Chapter 12
Property Management (MWR/NAF)

Section I
Separate Recordkeeping

12–1. APF and NAF property

Government property may not be commingled on NAFI property or financial accounting or reporting records, except as provided for in this chapter and DOD 7000.14–R, volume 13.

a. APF property is managed at the installation level by the installation property or supply office.

b. NAF property is managed at the fund level by the DCA or equivalent designated element which also designates hand receipt holders for APF property issued to NAFIs.

Section II
APF Property

12–2. APF guidelines

a. In addition to APF authorizations specified in appendix D, authorization sources for APF property are—

(1) Tables of Organization and Equipment (TOEs) and Modification Tables of Organization and Equipment (MTOEs) which prescribe personnel and equipment authorizations for like military units.

(2) Tables of Distribution and Allowances (TDAs) which prescribe personnel and equipment authorizations for specific missions for which there is no appropriate TOE or MTOE.

(3) Joint Tables of Allowances (JTAs) which prescribe equipment authorizations for activities operated jointly by two or more military Services.

(4) Common Tables of Allowances (CTAs) which supplement TOEs, MTOEs, TDAs, and JTAs by authorizing material items required for common use by individuals or units. CTAs that relate directly to MWR activities are—

(a) CTA 50–909 which includes line item authorizations for MWR furnishings, fixtures, and equipment (FF&E).

(b) CTA 50–970 which identifies authorized expendables and other support items.

b. Other guidance on APF property management is found in the following sources:

(1) AR 71–13 prescribes policy on establishing Government requirements and obtaining equipment authorizations and describes selected types of equipment to support eligible MWR activities.

(2) AR 710–2 addresses supply responsibilities, installation procedures, and accountability and management responsibilities for APF property issued to a using unit or stored for future issue; explains expendable and nonexpendable items and the hand-receipt property book and stock record systems.

(3) AR 735–5 addresses accountability and accounting for property that is lost, damaged, or destroyed.

(4) AR 735–17 addresses books, bound periodicals, recordings, films, art prints, video cassettes, computer software, slide sets, and similar property.

(5) AR 725–50 implements six DOD military standard systems for requisitioning and issuing supplies and equipment, including the DOD Activities Address Directory (DODAAD).

12–3. Issue and receipt of APF property

a. A Government supply activity may issue only the APF supply or equipment items authorized by an authorization document. APF property issued to NAFI fund managers or other designated responsible persons by hand receipt is carried on the installation property book. APF property may be loaned only by temporary hand receipt in accordance with AR 710–2. Equipment that is unserviceable or no longer needed is turned in to the APF supply activity.

b. APF property records are maintained as required by AR 710–2 or as directed by the installation supply officer.

c. Base-level commercial equipment (BCE) is any nonstandard commercial item valued at over $15,000 and procured with APFs. BCE must be authorized by a TDA or JTA and funded from the Other Procurement, Army appropriation. Use of BCE funds is therefore subject to all applicable APF procurement policies.

Section III
NAF Property

12–4. Controls

Controls for inventory and warehouse operations are in appendix G and DOD 7000.14–R, volume 13.

12–5. Issue and receipt of NAF property

NAF property is issued to individuals for either of the following:

a. Use of property for official functions related to MWR command supervision or operational support as defined in appendix D. Hand receipt holders may subhand receipt property to actual users as necessary. Further issue by the subhand receipt holder is not authorized. Acceptance of NAF property is indicated by signature on DA Form 2062 or issued by electronic media. DD Form 1150 (Request for Issue or Turn-in) or issued by electronic media is used for issue to activity or program level personnel.

b. Use of property by any eligible MWR patron for social or personal use consistent with the purpose of a MWR activity. NAF property is issued by a signed hand receipt, unless items are of nominal value and used only for short periods of time. Then items are issued by a signature roster or any other system that fixes responsibility. The fund manager or property manager retains original hand receipts; the person receiving and assuming responsibility for the property keeps the duplicates.

c. The accountable officer is accountable for all NAF property, whether issued or not. Responsibility transfers to the user when the issue document is signed and remains with the user until the property is returned.

