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OF THE AIR FORCE**

AIR FORCE MANUAL 34-209

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Services

**NONAPPROPRIATED FUND
FINANCIAL MANAGEMENT
AND ACCOUNTING**

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This publication implements Air Force Policy Directive (AFPD) 34-1, Air Force Services. It assigns responsibilities and explains financial management and accounting procedures for all nonappropriated fund instrumentalities (NAFI). It has been developed in collaboration between the Deputy Chief of Staff for Manpower, Personnel and Services (AF/A1), the Chief of the Air Force Reserve (AF/RE) and the Director of the Air National Guard (NGB/CF), and applies to all active duty Regular Air Force members, members of the Air Force Reserve, members of the Air National Guard on collocated installations and when in Title 10 status, and Department of Defense Contractors. Ensure all records created as a result of processes prescribed in this publication are maintained in accordance with Air Force Manual (AFMAN) 33-363, *Management of Records*, and disposed of in accordance with the Air Force Records Disposition Schedule located in the Air Force Records Information Management System (AFRIMS). Refer recommended changes and questions about this publication to the Office of Primary Responsibility (OPR) using the AF Form 847, *Recommendation for Change of Publication*; route AF Forms 847 from the field through the major command (MAJCOM) functional managers. This publication may be supplemented at any level, but all Supplements must be routed to the OPR of this publication for coordination prior to certification and approval. The authorities to waive wing/unit level requirements in this publication are identified with a Tier ("T-0, T-1, T-2, T-3") number following the compliance statement. See AFI33-360, *Publications and Forms Management*, for a description of the authorities associated with the Tier numbers. Submit requests for waivers through the chain of command to the appropriate Tier waiver approval authority, or alternately, to the requestor's

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This Manual requires the collection and or maintenance of information protected by the Privacy Act of 1974 authorized by 10 USC. and 5 USC. The applicable SORNs, F065 AF SVA A, *Non-appropriated Fund Instrumentalities (NAFIs) Financial System*, F065 AF SVA B, *Non-appropriated Fund (NAF) Insurance and Employee Benefit System Files*, F065 AF SVA D, *Non-appropriated Funds Standard Payroll System*, F034 AF AFSVC B, *Non-Appropriated Fund (NAF) Civilian Personnel Records*, F034 AF SVA E, *Check Cashing Privilege Files*, F034 AFPC B, *Air Force Morale and Welfare Membership Programs* are available at <https://dpcl.d.defense.gov/Privacy/SORNs/>.

SUMMARY OF CHANGES

This publication has been substantially revised and needs to be completely reviewed. It reflects organizational changes with the standups of the Force Support Squadron (FSS) and Air Force Installation and Mission Support Center (AFIMSC) as well as changes to responsible offices, points of contact, and roles and responsibilities. This revision updates the Air Force Morale, Welfare, and Recreation (MWR) Logistics property, asset, and vehicle management program and administrative changes due to updates to AFI23-101, *Air Force Materiel Management*. In addition, this revision rescinds AFMAN34-214, *Procedures for Nonappropriated Funds Financial Management and Accounting*, and AFMAN34-215, *Procedures for the Cash Management and Investment Program*, and incorporates the guidance from those publications herein

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Chapter 1

PRINCIPLES, STANDARDS, AND REQUIREMENTS

1.1. Accounting Entity. Each Nonappropriated Fund Instrumentality (NAFI), established according to AFMAN34-201, *Use of Nonappropriated Funds*, is a separate entity for accounting purposes. Asset, liability and equity accounts must be maintained separately for each Nonappropriated Fund Instrumentality (NAFI). **(T-0)**

1.2. General Accounting Policies. Nonappropriated Fund financial statements are prepared according to the following general accounting policies.

1.2.1. Nonappropriated Fund financial statements will be prepared in accordance with Generally Accepted Accounting Principles and in accordance with accounting standards set forth by the Financial Accounting Standards Board. **(T-0)** The exception is where the Department of Defense (DoD) 7000.14R *Financial Management Regulations (FMRS)*, Volume 13, *Nonappropriated Funds Policy*, or Department of Defense Instruction 1015.15, *Establishment, Management, and Control of Nonappropriated Fund Instrumentalities, and Financial Management of Supporting Resources* mandates an alternate accounting treatment.

1.2.2. **Assets.** Assets are economic resources obtained or controlled by Nonappropriated Fund Instrumentalities as a result of past transactions or events. The Nonappropriated Fund Accounting Office classifies assets on financial statements as either current or noncurrent items.

