

a. The audit and/or review should be conducted following generally accepted government auditing standards and permit an informed opinion on the nonappropriated fund activity's financial statements and operations.

b. The following sections of this program provide background data, examples of potential problems, audit objectives, and audit steps for the various phases of examination or review. These audit

steps are not intended to cover all areas in which work may be required nor the extent of verification. Audit personnel are not limited by this program and are encouraged to investigate additional aspects of nonappropriated fund administration and operations.

c. It is neither necessary nor desirable that audit tests be made on 100 percent of the available data. Because the depth of the audit or review depends on size and complexity of the operation, the nature of the Fund, the condition of the records, the effectiveness of internal controls, and other factors, it is not possible to suggest a specific percentage of tests. However, tests should be made of such magnitude that the reviewer can make a reasonable determination as to the effectiveness of the operation under review.

d. The audit steps in this program can apply to either a large or small operation.

e. Accounting procedures applicable to all nonappropriated fund activities within the Department of the Navy will be according to reference (b).

f. This program should be used on all audits and reviews of shipboard Recreation Funds conducted by shipboard recreation audit boards, and others as assigned.

g. If a particular step is not applicable or appropriate in the judgement of the auditor or reviewer, this information should be annotated next to the audit step or be cross-referenced to the work paper that adequately supports omission of the step. All audit steps should be cross-referenced to any work papers developed in support of audit steps.

SECTION B: GENERAL

1. Background. The administration, supervision, and operation of recreation services programs supporting all embarked personnel is the ultimate responsibility of the ship's commanding officer. The commanding officer of each ship is designated as the Recreation Fund Administrator and shall establish and execute an adequate recreation services program which is consistent with available resources within the command. The instructions referenced

within this program provide basic policy and guidelines for effective administration of recreation programs afloat. Auditors and reviewers will find that specific procedures and controls have also been issued in the form of local instructions.

2. Objectives. The objectives of this section are:

a. To obtain background information useful in planning and conducting the audit or review.

b. To determine if required letters of designation and authorization are available and current.

3. Audit Steps

a. Background information. Review all reports of audits, examinations, inspections, and surveys by the audit board, type commander, and other activities for the previous six months. Determine trends, problems, and corrective actions proposed, and appraise the adequacy of the actions taken. Note any significant open or unresolved items. (Does it appear the problem will be resolved?) When reporting a continuing deficiency in the current report, reference may be made to the other reports.

b. Policy. Obtain and review this instruction and references (a), (b) and (h) and verify that they are available for the use for the Recreation Services Officer and the Recreation Fund Custodian.

c. Authorization. Obtain and review the following letters of appointment and verify that these documents are on file and signed by the commanding officer:

(1) Recreation Services Officer. The officer must be a commissioned officer or qualified chief petty officer, and cannot be a member of the Chaplains' Corps. The letter should state the duties of the position and other pertinent information that will assist the appointee in the performance of their duties.

(2) Recreation Fund Custodian. This appointment cannot be made to a member of the Chaplains' Corps or to an officer assigned duties involving the disbursement of public funds. Any other qualified officer or chief petty officer may be appointed. The letter

should state the duties of the position and other pertinent information that will assist the appointee in the performance of their duties.

(3) Recreation Council. The council will include at least three commissioned officers, if available, one of whom shall be the Ship's Store Officer. If qualified officers are not available, Chief petty officers may be appointed.

(4) Recreation Committee. The Recreation Committee will be comprised of at least three enlisted members. Efforts should be made to ensure that all interests, including minority and ethnic groups, are represented on this committee.

(5) Recreation Board. If applicable to the command, the board should be representative of the crew.

(6) Audit Board. The Audit Board will be comprised of three or more qualified persons, at least one of whom should be enlisted.

(7) Check signing authority.

(8) Receiving agent(s).

(9) Change fund custodian, if applicable.

(10) Petty cash funds custodian, if applicable.

SECTION C: CASH

1. Background

a. Cash. Cash is the asset most susceptible to theft, misappropriation, diversion and other irregularities. This is especially true of recreation funds in which the principal income consists of cash receipts from amusement or vending machines, and rental of recreation equipment. The establishment of effective internal controls over cash is complicated at many nonappropriated fund activities because of the lack of a sufficient number of qualified personnel for a proper separation of duties. Special care should be exercised when reviewing cash to ensure that all cash receipts of the fund are properly accounted for. The handling,

accountability, safeguarding, and disposition of cash must be thoroughly reviewed for conformance to procedures prescribed in references (a), (b) and this instruction.

b. Checking and Savings. If desired by the commanding officer, and approved in writing, ships may establish a bank account for savings. A checking account will be established for daily operations. Authorization for establishment of bank accounts should be verified. The checking account is established by the command and used for depositing receipts, obtaining change, and paying bills. The only withdrawals from these accounts will be made by the Recreation Fund Custodian. Bank statements are received by the Recreation Council/Board for reconciliation. The reconciliation should be performed by one who does not write recreation fund checks and is independent of cash recording functions. Cash receipts must be deposited in the checking account, in a timely manner. Excess funds (i.e., those funds in excess of short term requirements) are to be deposited into the savings account. All accounts will be insured by the FSLIC or FDIC.

c. Cash Account. Reference (b) and this instruction prescribe the records to be used in recording cash transactions.

2. Examples of Potential Problems

- a. Cash receipts were not deposited daily.
- b. Petty cash payments were improper.
- c. Shortages were found in change and petty cash funds.
- d. Funds were not kept in approved security containers.
- e. Safe combinations were not changed every six months or upon the relief of the custodian.
- f. Dial shields were not provided for all safes.
- g. More than one individual had access to a safe used to store cash funds.
- h. Personal funds were used as change funds.

- i. Petty cash funds and change funds were commingled.
- j. Prenumbered cash receipt vouchers and sales tickets were not used.
- k. Letters of authorization for change funds were not prepared or were outdated.
- l. Petty cash disbursements were not supported by receipt documents.
- m. Unauthorized cash overages and shortages were not investigated.
- n. Change and petty cash fund amounts were excessive.
- o. Separation of duties between persons requesting, purchasing, receiving, and authorizing payments for goods and services was not maintained.

3. Objectives

- a. To determine the accuracy of fund shortages and overages and identify the amount of all cash and cash items on hand.
- b. To determine if change funds and petty cash funds are correctly recorded on financial statements and accounting records, properly safeguarded, and adequately controlled.
- c. To determine if cash in bank is correctly recorded on financial statements, accounting records, and is adequately controlled.
- d. To determine if all cash receipts are correctly posted in the accounting records, properly safeguarded, deposited intact in the appropriate bank accounts, and adequately controlled.
- e. To determine whether internal controls over cash disbursement are effective and that cash disbursements are accurately recorded in the accounting records.

4. Audit Steps

- a. Cash Count. It is essential that the verification of cash start with the auditor establishing physical control over all cash and

cash items on hand (change funds, petty cash funds, and cash receipts). Cash counts must be made in the presence of custodian (or the individual accountable for the funds). Schedule A can be used to record cash count results. Immediately upon completion of the cash count, obtain the signature of the custodian acknowledging the return of all cash and cash items on the cash count sheet. All checks found in any fund must either be immediately deposited in the appropriate bank account under the supervision of the auditor or be listed by the auditor for later verification that they were not returned by the bank. The bank should be given a letter requesting that the auditor be notified of any returned checks. These steps are necessary to establish the validity of checks in the possession of fund custodians and cashiers.

(1) Count all cash and cash items and record on the cash count sheet (Schedule A). List all checks recording the drawer, check date, amount, and bank transit number. List all petty cash vouchers recording the name of person requesting reimbursement, voucher serial number, voucher date, amount, purpose, and name of official approving the disbursement.

(2) Reconcile currency, checks, and vouchers to the receipt and expenditure record, and receipt vouchers. If the audit takes place after the accounting period closing date (end of month), reconcile cash count to the account balance as of the closing date.

(3) Record the details and causes for all shortage and overage discrepancies.

b. Change Funds and Petty Cash Funds. Change funds are cash funds issued to cashiers for making change. Petty cash funds are cash funds used for small miscellaneous disbursements (purchases, refunds, etc.). The cash maintained in petty cash funds should not exceed \$150.

(1) Obtain the written authorization for each fund and ensure that the amount of each fund does not exceed the amount authorized and that the individual responsible for each fund is specified by name.

(2) Observe the storage locations of cash funds and ascertain whether they are kept in approved safes or locking security containers.

(3) Ask custodians of cash funds if they are provided their own safe or a locked compartment within a safe.

(4) Ask each custodian of cash funds if he or she is the only individual with access to the safe or security container.

(5) Review work orders or other similar documents and ask cash fund custodians to determine if safe combinations are changed upon the relief of the custodian or at least every six months.

(6) Observe the dials of safes used to store cash funds to see if they are protected by dial shields to preclude others from observing combinations when safes are being opened.

(7) Obtain copies of surprise counts made by the audit board and recreation fund custodians of cash funds to determine that they are made not less frequently than once each quarter.

(8) Compare the amounts in each cash fund (sales, disbursements, check cashing) to determine if amounts are the minimum required.

(9) Observe contents of cash fund custodians' safes to ensure that personal funds, securities, and classified material are not stored in their safes.

(10) If funds have been transferred between cashiers, ensure that the transfer is documented with a signed cash receipt.

(11) Verify that the petty cash fund is the responsibility of only one individual by asking the Recreation Fund Custodian and petty cash fund custodian.

(12) For a test month, obtain and examine petty cash fund vouchers to determine that the use of this fund is limited to small purchases not exceeding \$150 for any one transaction which could not be paid by check.

(13) Examine the petty cash fund vouchers to determine that they are prenumbered, prepared in ink or indelible pencil, signed by the payee, and approved by a responsible official.

(14) Examine petty cash fund vouchers and supporting documents to determine that they are marked or stamped "Paid" to preclude reuse.

(15) Examine the petty cash fund storage container for checks and IOUs to ensure that cashing of personal checks or making loans from this fund is not occurring.