12–6. NAFI acquisition and property records

Acquisition requirements are included in the NAF budgets. Budget approval constitutes authorization for purchases. All NAF property, including that donated or transferred from another NAFI, is carried on NAFI property records.

a. Purchase. Purchase of NAF property is governed by AR 215–4.

b. Transfer. Property received from another NAFI on a nonreimbursable basis is governed by this chapter and MACOM policy.

c. Donation. Gifts and donations received from private sources are governed by chapter 7 and accounted for at fair market value. Donated property may be sold, and the proceeds retained by the NAFI.

d. Equipment and buildings. NAF-procured equipment acquired in conjunction with new construction or facility renovation, except installed equipment, is NAF property accounted for on CAO records. Buildings acquired through NAF resources are reflected on NAF financial statements per DOD 7000.14–R, volume 13.

e. Surplus or excess APF property. Such property obtained from any Defense Reutilization and Marketing Office (DRMO), is considered loaned property and accounted for on memorandums of receipt, rather than added to NAFI property records. DRMO transactions require a DODAAC as explained in AR 725–50 and AR 735–5. Authorization on the CTA or TDA is not required. It is accounted for in the same manner as other APF property and returned to the servicing DRMO when no longer needed. The controlling NAFI will not sell APF property, nor will any proceeds gained from the use of APF property accrue to the NAFI.

f. Installed equipment. Permanently installed equipment purchased with NAFs (such as plumbing, wiring) that is considered a part of buildings or other structures is managed separately by the DPW and is not carried on NAF property records or hand receipted.

g. Property records. AFRC-Europe, Shades of Green, Hale Koa

Hotel, and Dragon Hill Lodge property records are maintained according to generally accepted hospitality industry standards as an exception to DFAS policies contained in DOD 7000.14–R, volume 13, chapter 4, paragraph A0404. Property records of all other MWR activities and other NAFIs are maintained in accordance with the above-cited DFAS regulation. This includes all fixed assets and expendable and nonexpendable items of sufficient value or sensitivity to warrant continual cognizance and control.

12–7. Nonavailability of APF property

a. If an item of APF property authorized by any source listed in paragraph 12–2 and appendix D is not reasonably available for use in an MWR activity, a similar or like item may be purchased as NAF property if the urgency of need and inability to issue are adequately documented. The fund manager must approve the request to purchase a like or similar item from a commercial source, based on the following:

(1) The installation supply office or other issuing authority must certify that the requested item will not be available by the date required.

(2) The activity manager must certify that the item is essential to the operation of the MWR activity, has been properly requisitioned, and procurement officers confirm the requisition cannot be filled by the date required.

(3) The request, and all supporting documentation, must be complete and verifiable for audit or inspection purposes.

(4) The CPMC budget must be revised as necessary to support the purchase.

b. Requisitions for authorized APF property must be submitted in a timely manner and within normal supply lead times. Requests for NAF purchase due solely to late submission of a requisition will not be approved.

12–8. NAFI property transferred to the Government

NAF property may be transferred to the Government only if the property item is listed on an appropriate APF authorization document or a request to add the item to an authorization document is approved. Property transferred to the Government will not be subsequently transferred back to the NAFI. Proceeds from the sale of transferred property do not accrue to the NAFI.

12–9. Loans of NAF property

NAF property may be loaned only to—

a. MWR patrons, while participating in MWR activities.

b. Other NAFIs for periods of 90 days or less. A requirement for a period in excess of 90 days is considered to constitute a continuing need and is the basis for a purchase.

12–10. NAF property management functions

a. NAFI fund managers serve as accountable officers for all NAF property. They ensure proper care, maintenance, and disposition, and supervise property managers or assistants, as applicable. If required, they serve as responsible property officers for APF property issued to the fund and comply with all applicable APF property regulations. NAFI fund managers—

(1) Ensure that property is adequately insured against loss, damage, or destruction per chapter 14.

(2) Receive or confirm receipt of purchased items through receiving reports, in accordance with terms of purchase.

(3) Comply with all inventory requirements and procedures in accordance with this chapter, appendix G, and DOD 7000.14–R, volume 13; establish fixed asset inventory numeric or alpha-numeric listing in coordination with the CAO; furnish inventory team members for other than independent teams; and ensure agreement between NAFI and CAO records and inventory results.

(4) Redistribute or dispose of excess NAF property in the most cost effective manner, per MACOM policy.

(5) Report losses and cooperate in or conduct necessary investigations described in chapter 13. Recommend relief of individuals from responsibility per appendix L when loss, damage, or destruction of property is not caused by neglect or misconduct.

b. Central accounting officers receive and process all NAFI property documents and maintain applicable records, including reconciling inventory counts to property records when inventory results are approved by the local commander. They also:

(1) Maintain NAF property records for the accountable fund manager, when requested.

(2) Use fixed asset records as the basis for general ledger fixed asset accounts and for determining depreciation expenses and schedules.

(3) Arrange independent physical inventories and follow-on adjustments to records.

(4) In coordination with the Services Division or equivalent, develop and maintain a NAF property identification numbering system which includes applicable inventory listings and the make, model, and serial numbers.

c. Activity managers reconcile property accounts upon assuming their positions and periodically thereafter, as directed by the accountable officer.