1.2.3. **Current Assets.** Classify those items of cash and other assets or resources the Nonappropriated Fund Instrumentality can reasonably expect to convert to cash or to consume during the normal operating cycle (12 months for Air Force Nonappropriated Funds) as current assets. These include cash and cash equivalents, short-term investments, accounts receivable, inventories and prepaid expenses.

1.2.4. **Noncurrent Assets.** Classify assets the Nonappropriated Fund Instrumentality will not convert to cash or consume during the next 12 months as noncurrent assets. These include land, buildings, leasehold improvements, furniture, equipment, bulk purchases of expendable equipment, long-term investments, long-term receivables and long-term prepaid expenses.

1.2.5. **Liabilities.** Liabilities are obligations to transfer assets, provide services, or otherwise expend assets to satisfy responsibilities resulting from past or current transactions. The Nonappropriated Fund Accounting Office classifies liabilities as either current or noncurrent.

1.2.6. **Current Liabilities.** These are debts and obligations the Nonappropriated Fund Instrumentality can expect to cover use existing current assets or the creation of other current liabilities during the next 12 months. These include accounts payable, loans payable and accrued liabilities.

1.2.7. **Noncurrent Liabilities.** Classify those liabilities the Nonappropriated Fund Instrumentality does not expect to liquidate during the next 12 months as noncurrent. These include the long-term portion of loans payable and long-term accrued liabilities.

1.2.8. **Fund Equity.** Fund equity consists of capital invested in the Nonappropriated Fund Instrumentality plus the profit or minus the loss resulting from operations since its inception.

1.3. Accrual Method of Accounting. All Nonappropriated Fund financial statements and accounting records are prepared using the accrual method of accounting. Income received prior to being earned is recorded as unearned income until earned. Income earned, but not received, is recorded as both income and an accounts receivable until collected. Expenses incurred but not paid are recorded as a liability and expensed. Expenses paid but not incurred are recorded as a pre-paid expense until consumed. Accruals will be made as required to record capital expenses, bulk purchases, etc. An exception to the requirement for accrual accounting is as follows:

1.3.1. Isolated Unit Funds (IUFs). Isolated Unit Funds maintain accounting records on a cash basis if total revenue is less than \$40,000 per year.

1.3.2. Income and Expenses. Income and expenses are recorded in the Nonappropriated Fund Instrumentality and activities program and cost center where they are incurred. Do not record identifiable activity operating expenses in any other activity or cost center unless specifically provided for in this or other AFI. Income and expenses are recorded in the proper income and expense general ledger account code. Entries are always made showing a complete auditable trail of debits and credits; never use a net amount to make a correction.

1.3.3. Overhead Expenses. Expenses properly charged to overhead cost centers, e.g., fund administration, human resources, Nonappropriated Fund Accounting Office, etc., are not allocated to activities. The Shared Service Center fees calculated for accounting and payroll, Human Resource (HR) support, and systematically posted transactions by the Shared Service Center, are chargeable to the applicable memorandum of agreement cost center. This provision is only for memorandum of agreement cost centers; do not transfer these fees or other overhead expenses; (example unidentifiable administrative costs), or to the cost center level, within the same Nonappropriated Fund Instrumentality. **(T-0)**

1.3.4. Transfers of Merchandise, Supplies or Labor. Transfers between activities within the same Nonappropriated Fund Instrumentality or other AF NAFI are made at cost.

1.3.5. Contingencies. Contingencies are existing conditions, situations or circumstances involving uncertainty as to potential gain or loss. The NAFI ultimately resolves contingencies when one or more future events occur or fail to occur. The Resource Management Flight Chief works with the Force Support Squadron commander or director to determine the amount of the loss contingency. The Nonappropriated Fund Accounting Office posts accruals for loss contingencies where the outcome is probable and the amount can be reasonably estimated. Do not record gain contingencies in the financial statements. Describe the loss contingency and all pertinent details in a footnote to the financial statement.

1.4. Summarizing Accounting Transactions. Accounting transactions are grouped and summarized in the Air Force Services Financial Management System (AFSFMS) using a standard accounting string. The Air Force Services Center, Financial Management and Comptroller Directorate (AFSVC/FM), must approve in advance, changes or additions to the accounting string. **(T-1)**. A complete list of the segments for an accounting string and their definitions is available on the Services Installation Support Portal. The accounting string is composed of the following segments:

1.4.1. Major Command (MAJCOM) Code. The segment consists of three letters to designate the MAJCOM, e.g., "ATC" for Air Education and Training Command or "SPC" for Air Force Space Command.