(16) Examine cancelled petty cash fund reimbursement checks to ensure that they were made out to the order of the petty cash fund custodian and that reimbursements are made as needed and at the end of each month.

(17) Ascertain that individuals responsible for bookkeeping and collections are separated from the functions of the petty cash fund custodian.

(18) Examine the contents of the petty cash fund storage container to ensure that no other funds, particularly cash receipts, are mixed with the petty cash fund.

(19) Record and document all instances where violations were found while accomplishing audit steps 4b(1) through 4b(18) and appropriately investigate violations.

c. Cash in Bank

(1) Fund balance confirmation and reconciliation. Confirmation procedures involve the comparison of the Recreation Fund checkbook balance with an independently obtained bank balance on a given date, and a reconciliation of any difference. To confirm bank account fund balances, a comparison must be made between the Recreation Fund Receipt and Expenditure record balance and the balance shown on the bank statement sent to the Audit Board.

(a) Request the following as of the audit cutoff date: the record of receipt and expenditure for the recreation fund activity under review; paid checks through the cutoff date; bank statement reconciliation package; and listing of authorized check signers for the activity account.

(b) Compare the recreation fund record of receipts and expenditures balances with the bank balance shown on the banking

statement by performing a bank statement reconciliation. Determine if a material difference in deposit transactions during the audit period affected the actual ending balance.

(c) If the records of receipt and expenditure and the bank statement of account do not agree, reconcile the difference. If they cannot be reconciled, document the reason for the variance. Once reconciled, review the bank statement reconciliation to determine if it showed a material difference in deposit transactions during the audit period which affected the actual ending balance.

(2) Savings Bank Accounts. In reconciling this account, the auditor will have the Fund Custodian obtain the bank statements and deposit slips from the appropriate Recreation Council/Board member.

(a) Confirm all cash on deposit by correspondence with the depositories involved. Personally mail all confirmation letters and enclose return envelopes bearing the auditor's office address to ensure requested data is returned directly to the auditor. The confirmations should not be received through the installation mail room. An important element of the confirmation letter is the request for disclosure of all accounts and indebtedness of the nonappropriated fund activity.

(b) Reconcile the bank deposits with the bank book as of the end of the audit period.

(c) Cash Receipts. Cash receipts are susceptible to theft, diversion, or misappropriation, either before or after they have been recorded. Therefore, the auditor should pay special attention to control over unrecorded cash receipts and assure himself or herself that all cash receipts have been recorded and promptly deposited in the bank accounts of the Recreation Fund.

1. The use of sequentially numbered sales tickets and cash receipt vouchers is a cash control where cash register use is not practical. Procedures should provide for an independent verification of the amount of cash collected each day by the cashier. To accomplish this, the sales tickets and receipt vouchers should be prepared in duplicate and triplicate, one set of which should be accumulated separately. All tickets or vouchers

should be accounted for, totaled, and compared with cash receipts by someone other than the cashier. Also, all serial numbers (used and unused) should be accounted for daily to ensure that funds are not diverted by use of unrecorded sales tickets or cash receipt vouchers. The following visual observations and periodic examinations should be made to determine whether required control procedures are consistently followed.

a. Interview cashiers, observe cash receipt procedures, and examine the record of receipts to determine that cash receipt vouchers are used to record and control receipt of cash.

b. Examine sales ticket and cash receipt voucher books to determine if tickets and vouchers are prenumbered sequentially.

c. Interview cashiers and the Fund Custodian and review the procedures for issuing sales tickets and cash receipt vouchers to determine whether the ticket and voucher books are kept and accounted for by an employee other than the cashier.

d. Investigate any violations noted while performing audit steps 4d(1)(a) through 4d(1)(c).

2. The auditor should determine whether the cash receipts recorded on the original documents (sales tickets, cash register tapes, etc.) were deposited daily in the appropriate bank account. Nonappropriated fund activity directives require that cash receipts be recorded on a number of forms and records, all of which are reconcilable. These forms and records include the sales tickets, cash receipt vouchers, deposit slips, and the record of cash receipts and expenditures. If these records are reconciled periodically by fund activity personnel, embezzlements of recorded cash can not be concealed unless these records are altered. For example, alteration of a deposit slip and diversion of cash to be deposited in the bank would normally be discovered unless the amount shown on the record of receipt and expenditure was reduced in a like amount. Further, if

someone altered the record of receipt and expenditure, it would not agree with the cash receipts unless the receipts were altered in a like amount. Consequently, there should be a division of duties between recreation fund personnel so that undetected embezzlement can be carried out only by the collusive activities of employees.

a. Trace the accounting entries of the record of receipt and expenditure to supporting records, such as sales slips and other source documents, to see if they agree.

b. Review the record of receipt and expenditure to determine that they are prepared in ink, complete, mathematically correct and that corrections are made by drawing a single line through the error and writing the correct amount immediately above.

c. Determine whether cash overages and shortages are properly recorded and show evidence of supervisory review and approval.

d. Review records to ensure that duplicate deposit slips are attached and properly validated by the bank.

e. Review the record of receipts and expenditures and deposit slips to determine whether cash receipts are deposited daily; for weekend and holiday receipts determine if they are deposited on the first business day subsequent to the weekend or holiday, any delays should be reported for management's attention.

f. Review deposit entries in the checkbook and local memorandum records to determine that they agree with the amounts shown on the record of receipts and expenditure.

g. Examine checks to be deposited and returned checks to determine if name, rank, social security number, and organization name are entered on the checks.

h. Review checks not yet deposited to ensure that they are endorsed "for deposit only."

i. Examine the listing for cash received in the mail and review procedures for receiving cash in the mail to ensure that the cash is received and recorded by someone other than the cashier.

j. Examine checks returned by the bank for insufficient funds to determine if they are followed-up on.

k. Record and investigate any violations found as a result of performing audit steps 4d(2)(a) through 4d(2)(j).

3. The auditor should determine if the Recreation Services Officer and local audit board are making periodic surprise counts of petty cash, change funds, and receipts. Interview the Recreation Services Officer and obtain copies of surprise counts of cash and cash items to determine that periodic surprise counts are made at least once a quarter. Document and determine the causes for discrepancies.

d. Cash Disbursements. The auditor's primary objective in the audit of cash disbursements is to determine whether disbursements have been made only for valid liabilities. The extent of detailed verification required depends upon the effectiveness of the internal controls.

(1) There should be a division of duties for recreation fund personnel so that fraudulent disbursements can not be made without collusion. For example, the receiving function should be entirely separate from the purchasing function to minimize the possibility of collusion between the vendor and the individual who orders the merchandise.

(a) Interview the Recreation Services Officer, Fund Custodian, purchasing agent, and receiving clerk to ensure proper separation of duties exists to control a complete transaction.

(b) Determine whether the employees responsible for purchasing or signing requisitions have been designated in writing by the appropriate official as required. Record and investigate the reasons for violations.

(2) The individual responsible for authorizing payments should not prepare, sign, or mail checks. Individuals who sign checks should not perform any of the other check processing functions. All disbursements, other than petty cash transactions, should be made by prenumbered checks. Under no circumstances should checks be made payable to cash or bearer. Such checks do not require endorsement and hence there is no evidence as to who received the funds.

(a) Interview the Recreation Services Officer and Fund Custodian to determine whether all disbursements are made by check except for minor expenditures made from the petty cash fund.

(b) Examine blank check stock to ensure that all checks are prenumbered and controlled properly. All missing checks out of sequence should be accounted for.

(c) Examine cancelled and blank checks to ensure that all checks bear the name of the nonappropriated fund activity.

(d) Examine cancelled checks to ensure that all checks are written in permanent ink, preferably by a computer, check writing machine, or typewriter.

(e) Examine cancelled checks to determine whether a check is voided and another issued when an error is made in writing the check.

(f) Examine blank checks and cancelled checks to ensure that checks are not signed in advance and not made payable to cash or bearer.

(g) Review paid vouchers and documents supporting vouchers (purchase orders, receiving reports, and vendors' invoices) to verify the validity of vouchers. Compare the voucher amounts to supporting documents, stamped with a "Paid/Date" stamp, and annotated with the check numbers.

(h) Interview the person responsible for mailing or delivering checks and the person responsible for preparing checks to determine whether there is a proper separation between these two duties.

(i) Interview the Fund Custodian and examine reconciliations to determine whether reconciliations between the receipt and expenditure record and the balance in the bank are performed monthly as required and any necessary accounting adjustments are processed on a timely basis.

(j) Obtain copies of check signing authorizations to ensure that individuals are so designated by the commanding officer. Obtain documentation to ensure that bank signature cards for these individuals were forwarded to the bank.

(k) When the signature on checks is affixed mechanically, interview the person designated to sign checks. Observe the procedure to determine whether access to the signature plate and signing equipment is restricted to the custody of, and used only in, the presence of the person authorized to sign the checks.

(l) Review the signature plate control sheet to verify that every turn of the check signing machine is accounted for by a valid or voided check.

(m) Examine spoiled checks to determine that they are not destroyed but are retained, marked "void", and made nonnegotiable by mutilating the signature area.

(n) Obtain cancelled checks and investigate those made payable to a bank or ships personnel to determine whether the disbursement is valid. Compare endorsements on the checks with the name of payees and note any obvious discrepancies.

(o) Obtain a listing of outstanding checks, age the outstanding checks, and investigate those that have been outstanding for more than thirty days to determine their validity and whether stop payment orders should be filed.

(p) Record and investigate any violations found as a result of performing audit steps 43(2)(a) through 4e(2)(o).