12–11. Receiving procedures

a. Property will be inspected for overages, shortages, damage, or other discrepancies. Discrepancies are noted on the receiving document, DD Form 250 (Material Inspection and Receiving Report), DA Form 4067–R (Order for Supplies or Services/Request for Quotations (NAFs)), or vendor's invoice (see AR 215–4). Signed documents are forwarded to the CAO for payment and inclusion in inventory records.

b. Items of NAFI property, as classified below, will be physically marked with a durable form of identification. Classifications are explained in DOD 7000.14–R, volume 13.

(1) Fixed assets.

(2) Nonexpendable items accounted for on NAF property records.

(3) All expendable items with a unit cost less than $1,000, which are considered sensitive or susceptible to pilferage.

c. Storage and property protection:

(1) Building entrances and exits are limited to manage the flow of employees and customers away from storage areas. Except for fire exits, all entrances and exits are monitored to ensure that no items leave the building without being properly issued.

(2) Anti-theft devices are purchased, installed, and used as recommended by the installation provost marshal.

(3) Proper temperatures are maintained in storage areas for perishable items. Appropriate monitoring or alarm systems are used.

(4) Firearms and ammunition are secured in accordance with AR 190–11.

12–12. NAF inventories

a. All NAF property is inventoried annually and upon change of fund manager or accountable officer.

b. Inventory procedures are specified in DOD 7000.14–R, volume 13, and appendix G.

12–13. NAF losses

a. For purposes of this regulation, the term "property loss" includes all NAF property that is lost, damaged, or destroyed by causes other than fair wear and tear. This may involve natural disasters, hostile action, mysterious disappearance, robbery, theft, or similar causes.

b. All fixed assets and other NAF property for which records are maintained should be insured against loss by the Army Central Insurance Fund (ACIF) described in chapter 14. The cost of insurance is considered a normal business expense for financial protection.

c. Accountability records:

(1) Property items or combinations of items valued in excess of $2,000 that have been lost, damaged, or destroyed for causes other than fair wear and tear are dropped from accountability records only after an investigation is conducted as prescribed in chapter 13.

(2) Minor operating losses require no investigation and inventory levels are adjusted as required; however, repeated losses of low-cost items are cause for a review of inventory controls and an investigation, if appropriate.

d. Property losses that involve individual pecuniary liability are investigated and any resulting claims processed per chapter 13.

12–14. Disposition of NAF property

a. Transfers within the Army.

(1) The preferred method of disposal of NAF personal property is the transfer of property to another NAFI within the same MACOM. If this method is not cost effective or for any number of other reasons, the responsible MACOM will decide on the proper method of disposal. Transfers between MACOMs will satisfy requirements of both the losing and gaining MACOM.

(2) Transfer of NAF personal property resulting from demobilization and redeployment are addressed in chapter 8.

b. Sales. All sales proceeds are returned to the NAFI conducting the sale or the successor fund if the NAFI is being disestablished.

(1) *Installation sales.*

(a) Serviceable NAF property not needed may be transferred or offered for sale to other Army NAFIs, or, with MACOM approval, sold to NAFIs operated by the other military Services.

(b) If other Army NAFIs cannot use the personal property or it is not advantageous to transfer or sell to other NAFIs, serviceable property may be sold at no lower than fair market value to authorized MWR patrons, the public, or civilian businesses or organizations, or the local community affected by BRAC actions.

(2) *Auction sales.* Installation auction sales are to the highest bidder. The fund manager prepares and authenticates a list of all property to be sold with space for recording the sale price if sold at an installation auction or the sale price, commission, and net proceeds if sold under consignment by a commercial auction service. The list is returned to the fund manager and the proceeds are deposited in the NAFI account, after which the CAO validates the listing and updates the fixed asset inventory.

c. Real property sales resulting from BRAC actions. Proceeds from NAF real property or facilities acquired, constructed, or improved with NAFs at BRAC locations will be deposited in a reserve Treasury BRAC account. The amount deposited will be equal to the depreciated value of the investment made with such funds in the acquisition, construction, or improvement of that particular real property or facility. The Secretary of Defense may use amounts in the account for acquiring, constructing, and improving NAFI real property and facilities.

d. Transfer or sale to other Military Services or U.S. Government Agencies. When control of an installation or organization is transferred from one military service to another or to another U.S. Government department or agency, the disposition of NAF assets or liabilities is determined by the MACOM through negotiation. These negotiations will assure a fair and equitable distribution of assets in consideration of current and foreseeable requirements of the affected installations or organizations.