1.4.2. Activity Code. This segment consists of five digits to designate the specific installation and activity making the transaction, e.g., 50315 for the Joint Base San Antonio Randolph Golf Course.

1.4.3. Fund Code. This segment consists of three digits (e.g. 015) to designate the Nonappropriated Fund Instrumentality, e.g., Altus MWR Fund or Altus Lodging Fund.

1.4.4. Program Code. This segment consists of four digits and identifies the program. Generally an activity will only have one program but could have more than one, e.g., Golf with an Activity Code “50315” could house program code 0119 or program code Other Revenue Generating, 0123, etc.

1.4.5. Cost Center Code. This segment consists of four digits and identifies a segment of an activity and program such as 0301 for Golf Course Operations or 0303 for Golf Pro Shop, etc.

1.4.6. General Ledger Account Code. This segment consists of seven digits; the first three digits identify the general account or account type. The last four digits break down the transactions within the same general account, e.g., general ledger account code 720000 Supply Expense. General ledger account code 7010000 Nonappropriated Fund payroll is regular hours, general ledger account code 7010005 is overtime hours.

1.5. Authorized Changes. Directorate of Financial Management and Comptroller approves, in advance, requests to combine history balances of individual accounts or cost centers. Installations submit requests through the AFSVC/SVI.

1.6. General Ledger Maintenance. The Shared Service Center maintains the general ledger and prepares the income and expense statement and balance sheet for each Nonappropriated Fund Instrumentality. The Nonappropriated Fund Accounting Office prepares the statement of cash flow. All AF NAFIs are accounted for within the AFSFMS and maintained by the SSC. Transactions are posted to the general ledger each business day. The installation Resource Management Flight Chief is responsible for the accuracy of financial statements and ensuring they are prepared in accordance with guidance in this AFMAN. **(T-1)**.

1.6.1. Subsidiary Records. Activities, NAF AO and SSC each maintain certain subsidiary records on all balance sheet accounts for each Nonappropriated Fund Instrumentality. Subsidiary records should be automated, where possible. The subsidiary records should be reconciled to the general ledger control accounts before finalizing the monthly financial statement. The exception to this is if a Force Support Activity maintains the subsidiary records.

1.6.1.1. During the end of month reconciliation, the activity must make the subsidiary available for review by the Resource Management Flight Chief and the Nonappropriated Fund Accounting Office when requested. **(T-1)** Activity maintained subsidiary records must be reconciled at a minimum quarterly or monthly as designated by the Resource Management Flight Chief and NAF AO. **(T-1)**

1.6.1.2. The SSC and NAF AO each have assigned subsidiary responsibilities of accounts according to the base subsidiary determination publication provided on the Services Installation Support Portal. The frequency of subsidiary certification is included as part of the definition of the applicable general ledger account code. The SSC will provide the Resource Management Flight Chief of the Nonappropriated Fund Accounting Office a certification of the subsidiary reconciliation for the accounts the Shared Service Center is responsible to maintain as detailed in the base subsidiary determination publication. **(T-1)**

1.6.1.3. Each subsidiary record must contain complete information to identify validity of the account balance (i.e., transaction date, amount, document number, description and customer name, date of event). **(T-0)** The Resource Management Flight Chief will ensure FSS activities and FSS employees are reconciling and resolving discrepancies associated with their assigned subsidiary accounts. **(T-2)** Each activity or individual must provide a certification to the Resource Management Flight Chief for his or her assigned subsidiary general ledger control account at the frequency designated by the Resource Management Flight Chief and the Nonappropriated Fund Accounting Office, at a minimum quarterly. **(T-1)** The certification must list any discrepancies (i.e. reconciling items) in the accounts to include differences between the subsidiary total and the general ledger, the actions taken or resolutions, and an estimated completion date. **(T-1)** The Resource Management Flight Chief, after reviewing to ensure the subsidiaries are accurate and complete, uses these certifications as backup documentation for the monthly certification letter signed by the Resource Management Flight Chief. Retain these certifications with the end-of-month supporting documentation. **(T-0)**

1.6.1.4. A monthly general ledger detail listing is not a subsidiary of an account. It only provides transaction detail for an accounting period. A subsidiary provides detailed information on each transaction making up the total amount of the account balance. The balance may consist of items from several accounting periods, not just the current period.