SECTION D: PROCUREMENT

1. Background

a. The following basic procurement information has been taken from reference (j). In the event of discrepancies the provisions of the reference will govern. Competitive solicitations are not required for purchases of \$2500 or less where prices are considered to be reasonable. However, such purchases must be distributed equally among qualified suppliers. Competition for purchases over \$2500 shall be obtained. Sole source requirements must be accompanied by a written justification which should be maintained on file for audit. Purchase descriptions should not be drafted in such a way as to preclude or severely limit competition. Exceptions to this are requirements for resale or replacement parts.

b. The authority of a recreation fund contracting officer may be limited by types of contractual documents, and by dollar limitations. Action beyond the scope of delegated authority must be investigated for possible disciplinary action, and may result in personal liability.

c. Commanding officers are authorized to appoint any qualified person as an ordering officer to place orders only under existing contracts or upon other government sources of supply, subject to limitations prescribed by the appointing officer and reference (j). Records of such appointments must be maintained on file.

d. An emergency purchase is authorized only when the interests of the nonappropriated fund activity demand that a contractor be given a binding commitment so that work or performance can be commenced immediately, and the negotiation of a definitive contract in sufficient time to meet the need is not possible. Emergency purchase procedures are contained in reference (j).

e. Each activity procuring with nonappropriated funds must maintain records of all transactions sufficient to constitute the full history and to permit ready reconstruction of all stages of the transaction. In the file should be the procurement request, the solicitation, a list of sources solicited, proposals received, approvals required, the contract, justification statements for sole source and award to other than the low offerer, and a record of all contract administration actions.

2. Examples of Potential Problems

- a. Prenumbered purchase orders were not used.
- b. Purchase orders either were prepared after receipt of merchandise or were not prepared at all.
- c. Competitive bids were not solicited when required.
- d. Purchases were made without proper authority.
- e. Documentation was not available to support purchases.
- f. Government sources were not used to purchase merchandise, supplies, and property when more economical than commercial sources.

g. Purchasing agents were not designated in writing.

h. Blanket purchase agreements, service contracts, or petty cash methods should have been used (when possible) instead of purchase orders, to reduce administrative cost.

i. Contract files did not contain documentation to show that all required contracting actions were taken.

j. Contracts did not contain the required contract clauses to adequately protect the Government's interest, e.g., Examination of Records and Termination.

3. Objective. To determine whether recreation fund procurement policies, procedures, and directives were adequate and followed with respect to issuing purchase orders and contracts for merchandise, services, equipment, and supplies.

4. Audit Steps. Reference (j), in addition to other directives, provides procurement policies and procedures which apply to all nonappropriated fund activities subject to the program management of the CHNAVPERS. It is the policy of the Department of the Navy that procurement using nonappropriated funds be accomplished primarily through competitive negotiation, by trained procurement personnel, in a fair, equitable, and impartial manner, and to the best advantage of the fund. Formal advertising procedures may be used, providing this method of procurement can be documented as being more advantageous to the nonappropriated fund.

a. Confirm that proper separation of duties is established through discussion with the recreation fund custodian and bookkeepers and review of completed requisitions, purchase orders, and contracts. Verify that the purchasing function was separate from the payment, receiving, and requisitioning functions. Determine if the people responsible for purchasing and signing requisitions are designated in writing by the appropriate authority as required. Document and investigate the causes for any violations noted.

b. Review purchase orders for the period under review and blank stocks of purchase orders to determine that all purchases (except small items purchased from the petty cash fund) were made by means of a purchase order or contract and all purchase orders were consecutively prenumbered. Document and investigate any violations noted.

c. Interview the Fund Custodian and review procurement transactions to determine that the commanding officer has established a three member contract review board. Verify that the board reviewed (1) solicitations where estimated value exceeds \$25,000, (2) award of contracts exceeding \$10,000 to other than the lowest offeror, (3) sole source contracts exceeding \$10,000, (4) contract awards exceeding \$25,000, (5) fixed price contracts with economic price adjustment provision, (6) all contract termination actions, (7) modifications increasing or decreasing a contract in excess of \$5,000 and (8) extensions of contract delivery schedules. Document and determine the causes for any deficiencies noted.

d. Review purchase transactions and interview the purchasing agent to verify that government sources of supply such as Navy supply system or General Services Administration (GSA) were used for purchases, where applicable, rather than commercial sources. Document and determine the causes for any discrepancies noted.

e. Review purchase transactions and examine vendor files to determine that contracts were not made between the recreation fund and employees of the Government or businesses, which are substantially owned or controlled by government employees. Document and determine reasons for any discrepancies noted.

f. Review purchases in excess of \$2500 to verify that they were made only after competition was solicited. Review a sample of purchase transactions of like items to insure that purchases were not split to circumvent requirements for soliciting competition. Document and investigate any violations noted.

g. Review petty cash fund purchases to determine that each purchase was supported by a written procurement request showing (1) a petty cash fund purchase was made, (2) unit price and extension, (3) vendor's name and address, and (4) anticipated date of delivery or pickup. Document and determine the cause for any discrepancies noted.

h. Review purchase orders issued repeatedly to the same vendor to determine if a blanket purchase agreement would be more efficient. Document and investigate any deficiencies noted.

i. Examine purchase orders to determine that SF 26 (Appendix N) or SF 33 (Appendix D) were used for purchases over \$25,000. Document and investigate any violations noted.

j. Review purchase transactions to verify that purchases were made F.O.B. destination unless there were valid reasons to the contrary. Document and determine the causes for any discrepancies noted.

k. Review issued purchase orders to verify that they were prepared properly to include: 1) item name and description, 2) quantity, 3) price, 4) signature of contracting officer, 5) delivery date, and 6) terms of delivery. Document and determine the causes for any deficiencies noted.

l. Examine the letter appointing the purchasing agent to confirm that the duties of the purchasing agent are described in writing by the commanding officer or his authorized representative. Document and investigate any violations noted.

m. Examine the blanket purchase agreement call log to confirm that oral calls were numbered in sequence, approved by persons authorized to place calls, and documented with blanket purchase agreement numbers, call numbers and date, quantity ordered, and date of deliveries. Document and determine the cause for any discrepancies noted.

n. Through discussion with the Fund Custodian and employees, verify that gratuities were not accepted from a vendor as a kickback for purchasing. Document and investigate any violations noted.

o. Examine blanket purchase agreements to determine that they were prepared as required. Document and determine the causes for any deficiencies noted.

SECTION E: NONEXPENDABLE AND EXPENDABLE PROPERTY

1. Background. Property purchased with recreation funds can be classified as nonexpendable or expendable.

a. Nonexpendable property retains its original identity and has a unit acquisition value of \$1000 or more and a life expectancy of 1 year or more. Examples of nonexpendable property (fixed assets) are: vehicles, furniture, fixtures, and equipment. Stock records are maintained as subsidiary records to the property and equipment

inventory record. Only one item should be recorded on each stock record. At least annually, the Audit Board must perform a physical inventory of fixed assets and reconcile the total value recorded on the stock records to the property and equipment inventory record.

b. Expendable property assets have a unit acquisition cost of less than \$1000 and a life expectancy of less than 1 year. Control procedures for expendable property having a unit value of \$300 or more have been established. These items will be recorded on a consolidated stock record and each item should be affixed with a numbered tag or identified by some permanent means. These items will not be reported on the financial statement and are not depreciated.

c. Commands should implement adequate safeguards and internal control procedures to prevent the loss of pilferable items and expendable equipment with a value of less than \$300.

2. Examples of Potential Problems

a. Physical inventories of fixed assets were not performed at required intervals and stock records were not reconciled to the property and equipment inventory record and the account balance.

b. Physical inventories of fixed assets were not comprehensive and were not observed and tested and documented by name and position title of impartial personnel.

c. Fixed assets on hand were not recorded on property and equipment records.

d. Fixed assets were not permanently marked with serial numbers as required.

e. Stock records did not include locations, acquisition dates and prices, serial numbers, etc.

f. Adequate physical security of fixed assets was not maintained.

g. Fixed assets could not be located.

h. Reasons for losses of fixed assets were not documented or investigated.

- i. Unserviceable fixed assets were not turned in for disposal.

3. Objectives

- a. To determine whether fixed assets are accurately accounted for in the financial and property records and correctly valued on the financial statements.

- b. To determine whether internal and physical controls over fixed assets are effective.

4. Audit Steps

- a. Recording Fixed Assets. Whenever a recreation fund purchases a fixed asset, it must record the item on a NAVCOMPT 742-1, Stock Record. The stock records serve as a record of ownership of the fixed assets. They are also used as the subsidiary records that support the property and equipment inventory record and the financial statement account balances.

- (1) If feasible, observe an inventory of fixed assets. Document any variances noted between recorded items and quantities on hand, and determine reasons for variances. If not feasible to observe a physical inventory, select a representative number of stock records, including pilferable items, and physically inventory the items. During the physical inventory, note other items of fixed assets sighted and reconcile them to the stock records to determine if all items are recorded.

- (2) Scan the stock record cards and test a sample to verify the data recorded on the card is accurate. Verify the description of the asset, acquisition cost (unit price, freight, and installation charges plus enhancements), serial number, date of acquisition, identification number, age at acquisition, manufacturer, location, model number, date of receipt, estimated life, and value. Document and determine the causes for any variances noted.

- (3) Obtain and review inventory schedules and completed inventory reports to determine if physical inventories of fixed assets were scheduled and taken at least once a year, whenever a Fund Custodian was replaced, and as directed by local practice. Document and determine the reasons for any violations noted.

(4) Validate adjustments made to the property and equipment inventory record as a result of the most recent physical inventory by reviewing supporting documents (purchase orders, property and depreciation records, certificates of disposition, and investigation reports) to determine the propriety of such adjustments. Document and determine the causes for any discrepancies noted.

(5) Compute from the stock records, the total values of all fixed assets and compare these to the amount recorded in the property and equipment inventory record. Determine if amounts agree. Document and investigate the reasons for any variances noted.

b. Internal and Physical Controls over Fixed Assets. An integral part of effective internal controls over fixed assets is the separation of responsibilities for purchase, receipt, recording, and disposition of items. Fixed assets must also be safeguarded to prevent unauthorized use or theft.

(1) Inspect the locations of fixed assets while performing audit step 4a(1) above to determine whether physical controls are adequate to protect against unauthorized use or theft. Document and determine the cause for any deficiencies noted.

(2) Review recent receipts of fixed assets to determine whether they were supported with purchase orders approved by the commanding officer. Document and investigate any violations noted.