e. BRAC installations. When an installation is closed due to BRAC, MWR NAF personal property is not offered to the Local Redevelopment Authority (LRA) in the same manner as APF property disposed of at BRAC installations. Because MWR NAF personal property belongs collectively to soldiers and is not considered APF Government property (as relates to BRAC actions), the BRAC-affected installation, in coordination with the parent MACOM, may decide on the disposition of NAF property through transfer or sale in accordance with the above policies. Every effort will be made to ensure that the LRA is aware of the difference between APF and NAF personal property. MWR APF personal property is subject to the normal BRAC rules on the disposition of property. More specific information on BRAC-related actions is contained in the MWR Guide to Army BRAC Installations, issued separately by USACFSC (CFSC–SP).

f. Trade-ins. New equipment may be purchased under conditions that allow trade-ins of used equipment when there are disposition advantages and price reductions on new equipment.

Section IV
Other dispositions

12–15. Recycling

a. Installation MWR programs will participate in a recycling program to the maximum extent practicable. All recyclables emanating from the MWR program are segregated and disposed of accordingly.

b. If authorized by the installation commander and there is a projected positive net return on investment of NAF resources to the IMWRF, the DCA or equivalent may operate some or all of the installation recycling program per AR 420–47 and other appropriate regulations and guidance. MWR recycling operations must work closely with the DPW/Director of Logistics (DOL) and DRMO.

c. For recycling programs designated by the commander as a Qualifying Recycling Program (QRP), proceeds from sales are deposited in the Installation Recycling Account (installation clearing account 21F3875.1111) or the IMWRF, as follows:

(1) Funds sufficient to cover the costs of operations, maintenance, and overhead for processing recyclable materials at the installation (including the cost of any equipment purchased for recycling purposes) are credited to the Operations and Maintenance account (OMA) at the installation.

(2) If a balance remains after expenses are paid, not more than 50 percent of the amount may be used at the installation for pollution abatement, energy conservation, and occupational safety and health projects. These funds may not be used for projects costing more than 50 percent of the amount established by law as the maximum amount for a minor construction project.

(3) The balance, up to 100 percent, of the Installation Recycling Account may be transferred to the IMWRF.

(4) When the Installation Recycling Account balance exceeds $2 million at the end of the fiscal year, the excess amount is turned over to the U.S. Treasury.

(5) The DCA, or equivalent, will obtain and monitor monthly reports of the installation recycling account balances and planned expenditures.

d. Funds generated from recycling, either through MWR operation or the Installation Recycling Account, are accounted for as outlined in appendix F, this regulation, and DOD 7000.14–R, volume 13. Changes in accounting codes are issued by USACFSC (CFSC–FM).

12–16. Precious metals

Materials containing recoverable precious metals are not disposed of through private commercial sources. All excess precious metals and salvageable items which contain recoverable precious metals, purchased with either APFs or NAFs, are turned in to and processed by the DRMO through the DOD Precious Metals Recovery Program. This includes silver-bearing hyposolutions discarded by arts and crafts photography labs. There is no payment to the IMWRF for sales of precious metal.

12–17. Auto skill unique items

Waste, motor oil, used auto parts, and similar items left by self-help patrons in automotive skills shops are considered donations to the IMWRF, as defined in chapter 7, and may be salvaged. Income from sales to commercial sources is used to support authorized NAF expenses of any MWR activity. For large, privately owned items such as drive trains and major auto body components, a statement signed by the owner will document transfer of ownership to the NAFI.

12–18. Firearms and ammunition

a. The sale or transfer of firearms or ammunition is subject to the provisions of chapter 8.

b. Turn-in of demilitarized firearms to the DRMO is subject to

the provisions of DOD 4160.21–M (Defense Reutilization and Marketing Manual).

12–19. Salvage

Items, whether serviceable or unserviceable, that are not disposed of through any of the methods described in paragraphs 12–14 through 12–18, including recycling, may be turned in to the DRMO for salvage, or may be disposed of as scrap under NAF contract.

a. For DRMO disposal, DD Form 1348 will accompany items turned in. Each document will include a statement that the item was procured with NAFs, applicable DODAAC number (AR 725–50 and AR 735–5), SNN of the NAFI per appendix F, item description, and book value.

(1) The DRMO will provide a copy of the document to the CAO, which relieves the fund manager or property officer of accountability and causes property record adjustment.

(2) Eighty percent of DRMO sale proceeds are rebated to the NAFI.

b. For items salvaged through commercial sources, rebates are based on the terms of the contract.

12–20. Calibration

Calibration of NAFI test, measurement, and diagnostic equipment (TMDE) is done free-of-charge at Government-owned or controlled calibration facilities. TMDE calibration requirements are coordinated in advance with the installation DOL.