(3) Review receiving reports for recent receipts of fixed assets to determine whether a person other than the purchasing agent is designated in writing to be responsible for receiving. Examine these receipts and confirm that the certifications include the date received and the signature of the person authorized to receive. Document and investigate the reasons for any violations noted.

(4) While performing audit step 4a(1), determine that fixed assets are identified as property of the recreation fund by a permanently affixed tag or some other method. Document and determine the cause for any discrepancies noted.

(5) Examine purchase orders for fixed assets acquired during the period under audit to determine that purchase requests were approved by the Fund Administrator. Document and investigate the reasons for any violations noted.

(6) Examine documentation supporting property on loan (rental/issue property) to verify whether property rented or issued is accounted for by a signed NAVCOMPT 744, Custody Receipt, or NAVCOMPT 745, Custody Record. The time period for which property is rented or issued does not result in depriving others of its use. Controls are in effect to ensure return of items, procedures exist to check property for damages when returned (and to assess, collect, and record repayment for damages from the user), deposits are recorded and refunded to patrons, and rental and issue property is inventoried at least once a year. Document and determine the causes for any discrepancies noted.

(7) While performing audit step 4a(1) above, verify that property inventoried does not include unserviceable or excess items. Determine that the property inventoried was identified and justified by management for retention, or disposed of as evidenced by certificates of disposition. Document and investigate the reasons for any violations noted.

SECTION F: FINANCIAL MANAGEMENT

1. Background

a. The following provides the policy and guidance for the administration and management of afloat recreation services and supporting nonappropriated funds. The accounting procedures for small nonappropriated Recreation Funds are provided in chapter 8 of reference (b) and the financial reporting procedures are prescribed by reference (h). Financial management of the recreation program afloat will follow these policy directives.

b. The basic requirement for the audit review of recreation funds afloat is to verify the correctness of the NAVPERS 7010/2, Recreation Fund Financial Statement, and to review the financial records supporting this statement. Elaborate financial records are not required. However, the records maintained should be of sufficient detail to permit the record keeper to prepare the necessary reports. These records should be in ink and maintained in a neat and orderly manner and support the financial statement.

c. An important aspect of financial management also includes the financial plan or budget. During the audit of financial management a review of the budget formulation and execution process must be accomplished.

2. Examples of Potential Problems

a. Financial statements contained errors and omissions and did not correctly show financial condition.

b. Subsidiary records were not maintained to support the financial statement.

c. The financial statement account balances and records were not reconciled monthly, quarterly, or annually per Navy requirements.

d. Operating budgets and financial plans were prepared late (or not at all) and were not used for operation planning, setting goals, and measuring performance.

3. Objectives

a. To determine whether the records are accurate and adequately maintained.

b. To determine whether financial statements agree with the books of account.

c. To determine if an annual financial plan has been developed identifying sources and uses of funds.

4. Audit Steps

a. Records

(1) Confirm that, as a minimum, the following sets of accounting records are maintained by the recreation fund:

(a) Financial plan (budget) for the fiscal year.

(b) Receipt and Expenditure Record used to record each cash/check transaction.

(c) Statement of Operations and Net Worth prepared at the end of each accounting month and submitted to the local commanding officer.

(d) Property and Inventory Record used to control all nonexpendable property purchases and reflect the running dollar balance of the property on hand.

(e) NAVCOMPT 742-1, Stock Record, used to reflect individual units of nonexpendable property. The aggregate dollar value of the stock records maintained will equal the running balance on the property and inventory record.

(f) A file of purchase orders supporting expenditures (except for purchases made from petty cash) documented by vendor invoices.

(g) NAVCOMPT 2212, Certificate of Disposition, when needed to support expendable property over \$300.00 and nonexpendable property dropped from inventory.

(2) The auditor should scan the records and reports to ensure they are maintained in ink or typewritten and are neat and orderly. Records and documents should not contain erasures or alterations. Any accounting document containing alterations or erasures should be thoroughly reviewed and evaluated to determine if any fraud or other inappropriate act has occurred. Working paper documentation should be available to explain any such conditions and the commanding officer immediately notified.

b. NAVPERS 7010/2, Recreation Fund Financial Statement. The guidelines for preparation of the NAVPERS 7010/2, Recreation Fund Financial Statement, are found in reference (h). These guidelines include the certification of the financial statement. Therefore, it is necessary to have a copy of the report to be audited, the receipt and expenditure record for the period covered, the checkbook which has been reconciled with the current bank statement, and the receipt book for the period being audited.

(1) The following steps should assure that the report is accurate.

(a) Line 1 on NAVPERS 7010/2, for the current period, should agree with line 34 of the prior report.

(b) Total cash expenditures must equal the total of checks drawn for the period and the expenditure column of the receipt and expenditure record.

(c) Total cash receipts must equal the total of all receipts written for the period and the receipt column of the receipt and expenditure report.

(d) Lines 34 through 38 should be verified by actual count of cash or reconciled bank balances, as appropriate.

(2) Verify that the amount and source of income recorded on the Recreation Fund Financial Statement is accurate and appropriate. For example, trace income from the ship stores account to the recreation fund and verify that entries are accurately posted and appropriate. Identify other sources of income and test for validity and accuracy.

c. Budget. Required for aircraft carriers, recommended for all ships.

(1) Verify that the recreation fund custodian prepares a general operating budget for each fiscal year (1 Oct - 30 Sep) per this instruction. The financial plan is an expression of a system to identify sources and uses of funds to carry out the recreation programs' objectives.

(2) Confirm that an annual budget is prepared and that it is reviewed by the Recreation Council/Board and Committee/Board.

(3) Confirm that the completed budget is approved by the commanding officer.

(4) Compare results of operations to the recreation fund operating budget to determine whether management procedures and techniques are adequately used to monitor operations and achieve budgeted goals. Management is required to frequently review actual transactions versus budget operations and goals.

PROCUREMENT AND PROPERTY MANAGEMENT

1. Procurement Authority. The Fund Administrator is ultimately responsible for all procurement expenses incurred against the ship's recreation fund. Per reference (j), procurement responsibility is usually delegated to a member of the ship's recreation organization. Commanding officers may establish limitations on the dollar amount and type of expenditures procurement personnel may execute without prior approval. The Recreation Fund financial plan serves as the primary document on which procurement actions are initiated.

2. Standards of Conduct. Reference (k) addresses standards of conduct and government ethics. A summary of these standards follows:

- a. Naval personnel must avoid the appearance of impropriety.
- b. Naval personnel must be prepared to account for the manner in which they exercise judgment, particularly with regard to hospitality extended by persons or organizations who wish to do business with DOD.
- c. Persons who represent the government in dealings with business and industry have positions of trust and responsibility that require the highest ethical standards.
- d. Preferential treatment must not be extended to particular individuals, entities, or firms.
- e. Department of Navy (DON) personnel who have affiliations or a financial interest that conflict with their official duties shall report the matter to their commanding officer.
- f. DON personnel shall not engage in any outside employment that is not compatible with their duties or may bring discredit upon the government or the DON.
- g. Naval personnel shall not use nor permit the use of their grade, rank, title, position, or uniform to promote any commercial enterprise or to endorse any commercial product.

h. DON personnel shall not accept gifts or gratuities, exceeding a fair market value of more than \$20.00, from outside sources engaged in business or financial relations of any sort with any DOD component.

i. Naval personnel shall not use government manpower, property, facilities or information of any kind for other than official government business or purposes.

j. DON personnel may not release any information concerning proposed acquisitions or purchases by any DOD contracting activity nor make any commitment or promise relating to the award of a contract.

k. Naval personnel shall not use their official positions to provide any benefit (financial or otherwise) to themselves or others.

3. Principles of Internal Controls. Reference (b) addresses internal controls. A summary follows:

a. The purpose of internal controls is to safeguard assets, ensure the accuracy and reliability of accounting information, promote operational efficiency and encourage adherence to prescribed managerial policies.

b. A well developed system of internal controls includes operational goals, budgetary control, periodic operating reports, and an internal audit staff.

4. Separation of Functions. Chapter one of reference (j) addresses the separation of functions. Establishing internal controls helps to maintain the integrity of the procurement system. The following functions will be performed by different people:

- a. Issuance of purchase orders.
- b. Execution and signing of purchase orders.
- c. Receipt of goods or services.
- d. Payment for purchases.

5. Contract Review Board. A contract review board consists of at least three members and is convened for the purpose of reviewing significant nonappropriated fund contracting actions. They need not be arduous and in most instances the reviews may be accomplished by chop chain routing. Per reference (j) all of the following actions shall be reviewed by the board prior to execution:

a. Solicitations (i.e., requests for proposals) where the estimated value is in excess of \$25,000.

b. Contract awards in excess of \$25,000.

c. Contract awards in excess of \$10,000 to other than the low offerer.

d. Contract awards in excess of \$10,000 to a sole source.

e. Contract awards with Economic Price Adjustments (escalation) provisions.

f. Modifications increasing or decreasing a contract in excess of \$5,000 or ten percent of the total contract value, whichever is greater.

g. Extension of contract delivery schedules.

h. Termination actions.

6. Buy American Act. Reference (j) specifically prohibits the purchase of foreign goods for use in the United States without the specific authorization of CHNAVPERS (Pers-65). However, the Buy American Act does not apply to purchases for use overseas.

7. Government Sources of Supply For Nonappropriated Fund Procurement. Per reference (j) all responsible contractors (except those listed as debarred, ineligible or suspended) are eligible sources of NAFI requirements. Federal government sources should be used unless lower prices for like items are available from commercial sources. Established government sources are as follows:

a. Navy Exchange. The Navy Exchange Manual establishes special prices for NAFIs.

b. Interservice/Intraservice agreements. Several service agencies have established purchasing/price agreements with commercial sources. All NAFIs are authorized to participate in the various purchasing and price agreements established by the Navy Exchange Command (NEXCOM), Air Force Nonappropriated Fund Purchasing Office (AFNAFPO), the Army Community and Family Support Center (USACFSC) and the Defense Personnel Support Center (DPSC).

c. Federal Supply Schedules (FSS) list contracts with commercial firms for common supplies and services. Copies of the FSS are distributed by the General Services Administration (GSA).

d. General Services Administration Stock Program stocks a wide range of national stock number (NSN) items which can be requisitioned from GSA catalogs.

e. Federal Prison Industries, Inc. (UNICOR). Copies of the schedule are published by UNICOR.

f. Workshops for the Blind and Workshops of Other Severely Handicapped Persons. The procurement list is published by GSA.

8. Nonappropriated Fund Solicitation and Competition. Offers or quotations should be solicited from a sufficient number of sources to ensure adequate competition. Normally, solicitation may be limited to three suppliers. Fund Administrators may set monetary thresholds requiring the solicitation of bids. Reference (j) sets forth the minimum thresholds requiring solicitation:

a. Less than \$2,500. Nonrecurring purchases may be accomplished without competition when the Fund Administrator determines that prices are fair and reasonable.

b. Between \$2,500 and \$10,000. Procurement shall be preceded by competition amongst qualified suppliers. Informal, oral or written solicitation is acceptable.

c. Between \$10,000 and \$25,000. Purchases in this category must be accomplished by written solicitation. A "Request for Quotations" (SF-18) may be used for such purposes.

d. Over \$25,000. Formal competition procedures are required per reference (j).

e. Competition. Although reference (j) waives the requirements for competition for purchases valued at less than \$2,500, procurement personnel should use care to ensure that the ship's recreation funds are wisely spent.

9. Contracts and Contracting. The term "contract" refers to all types of agreements for the procurement, sale, or disposition of merchandise, supplies, services or equipment. The term "contracting" encompasses purchasing, renting, leasing or otherwise obtaining supplies or services. NAVCOMPT 2213, Purchase Order, is one example of a simple contract. Reference (1) provides a sample contract for holding private functions in Navy clubs as well as for obtaining catering services. One of the most common contracts negotiated by a ship's recreation fund is for the publication of a cruise book. Standard contracts developed by the Department of the Navy are favored over those that have been developed and offered by a contractor. Prudence dictates that any contracts originating outside of the Department of the Navy should be reviewed by a member of the Staff Judge Advocate Corps. Use of vendor contract forms is prohibited.

10. Use of Purchase Orders for Nonappropriated Fund Procurement. NAVCOMPT 2213, Purchase Order, is the primary document used by the DON for nonappropriated fund procurement. DD Form 1155, Order for Supplies and Services, is used by the DOD for procurement using both appropriated and non-appropriated funds. Sequentially prenumbered purchase orders will be issued for all purchases made from commercial sources except for those purchases paid from the petty cash fund. For convenience, a locally generated purchase order log may be used to list sequentially numbered purchase orders.

11. Nonappropriated Fund Property Classifications. Reference (b) classifies property with regard to depreciation and the accrual basis of accounting while ships' recreation funds operate under the cash basis of accounting. Therefore, differences exist between the accounting systems with regard to property classifications that follow:

a. Nonexpendable Property is that which ordinarily retains its original identity during its period of use, is not fully consumed in normal use, has a unit acquisition value of \$1000 or more, and a life expectancy of more than two years.

b. Expendable Property consists of any property with a life expectancy of less than two years, is acquired by purchase, gift, or transfer, and has a unit acquisition value of less than \$1000. Supplies and materials which are immediately consumed in use or become incorporated in other property thus losing their separate identities are also classified as expendable property.

c. Resale Merchandise is any property that is obtained specifically for the purpose of being sold to generate revenue. Ships supported by authorized resale will stock resale merchandise.

12. Nonappropriated Fund Property Identification Numbers And Tags. Each nonexpendable item will be given an identification number which shall be permanently affixed with a tag or by some other method in order to identify the property. Expendable property having a unit value of \$300.00 or more will be assigned an identification number and tagged accordingly. Expendable property less than \$300.00, pilferable equipment, and resale merchandise will be controlled through internal control procedures and other appropriate safeguards to insure proper accountability.

13. Nonappropriated Fund Recreation Property Forms and Records. The diversity of ship's recreation programs makes it impractical to prescribe internal records to meet the unique requirements of individual commands. Commercial type forms and records may be procured or devised locally.

a. Property Records. Each item of nonexpendable property and all expendable property having a unit value of \$300 or more will be recorded on property records. Only one item will be recorded on each property record and the document will include a complete description of the item. The NAVCOMPT Form 742-1, Property and Depreciation Record, may be used as a property record although locally developed forms can be used.

b. Property and Equipment Inventory Record. This is a locally prepared document which lists all nonexpendable equipment and those items of expendable property which have a unit value of \$300 or more. List nonexpendable property separate from that of expendable property with a unit value of \$300 or more. It is used for control purposes and reflects the running dollar balance of the items. Property records must be reconciled against the property and equipment inventory record at the end of each fiscal year and as part of the

relief of the Fund Custodian. The total value of the nonexpendable property will be reported on the annual NAVPERS 7010/2, Recreation Fund Financial Statement.

c. Stock Records. NAVCOMPT Form 742-1, Stock Record cards, are used to record resale merchandise, expendable property and non-expendable property over \$300. The form is designed to record like (i.e., identical) items of merchandise and supplies. The stock record should show a complete description of the merchandise and all pertinent information regarding its receipt and issue.

d. Property Receipts. These forms facilitate control of NAF property and protect against loss.

(1) Custody Record. The custodian will maintain a file of signed NAVCOMPT 745, Custody Records, obtained from individuals charged with the accountability of property issued for an indefinite period.

(2) Custody Receipt. Many commands check out recreation property to their crew members at no charge. A signed NAVCOMPT Form 744, Custody Receipt, will be obtained from each individual borrowing property for which there is no associated fee or charge. This receipt will be returned to the individual when the property is returned.

(3) Rental Receipt. Commands may assess fees or charges for the use of ship's recreation property. In such cases, prenumbered sales vouchers for rental equipment should be used. The customer's voucher will be annotated when the property is returned.

e. NAVCOMPT Form 2212, Certificate of Disposition. Used to document the disposal of expendable and nonexpendable nonappropriated fund property.

14. Nonappropriated Fund Recreation Property Inventories

a. Frequency. Nonexpendable property and those items of expendable property which have a unit value of \$300 or more will be inventoried at the end of the fiscal year. Resale merchandise will be inventoried monthly. Expendable inventories will be conducted during the semi-annual internal audit and upon relief of the individual responsible for recreation property or resale merchandise.

b. Chapter five of reference (b) outlines procedures for taking a physical inventory. The NAVCOMPT Form 2215, Inventory Record, is used to record inventories. Locally developed or procured forms may be substituted as an inventory sheet, provided the information shown is equivalent to the information requirements of the NAVCOMPT Form 2215.

c. A physical inventory of nonexpendable property and those items of expendable property which have a unit value of \$300 or more is used to verify the accuracy of the Property and Equipment Inventory Record. Stock records and property records should be reconciled against the Property and Equipment Inventory Record at the time of the physical inventory.

d. Resale merchandise. Reference (b) identifies two inventory systems (periodic and perpetual) and two inventory valuation methods (weighted average and FIFO). Most afloat commands will find the periodic system and the FIFO evaluation method best suited to their needs.

e. All inventory variances will be investigated to the satisfaction of the commanding officer and accounting adjustments will be made in a timely manner.

15. Disposition of Unserviceable Nonappropriated Fund Property. Chapter five of reference (b) and various elements in the chain of command (such as TYCOMS) provide guidance on the disposition of unserviceable NAF property.

a. In no instance shall unserviceable nonappropriated fund property be donated to any individual or civilian organization.

b. In effecting the disposal of unserviceable NAF vehicles, the provisions of Appendix A to Enclosure (3) shall apply.

c. Nonexpendable property (and those items of expendable property which have a unit value of \$300 or more) which have become unserviceable shall be transferred to the local Defense Reutilization and Marketing Office (DRMO) via the ship's Supply Department. Proceeds from property sold under its original identity (e.g., an unserviceable multi-station gym) will be returned to the ship's recreation fund. Proceeds from the sale of unserviceable NAF property which has been downgraded to scrap or recyclable material will not be returned to the ship's recreation fund.

d. A NAVCOMPT 2212, Certificate of Disposition, shall be used to document the disposition of unserviceable expendable and nonexpendable property and will serve as authenticating documentation for adjusting NAF property records.

16. Disposition of Excess Nonappropriated Fund Property. Chapter five of reference (b) and various elements in the chain of command (such as TYCOMS) provide guidance on the disposition of excess NAF property.

a. In no instance shall excess nonappropriated fund property be donated to any individual or civilian organization.

b. In effecting the disposition of excess NAF vehicles, the provisions of Appendix A to Enclosure (3) shall apply.

c. Excess property purchased with nonappropriated funds may be used as a trade in on a similar item.

d. With the exception of motor vehicles, excess NAF property may be transferred to other ship's recreation funds or NAFIs within the immediate area. Such transfer should be made without reimbursement, unless prior approval is obtained from BUPERS. In the event such transfer is not warranted, the excess property should be reported to the cognizant fleet commander via the chain of command for redistribution as may be directed within the command.

e. In cases where the transfer or trade in of excess NAF property is impractical then the property can be transferred to the nearest DRMO. This property will be sold to interested individuals through a sealed bid procedure. Proceeds from the sale of the property will be returned to the ship's recreation fund.

f. If the transfer of equipment to DRMO is not practical, the Fund Administrator may authorize the sale of such property on board ship following sealed bid procedures.

g. DD 1149, Requisition and Invoice/Shipping Document, shall be used to document the transfer of excess expendable and nonexpendable property and will serve as authenticating documentation for adjusting NAF property records.

17. Use of Appropriated Funds in Procuring Recreation Material. In general, standard allowance lists have not been established for recreation material aboard ships. The Fleet Recreation section of BUPERS (Pers-651G) can provide guidance for recreation equipment procurement. It is the responsibility of the commanding officer to procure such authorized material as he/she considers necessary or desirable for the health and welfare of the personnel attached to his/her command. Per reference (f), recreational equipment, supplies and services normally will be charged to the ships OPTAR except as otherwise provided in references (a) and (m). Policy for appropriated fund procurement are contained in reference (n).