Chapter 13
Management Controls, Audits, Inspections, and Investigations

13–1. Key management controls

a. Minimum essential key management controls for manager evaluation are outlined at appendix K, this regulation.

(1) A separate checklist to assist commanders through the BRAC process is distributed separately by USACFSC (CFSC–SP).

(2) A separate checklist for AFRCs is issued separately by USACFSC (CFSC–HS).

(3) A separate checklist for ARMP-owned and operated machines is issued separately by USACFSC (CFSC–HS).

(4) USACFSC manuals pertaining to the various in-house branded theme concepts (Primo's, Reggies Beverage Co., Mulligans) include checklists. Manuals are issued separately by USACFSC (CFSC–BP).

(5) Key management controls on NAF construction planning are contained in AR 415–19.

b. Evaluation of management controls includes a detailed, systemic, and comprehensive examination to determine whether controls are in place, being used as intended, and effective in achieving their purpose. Formal management control evaluations of key management controls must be conducted at least once every five years; however, controls for high risk areas may require more frequent evaluation.

c. Evaluations must be based on actual testing of these key management controls and must make a specific determination of their effectiveness. This evaluation must be supported by documentation that clearly indicates who conducted the evaluation and when, what methods were used to test the key controls, what management control deficiencies (if any) were detected, and what corrective actions were taken. Certification that an evaluation was conducted is documented on DA Form 11–2–R (Management Control Evaluation Certification Statement) published in AR 11–2 as a reproducible form, or can be issued by electronic media. A copy of DA Form 11–2–R is at the back of this publication for local reproduction.

13–2. Audits

a. This chapter implements DOD Instruction 7600.6 (Audit of Nonappropriated Fund Instrumentalities and Related Activities). Audits are performed by the installation internal review (IR) offices, U.S. Army Audit Agency (USAAA), or contracted certified public accountants (CPA). Jointly, USAAA and IR auditors perform audits of functional areas selected by the Joint USAAA/IR MWR Audit Planning Group.

b. USAAA audits are conducted in accordance with AR 36–5 and IR audits per AR 11–7. Procedures for conducting internal audits of DOD operations, systems, programs, and functions are in DOD 7600–7–M (Internal Audit Manual).

c. When contracting with a CPA firm, The Auditor General must approve the solicitation before its release and contract award. Contracts will include a provision to allow technical review by USAAA when deemed necessary.

d. Annual audits, which may be financial or compliance in nature, are conducted for—

(1) All NAFIs with annual revenues or expenses that exceed $5 million except those NAFIs consisting of groups of activities such as IMWRFs. The DOD Inspector General must give written approval for exceptions to the $5 million dollar threshold.

(2) NAFIs with operations deemed to be highly sensitive due to the potential for fraud, waste, abuse, or wide public exposure.

e. Performance audits are the preferred method of NAFI audit coverage.

f. Terminal audits must be performed for all NAFIs being disestablished.

g. The system and application of management controls are examined during a NAFI audit.

h. If evidence of a criminal offense, fraud, gross mismanagement, wrongdoing, or misconduct is detected, notification will be made to the installation provost marshal's office (PMO); and if applicable, a Serious Incident Report (SIR) will be submitted per AR 190–40 (Serious Incident Report). After a SIR is submitted, the commander may conduct an investigation to determine the cause and fix responsibility.

13–3. Inspections

Inspections are conducted per AR 20–1 (Inspector General Activities and Procedures).

13–4. Investigations

a. Investigations into NAFI losses are conducted per AR 15–6 (Procedure for Investigating Officers and Board of Officers Conducting Investigations) and initiated when—

(1) Prescribed by a relevant Army regulation.

(2) Directed by a commander or approving authority.

(3) Required to establish proof of loss for NAFI insurance purposes as prescribed in chapter 14.

(4) Cash or NAF property losses over $2,000 are a result of—

(a) Apparent theft where there are no visible signs of breaking and entering.

(b) Mysterious disappearance.

(5) Inventory variances exceeding $500.

(6) Retail sales accountability variances exceeding $500.

(7) Circumstances indicate—

(a) A lack of or disregard for management control procedures.

(b) Fraud, dishonesty, willful misconduct, recklessness, or wanton disregard for the safekeeping of NAF assets.

(c) Individual actions are beyond the scope of employment or permitted use.

8. A second or succeeding loss at the same location under similar circumstances.

b. For losses below $2,000 and/or where the circumstances above do not exist, the process at appendix L will be followed.

c. Claims against contractor or commercial entities are processed per ARs 27–20 (Claims), 27–40 (Litigation), and 215–4.