18. Appropriated Fund Property Classification. Recreation property and material requisitioned from the Navy Supply System will be received and processed as "Direct Turnover Material" (DTO) per reference (m). DTO refers to any item ordered from sources external to the ship for direct turnover to the cognizant activity. DTO material is classified as either "controlled equipage" or "other DTO materials". The term "controlled equipage" refers to those items of equipage which require special management control because the material is relatively valuable and easily convertible to personal use. Those items which might be used in the ship's recreation program include cameras (all types), microcomputers, life preservers, printers, recorders, typewriters, and stop watches. Commanding officers or type commanders may designate as controlled equipage other additional items which they deem necessary to be so controlled.

19. Appropriated Fund Recreation Property Records

a. Upon receipt, recreation property or material classified as "other" DTO materials will be turned over to the custody of the commanding officer or his designated representative. The supply officer will not retain custody of these items nor will they maintain custody cards.

b. Recreation items designated as "controlled equipage" will be recorded on a NAVSUP Form 306, Controlled Equipage Custody Record.

20. Appropriated Fund Recreation Property Inventories. Appropriated fund recreation property classified as controlled equipage will be inventoried annually during the period 15 February through 15 March. Other inventories, which must be completed within thirty days after the commencement date, are required:

- a. Upon commissioning, inactivation, or reactivation of the ship.
- b. Upon relief of the recreation fund property custodian.
- c. Upon change of command, at the discretion of the relieving commanding officer.

21. Appropriated Fund Recreation Property Disposition. Appropriated fund recreation equipment classified as controlled equipage which is excess to the needs of the command or has become unserviceable shall be transferred to the ship's Supply Department for proper disposition.

22. Appropriated Fund Recreation Property Procurement, Government Sources of Supply. Per reference (n), all items procured using appropriated funds should first be filled using government sources of supply. Open purchases can be made only when the requirements cannot be filled by government supply sources. Sources listed below are in descending order of priority:

- a. Defense/Federal Supply Systems for material assigned a National Stock Number (NSN). The ship's storekeepers can provide assistance identifying/procuring supplies and equipment for the recreation program. NSN property is listed in the Federal Logistics Database (FEDLOG) which is on CD-ROM or on microfiche such as the Management List Navy (ML-N), the Management List Consolidated (ML-C) and the Master Cross Reference List (MCRL).

- b. Excess property from other agencies. The Defense Reutilization Marketing Service (DRMS) processes and transfers excess property for the Department of Defense; the General Services Administration (GSA) processes and transfers excess property for the federal government.

- c. General Services Administration (GSA) Federal Supply Schedules (FSS) which provide a simplified process for obtaining commonly used supplies and services. GSA publishes over two hundred federal supply schedules which are listed in the Master GSA Index.

23. Management of Recreation Fund Firearms. Firearms, where procured and owned by the recreation fund, should be custodied to the Armory. Disposal of firearms is coordinated through the supply officer per

BUPERSINST 1710.16
28 OCT 1993

reference (m). Further information can be obtained by calling the Navy Small Arms Registry Office at Naval Weapons Center, Crane.

24. Appropriated Fund Recreation Property Procurement, Non-NSN Items

a. Equipment and supplies over \$ 25,000 must be procured through a shore based Navy Supply Center (NSC) or Navy Regional Contracting Center (NRCC). Non NSN Equipment less than \$ 25,000 must be procured through a shore based Pierside Purchasing Office or a Navy Supply Center. Under extraordinary circumstances, non NSN items may be procured using open purchase procedures. The term "open purchase" means the purchase of supplies and non-personal services from commercial sources using DD Form 1155 or cash from the ship's imprest fund.

b. Purchase Description. A purchase description is the most common method of describing small purchase requirements. An adequate purchase description should set forth the essential physical and functional characteristics of the supplies or services required. It should not be unduly restrictive and shall not specify a product peculiar to one manufacturer. A purchase description should include the characteristics necessary to describe minimum requirements.

c. Brand names. Generally, the minimum acceptable competitive purchase description is the identification of a requirement by use of a brand name followed by the words "or equal". Brand name or equal purchase descriptions must also set forth those salient physical, functional, or other characteristics of the brand name product which are essential to the command's needs.

25. Forms Used in Appropriated Fund Procurement

a. NAVSUP Form 1250-1, Single Line Item Consumption Requisition Document. This requisition is used by all submarines and non-automated ships to obtain NSN items.

b. NAVSUP Form 1250-2, Non-NSN Requisition.

c. DD Form 1348-6, DOD Single Line Item Requisition Document.

28 OCT 1993

26. Special Circumstances Regarding Recreation Property. If the original cost of an item is not known, an estimated value will be assigned. In determining the estimated value, reference should be made to manufacturers price lists, cost of similar items and such other sources of information as may be available. When the source of funds for the original procurement of property cannot be determined, it will be considered to have been purchased with appropriated funds.

MWR VEHICLE ADMINISTRATION

Morale, Welfare, and Recreation (MWR) rental special purpose recreation vehicles referred to in this section are those vehicles obtained with nonappropriated recreation funds or obtained from surplus sources.

1. Definitions

a. Official recreation business implies travel and transportation for authorized recreation purposes.

b. MWR vehicle is a self-propelled motor vehicle suitable for use on the highway and used for the movement of supplies, equipment, and personnel in connection with official recreation business. Examples are trucks of all types, automobiles, buses, and motorized campers. Fleet Recreation Coordinator (FRC) vehicles are also considered MWR vehicles.

c. Rental vehicle is a self-propelled motor vehicle suitable for use on the highway which is loaned to a person for other than official recreation business. Excluded are buses, trailers, camper vehicles, and other vehicles loaned, with or without charge, for uses such as tours, fishing, and camping when these functions are in support of approved recreation programs.

d. Special purpose recreation vehicle is a vehicle not otherwise classified above. Included are vehicles which have been modified for specific purposes that would prohibit them from being utilized for any other purpose, e.g., wreckers, golf ball pick-up, golf carts, tractors, riding mowers, cement mixers, snowmobiles, go-karts, power cycles, loaders, graders, forklifts, cranes, welders, aerators, and similar types of equipment. Trailers suitable for use in conjunction with automobiles are also considered special purpose vehicles. Included are trailers for camping, boats, utility, horses, etc.

2. Policy

a. MWR may be permitted free use of Navy owned vehicles for official recreation business when approved by the commanding officer. Bus service in support of authorized welfare and morale programs may be provided when such transportation can be made available without

BUPERSINST 1710.16
28 OCT 19930

detriment to the mission of the activity when funds are available. This service may be provided on a non-reimbursable basis for the following purposes:

- (1) Transportation of athletic teams composed of all military personnel who officially represent an activity.
- (2) Movement of personnel (including entertainers and guests), supplies, and equipment essential to recreation programs.
- (3) Recreation tours and trips when fees are not levied upon the passengers (except fees made to cover the cost of the driver when not available from base transportation) and when approved by the installation/ship commanding officer.

b. Ships, staffs and other commands, squadrons, units, or detachments of the operating forces of the Navy that leave recreation vehicles behind during periods at sea will turn control of the vehicles over to the nearest MWR activity ashore for custody and use during the period they are away from their homeport.

c. "Extravagant" vehicles will not be procured or financed by nonappropriated funds.

d. The use of recreation vehicles for the following is prohibited:

- (1) When appropriated fund vehicles are adequate and/or economical commercial transportation is available and convenient.
- (2) Transportation between domicile and place of employment.
- (3) Transportation for private business or personal engagements of military personnel, members of their families, or others.
- (4) Transportation for official Navy business not associated with recreation programs.
- (5) Any purpose that could be construed as being competitive with private enterprise.

e. A complete and up-to-date inventory of all nonappropriated fund vehicles will be maintained by BUPERS (Pers-65).

f. The anticipated life expectancy for new MWR vehicles is established as 6 years or 72,000 miles.

g. Rental vehicle programs under the operation of MWR are not permitted and should normally be operated as a function of the ashore Navy Exchange.

h. For ships with special purpose vehicles, the following applies to programs involving the support of fishing and/or camping programs:

(1) Where local laws permit, consideration should be given to providing portable trailer hitches to accommodate those persons whose automobiles are not equipped for trailer pulling.

(2) Usage by groups should be encouraged.

(3) Usage of the vehicle shall be restricted to a 4 day period.

(4) A user fee sufficient to preclude subsidization of the program by the Recreation Fund should be charged.

3. Procurement and Disposal

a. MWR and rental vehicles

(1) MWR/rental vehicles are either procured locally from commercial sources or obtained from surplus sources by the requesting activity.

(2) To order vehicles, activities shall submit requests for vehicle purchase to their appropriate Fleet Commanders (except vehicles for FRC's). Mileage and Navy registration numbers of vehicle(s) to be replaced shall be included in the request for replacement vehicles. Requests for FRC vehicles should be directed to BUPERS (Pers-65).

(3) The procurement of vehicles by prudent selection from surplus sources is encouraged and does not require formal approval from the appropriate Fleet Commander provided other provisions of this

instruction are met. The procurement of sedan type vehicles is discouraged due to the limited uses that can be made of this type vehicle.

(4) The approval of the appropriate Fleet Commander is required prior to leasing a vehicle. The request should contain as a minimum the following:

- (a) Period of lease.
- (b) Cost.
- (c) Type of vehicle to be leased.
- (d) Reasons why the leased vehicle is required.

(e) Cost analysis of lease versus purchase, including estimated operation/maintenance costs. This provision does not apply to the short term rental (i.e., 3 months or less) of a vehicle to accomplish a specific purpose. For example, rental of bus to transport groups or rental of a specific type truck for movement of equipment or supplies.

(5) In no instance will nonappropriated fund owned vehicles be given or sold to any individual or non-naval organization without prior and specific approval of BUPERS (Pers-65).

(6) Vehicles obtained from surplus sources at no cost remain government owned property, regardless of any nonappropriated funds expended to repair the vehicle. When no longer required, these vehicles will be turned in to the nearest DRMO with a statement that it was obtained from appropriated fund sources and that no part of the proceeds from the sale or other disposition will be retained by the nonappropriated fund activity.

(7) Since nonappropriated fund vehicles are not provided with a state title, SF 97, U. S. Government Certification of Release of a Motor Vehicle, should be provided to the purchaser. This form will enable the purchaser to apply for state title and tags.

b. Special Purpose Recreation Vehicles. Purchase of special purpose vehicles (less wreckers) do not require formal approval from the appropriate Fleet Commanders.

4. Administration, Operation and Maintenance

a. The administration and operation of all recreation vehicles is a command function and should normally be under the direct supervision of the recreation services officer.

b. Operators of all automotive vehicles will possess a current authenticated SF 46, Identification Card, following the instructions contained in NAVFAC P-300, Chapter 12, Management of Transportation Equipment.

c. Standards of maintenance, operation and safety of vehicles shall be according to NAVFAC P-300.

d. Recreation vehicles should normally be fueled and serviced using Public Works facilities.

5. Records. Records should be maintained in connection with the authorization, operation, utilization and maintenance of all recreation vehicles.

6. Registration and Licensing

a. Recreation services functions are exempt from the payment of state and local registration and license fees on vehicles, including trailers, operated beyond the limit of the Government reservation. However, the following regulations shall be observed:

(1) MWR, rental, and special purpose vehicles, owned or hired by recreation services and/or Recreation Funds, shall be assigned USN registration numbers in the 400,000 series.

(2) Boats owned and/or operated in support of recreation programs are not normally assigned USN registration numbers. They should be registered in the state in which they are principally used in accordance with the Federal Boat Safety Act of 1971. In those states that do not require the registration of U.S. Government boats (e.g. Florida) a request for a 400,000 series USN number may be directed to BUPERS (Pers-65).

(3) Requests for USN registration numbers for newly acquired vehicles (including special purpose vehicles) not previously registered shall be submitted to BUPERS (Pers-65) utilizing DD 1342, DOD Property Record. Letters of transmittal are not required.

(4) Requests for change of vehicle ownership (including special purpose vehicles) from one activity to another shall be submitted to the appropriate Fleet Commanders by letter. Upon approval, BUPERS (Pers-65) shall be notified of the transfer through the submittal of a DD 1342.

b. State license tags may be obtained and used only in those states where state or local laws provide that they shall be furnished to the United States or its instrumentalities without payment of the stipulated registration fee. When such a tag is displayed, it shall be in addition to the USN registration number.

c. DD 1342, DOD Property Record, shall be prepared. The following specific instructions apply:

Block 2 - The date entered shall be the date the vehicle was acquired.

Block 3 - Leave blank, unless registration number has previously been provided.

Block 6 - The acquisition cost entered shall be the actual amount the receiving recreation fund paid for the vehicle, including trade in amount if applicable. Zero acquisition cost shall be entered for surplus vehicles obtained at no cost to the recreation fund.

Block 8 - Completion mandatory.

Block 14 - Completion mandatory.

Block 17 - Completion mandatory.

Block 26 - Provide a complete description of the vehicle including type and size of vehicle, number of passengers, etc. For example:
Van, 1/2 ton, 12 passenger. Golf carts should indicate electric or gasoline

28 OCT 1993

propulsion. Camping trailers should indicate whether tent type or hardtop and number of sleeping spaces.

Block 28 - Indicate Recreation Services, the name of the activity and the geographic location.

Block 29 - Insert Unit Identification Code (UIC). Do not use UIC assigned to recreation services.

Block 54 - Insert USN registration number of the vehicle being replaced and the trade in amount received from the sale of the vehicle if applicable. If the vehicle was obtained from surplus sources, enter the registration number presently assigned to the vehicle and indicate previous ownership, i.e., Navy, Army, Post Office, etc.

d. The transfer of 400,000 series USN registration numbers from one vehicle (including special purpose) to another is prohibited.

e. When disposing of vehicles, notification shall be made to the BUPERS (Pers-65). Notification may be made by letter or completion of Section 4 of the DD 1342 and shall include date of disposal and disposition made of the vehicle (trade, sale, turned in to disposal, etc.). Failure to take prompt action to cancel vehicle registration numbers results in the vehicle(s) remaining in BUPERS "Active Vehicle Inventory" and the continued payment of insurance costs for the vehicle(s).

7. Identification

a. MWR, rental, and special purpose vehicles, owned by recreation services or hired by recreation services for ninety days or more shall be identified by painted registration numbers and a decal affixed according to paragraph e of this section.

b. MWR and rental vehicles procured from any sources shall be painted light blue, if available at no additional cost. Vehicles presently onboard that require repainting shall be painted light blue. A specific color for special purpose vehicles is not prescribed.

c. Decals will be provided by BUPERS (Pers-65) upon receipt of a DD 1342, DOD Property Record. The decal will identify the vehicles as the property of recreation services and, with the exception of the USN registration number, the painting of further identification markings (including activity/ship name) is prohibited.

d. USN registration numbers shall be painted in black gothic style and be from 1-1/2 to 2 inches in height.

e. Vehicles shall be marked as follows:

(1) On passenger cars, station wagons, carryalls, vans, trucks, and truck-tractors, decals shall be centered on each front door, and the six-digit USN registration number will be centered above each decal. On vehicles without doors the decals should be placed in a comparable position in relation to the driver's seat. The USN registration number, preceded by the letters "USN", shall be displayed on the rear of the vehicle and located in such a manner that the vehicle may be readily identified from the rear.

(2) On buses, the decal shall be applied on the panels just below the windows to the rear of the entrance on one side, and to the rear of the driver's compartment on the other side, with the six digit USN registration number will be centered above each decal. The USN registration number, preceded by the letters "USN", shall be displayed on the rear of the bus and located in such a manner that the bus may be readily identified from the rear.

(3) On special purpose vehicles, the decal(s) and USN registration number shall be affixed on the exterior where there are suitable surfaces. In general, the USN registration numbers shall be painted on the rear and sides and the decal(s) affixed in an area where it will be prominently displayed. On vehicles such as riding lawn mowers, motor scooters, etc., where a decal is not appropriate, the USN registration number should be preceded by the letters "USN".

f. Whenever a vehicle or trailer is disposed of, all vehicle identification will be removed completely.

8. Insurance

28 OCT 1993

a. Automobile insurance coverage includes a \$500 deductible.

b. To be eligible for coverage, vehicles shall be listed on the property record cards of the recreation service activity and registered following the procedures in paragraph 7.

c. BUPERS (Pers-65) Casualty Insurance Program provides all the coverage necessary for vehicles that are under the care, custody, and control of recreation service activities, both afloat and ashore. Coverage is not applicable to vehicles operated outside the cognizance of BUPERS controlled nonappropriated fund activities and for vehicles leased for 3 months or less.

PROGRAM GUIDELINES

1. Program Categories. DOD policy authorizes funding for well-rounded recreation programs which contribute to military effectiveness by promoting and maintaining the physical and mental well being of personnel. Such programs are funded by both appropriated and nonappropriated funds. Recreational programs consist of activities that are either essential to the accomplishment of the military mission or are desirable from a command standpoint. Program activities are classified as either category "A" (mission sustaining), category "B" (basic Community Support Activities) or category "C" (business activities).

a. Category "A" activities. These programs are considered mission sustaining activities in which the command is a primary beneficiary. Category "A" activities are supported almost exclusively with appropriated funds, such as OPTAR. Fees are not usually charged for activities in this category. Examples of Category "A" activities include: gymnasiums, fitness centers, sports, and unit level programs and activities.

b. Category "B" activities. These programs contribute to the military mission but are capable of generating some revenue. They are not expected to sustain their operation solely as a result of that revenue. Appropriated fund support is authorized for a significant portion of the operating costs of these activities. Examples of Category "B" activities include: youth programs, recreational swimming pools, outdoor recreation programs, and ITT services.

c. Category "C" activities. These programs primarily benefit the individual and are similar to those which are operated by private enterprise in the civilian sector. These activities receive no appropriated fund support. Some Category "C" activities include: golf courses, military clubs, recreation equipment checkout, and large bowling centers.

2. Reimbursement of Ombudsman Expenses using Appropriated Funds. Per reference (o) reimbursement of ombudsman expenses is encouraged when working in an approved volunteer capacity. Items to be reimbursed are limited to child care at a rate not to exceed the local rate of the MWR Child Development Center; documented mileage at government POV rate; parking and tolls (receipts required); long distance telephone calls not covered by command telephone credit cards; and telephone answering machines.

3. Procurement of Awards using Nonappropriated Funds.

Nonappropriated funds may be used to procure awards as follows:

a. Recognition awards, incentive awards, rating badges, wing insignia, personal qualification devices, and similar items may be funded using Recreation Funds. The unit cost of these items may not exceed \$10 and a maximum of \$10 per occasion per person limit applies to any presentation.

b. "Sailor of the Month", "Sailor of the Quarter", and "Sailor of the Year" awards funded from Recreation Funds are authorized subject to an expense limit of \$50, \$100, and \$200, respectively. The awards cannot be cash and must be of a recreational nature e.g., MWR movie passes, MWR bowling passes, etc.

c. Awards for participating or excelling in recreation sponsored events are authorized from NAF i.e., trophies, jackets, shirts, etc.

4. Prohibited use of Appropriated Funds. Expenses originally paid using nonappropriated funds cannot be reimbursed with appropriated funds.

5. Prohibited uses of Nonappropriated Funds. The use of nonappropriated recreation funds is authorized for only those purposes related to the official recreation program. Recreation funds may not be expended for the following:

a. To support non-recreation activities, facilities or equipment or for groups not directly related to, or sponsored by, the ship's recreation program. This includes private organizations (e.g., wives clubs or little league), breakage, vandalism, or customs fees of property not owned by the recreation fund.

b. Receptions or expenses of similar functions incident to activation of a new command or the decommissioning of an established command.

c. Purchase of any recreation or rental vehicle without prior approval of the appropriate Fleet Commander.

d. Leasing of equipment, grounds, or facilities, for more than two weeks, unless prior approval is obtained from the ISIC and BUPERS (Pers-65).

e. For payments to military personnel for services rendered as an individual or as a member of a team, including officers in charge and members of their staffs, participating in authorized recreation events. This does not preclude payment of travel expenses in connection with such participation at a rate not to exceed the cost of transportation and per diem allowances as established for the Navy Sports Program. Fees may be paid to military personnel who are members in good standing of a recognized sanctioned officials' organization acting as officials at authorized athletic events provided payments do not exceed the standard rate for the sport and the area. In addition, commissioned or warrant officers officially assigned duties within the recreation program may not receive compensation for officiating any event within the program.

f. Cash donations or expenditures on behalf of any charitable organization, fraternal group, or private organization e.g., Little League, Scouting groups or in support of the Adopt-a-School program.

g. Payment to officers for work performed on recreation matters, except as authorized under article 5e. Consistent with the requirements of the Dual Compensation Act, commissioned or warrant officers may not receive compensation from the Recreation Fund. Payment to officers for work performed as officials at authorized athletic events must be made by a recognized sanctioned official's organization.

h. Payment to enlisted personnel for work performed on recreation matters unless the following conditions are met:

(1) The work is in addition to their regular assignment and is performed during off-duty hours.

(2) The work is voluntary.

(3) Employment, by reason of hours or nature of the work, does not interfere with the proper and efficient performance of their military duties.

i. To construct, alter, or renovate any facility or for procurement of any item of equipment not used primarily as an integral part of the recreation program except for the enhancement of lounge areas for E-1 to E-6 personnel. A maximum of 5 percent of Ship Store

profit distribution may be used for this purpose. The commanding officer's decision to enhance such E-1 to E-6 lounge areas will be based upon the Recreation Advisory Boards recommendation.

j. The sponsorship (or purchase of equipment) for activities deemed hazardous as addressed in reference (p).

k. Support of religious programs.

l. Payment of instructors or tuition or purchases of books for off-duty military education programs.

m. Support of activities and programs that benefit only a few, such as crash kits, welcome aboard gifts, farewell gifts, retirement gifts, donations to wives clubs or purchase of flowers.

n. Grants or loans to other Recreation Funds or clubs and messes except as specifically authorized herein or by fleet commanders.

o. Subsidization of car rental programs for personal or official use. This does not preclude the rental, from Navy or outside sources, of buses, vans, etc., for recreation services sponsored programs.

p. Support of functions which are held primarily to accomplish public affairs objectives, i.e., social events to which civilians are invited or recreation events scheduled for public relations purposes only.

q. The purchase or repair of pinball, electronic and laser amusement machines or their equivalent operated by the Ship's Store.

r. To fund dependent air charter programs. Personnel participating in such programs must bear all costs of air travel.

s. To purchase or provide health and comfort or personal clothing items.

t. To subsidize shipboard recycling programs.

u. To defray general and administrative expense, e.g., equipment and supplies, associated with support of Navy general libraries. Local activity NAF support of libraries is limited to the procurement of library materials, print and non-print.

6. Cruise Books. The following guidelines apply to the development of cruise books/yearbooks.

a. Follow formal procurement procedures concerning written contracts and competitive bidding, as specified in reference (j).

b. Contact the nearest Judge Advocate General or local contracting officer to assist in contract execution and review to ensure that both parties understand and accept their contractual obligations.

c. Thoroughly proofread the cruise book/yearbook prior to publishing.

d. Complete all necessary logistic arrangements, (e.g., boarding of ship by photographer) prior to deployment.

e. Meet established deadlines.

f. Maintain detailed records showing income and expenses.

7. Copyrighted Sound and Video Recordings

a. Per reference (q), Navy policy does not condone, facilitate, or permit unlicensed public performance or unlawful reproduction for private or personal use of copyrighted sound or video recordings, using government APF or NAF owned or leased equipment or facilities. The Navy recognizes the rights of copyright owners by establishing specific guidelines for the use of copyrighted works.

b. Within the Department of the Navy, displays or performances on board ship are not considered "public" provided the performances or displays are made without any purpose of direct or indirect commercial advantage and without charge to the recipients.

c. The reproduction of copyrighted sound and video recordings on Navy installations using government or nonappropriated fund owned equipment is prohibited.

8. Satellite and Cable Television Reception

a. Cable TV policy is established by the Navy Broadcasting Services (NBS). Shore commands interested in cable TV should follow

normal competitive bid procedures to grant a cable operator a franchise. The use of government funds for installation of service is prohibited. Per reference (q), NBS establishes policy for cable TV and must be involved in franchise agreement review and approval. NBS provides consultation services to commanding officers who have decided to bring commercial cable TV to their Navy communities. NAF must be used to pay connection fees and service charges in recreation facilities.

b. Satellite reception is an increasingly complex issue. NBS is the authority and focal point in the Navy for satellite reception policy (dishes, earth stations). Currently, only homeowners can receive satellite signals into their homes without entering into a licensing agreement with copyright owners. A Morale, Welfare and Recreation activity cannot establish an earth station/satellite dish system without establishing program provider service agreements. To do otherwise is signal piracy and copyright infringement which is punishable under the Cable Communications Policy Act of 1984. Commands should consult with NBS to receive satellite services and negotiate agreements.

9. Amusement Game Machines. Amusement game machines placed on afloat units shall be procured, controlled and operated as prescribed by reference (a) and applicable force/fleet command directives. Typically, the ship's store officer manages amusement game machines.

10. Policies Regarding Special Expenditures on Behalf of Participating Units. The primary purpose of the ship's recreation fund is to provide shipboard recreation programs that benefit the crew as a whole. Programs with the most participation should receive the most emphasis. Funds will be allocated for the scheduled replacement of recreation equipment and for providing basic shipboard recreation programs. When the needs of the ship's recreation program have been met, Fund Administrators may allocate special expenditures supporting participating units within the command. The term "participating units" encompasses subdivisions of the ship's company (such as a division or a department), mobile units, aviation squadrons and embarked units. Special expenditures for activities or events which would benefit participating units may be recommended to the Fund Administrator by the Recreation Committee, Council, or Board based on the availability of funds within previously approved budget levels. Care should be exercised to ensure that a disproportionate share of recreation fund monies is not spent solely for the support of divisional parties and picnics.

a. The various fleet commanders, type commanders and Marine Corps commanders address the support of embarked commands. Mobile units, aircraft squadrons and embarked staffs may be categorized as participating units. Reference (a) states that such units are eligible for such support only for the period in which they are participating members of the recreation fund. No unit may participate in more than one recreation fund at any given time.

b. Purchase orders will be used to procure goods and services on behalf of participating units. Petty cash may be used to reimburse authorized expenses approved in advance by the Fund Administrator. Advance payments on behalf of participating units are not authorized.

c. Fund administrators may permit funds allocated to participating units to accrue during each fiscal year. Ordinarily, unexpended balances of such accrued allocations cannot be carried over to succeeding fiscal years. However, Fund Administrators may allow participating units to carry over accrued funds in view of operational commitments which preclude the pursuit of leisure activities.

d. Cognizant fleet commanders, type commanders, and Marine Corps commanders may authorize the transfer of unused allocations in the case of disembarking mobile units, aircraft squadrons and embarked staffs. In these cases, the amount of funds to be transferred will not exceed the rate of \$1.50 per person per quarter.

INDEX

A

Afloat Recreation Specialist	
Enclosure (1)	4
Amusement Game Machines	
Enclosure (4)	6
Appropriated Funds	
Enclosure (2)	2
Athletics Officer	
Enclosure (1)	4
Audit Board	
Enclosure (1)	6
Awards	
Enclosure (4)	2

B

BUPERS Commissioning Grants	
Enclosure (2)	4
BUPERS Equipment Program	
Enclosure (2)	5
BUPERS Precommissioning Grants	
Enclosure (2)	4
BUPERS Shipyard Grants	
Enclosure (2)	5

C

Centralized Banking System	
Enclosure (2)	8
Commercial Sponsorship	
Enclosure (2)	6
Contract Review Board	
Enclosure (1)	6
Cruise Books	
Enclosure (4)	5

E

Embarked Commands	
Enclosure (4)	7
Expendable Property	
Enclosure (3)	6

F

Fleet Recreation Coordinator	
Enclosure (1)	2
Fund Administrator	
Enclosure (1)	1
Fund Custodian	
Enclosure (1)	3
Funding Sources	
Enclosure (2)	3

I

Inspections	
Enclosure (1)	1
Internal Controls	
Enclosure (3)	2

L

Local MWR Departments	
Enclosure (1)	8

N

Navy Sports Program	
Enclosure (1)	9
Nonappropriated Fund Instrumentality	
Enclosure (2)	2
Nonappropriated Funds	
Enclosure (2)	2
Nonexpendable Property	
Enclosure (3)	5

O

Ombudsman Expenses	
Enclosure (4)	1

P

Petty Cash Fund	
Enclosure (2)	9
Port Directory	
Enclosure (1)	8

Private Organizations
 Enclosure (1) 7
Prompt Payment Act
 Enclosure (2) 11

R

Recreation Board
 Enclosure (1) 6
Recreation Committee
 Enclosure (1) 5
Recreation Council
 Enclosure (1) 5
Recreation Fund
 Enclosure (9) 2
Recreation Fund Firearms
 Enclosure (3) 11
Recreation Services Officer
 Enclosure (1) 2
Resale Operation
 Enclosure (2) 2

S

Satellite and Cable Television
 Enclosure (4) 5
Ships Construction, Navy
 Enclosure (2) 5
Special Interest Groups
 Enclosure (1) 7
Standards of Conduct
 Enclosure (3) 1
Successor in Interest
 Enclosure (2) 8

T

Taxes
 Enclosure (2) 6
Training
 Enclosure (1) 2

BUPERSINST 1710.16
28 OCT 1993

U

Unit Allocations	
Enclosure (2)	5