1.6.1.5. The Resource Management Flight Chief will document activities allowed to maintain subsidiary accounts. **(T-1)**

1.6.1.6. The Resource Management Flight Chief or Nonappropriated Fund Accounting Office will assist activity managers in the proper maintenance and reconciliation of subsidiaries specific to their activity. **(T-2)** Examples of such subsidiaries include special functions, unearned income or prepaid expenses.

1.6.1.7. If any subsidiary records are not in balance to the general ledger accounts, the Resource Management Flight Chief must annotate the financial statement and certify with the out-of-balance condition (see [paragraph 1.10.1](#) on footnoting financial statements). **(T-1)**

1.6.1.8. The Resource Management Flight Chief must ensure the provisions of AFMAN34-202, *Protecting Nonappropriated Fund Assets*, are followed when subsidiary discrepancy resolution results in losses to the Nonappropriated Fund Instrumentality. **(T-1)**

1.6.1.9. Adjusting Entries. The Nonappropriated Fund Accounting Office, Shared Service Center and FSS activities prepare the necessary general ledger adjustment forms according to the monthly financial statement-closing schedule published by the Shared Service Center. The Resource Management Flight Chief should establish and use a local checklist for all required adjusting entries.

1.6.1.9.1. Document and explain adjustments to the general ledger on the general ledger adjustment forms. The NAF AO will retain the general ledger adjustment forms with all back-up documentation. **(T-1)** Dispose of records in accordance with IAW [paragraph 1.19](#) Some adjustments may be made by the Shared Service Center, but the installation remains responsible for the financial statements.

1.6.1.9.2. The Shared Service Center will notify installations when general ledger adjustment forms, including descriptions, are made to an installation's general ledger. **(T-1)** The SSC will receive guidance from AFSVC/FM as to the treatment of all the general ledger entries. AFSVC/FM will ensure compliance with generally accepted accounting Principles, applicable Financial Analyst issuances, DoD 7000.14-R, *Department of Defense Financial Management Regulations (FMR)*, Volume 13, *Nonappropriated Funds Policy* and DoDI 1015.15, *Procedures for Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources*. **(T-0)** The Shared Service Center, with guidance from AFSVC/FM will make changes to erroneous general ledger entries, improper use of general ledger account codes or improper accounting treatment. The installation will be notified in these situations. **(T-1)**

1.6.1.10. Finalizing the Financial Statement. The Resource Management Flight Chief and Nonappropriated Fund Accounting Office will document and make available to all activity managers and applicable staff an end of month and end of year activity closing timeline. **(T-2)** The Resource Management Flight Chief should ensure all FSS personnel understand what is required in preparing and closing the financial statements. The Resource Management Flight Chief will provide training and ensure proper source document submission is understood by all necessary FSS personnel. **(T-2)** For example; correcting entries, transfer between cost centers for labor/supplies/inventory are all properly submitted to the Nonappropriated Fund Accounting Office and the Shared Service Center if needed.

1.6.1.10.1. All transactions returned for errors must be resolved according to the closing schedule. **(T-1)**

1.6.1.10.2. The Nonappropriated Fund Accounting Office, Resource Management Flight Chief, Nonappropriated Fund Financial Analyst, each flight chief and activity manager review the preliminary financial statements for accuracy prior to monthly financial statements being issued. **(T-2)**

1.6.1.10.3. Make the review of the preliminary financial statement a priority in order not to delay the financial reporting process.

1.7. Fund Equity. The Resource Management Flight Chief will only allow authorized transactions into and out of the equity general ledger account codes. **(T-0)** These transactions include net income; net losses; approved prior year adjustments; and entries associated with the establishment, disestablishment, distribution, or redistribution of capital transferred equity, which includes capital from another Nonappropriated Fund Instrumentality (capital includes cash and physical assets. These transfers to Nonappropriated Fund Instrumentalities can be from the Air Force or another DoD entity.

1.7.1. All accounts in the equity section must be reviewed by the Resource Management Flight Chief prior to closing end of month and especially at end of year. **(T-1)** The RMFC can run and review the Extended Fund Equity Balancing Report from the Air Force Services Financial Management System (AFSFS) to ensure all equity accounts are accurate. All errors and other entries to equity accounts must be resolved prior to financial statement preparation and charged to the proper general ledger account code. **(T-0)**

1.7.2. Prior-Period Equity Adjustments (PPEA). Prior-period equity adjustments are items of income or expense, related to the correction of errors in the financial statements from a prior fiscal year. If approved by the approval authority the correcting entry is accounted for as adjustments to equity, and excluded from the determination of net income or Net Income Adjusted for Depreciation for the current period. Errors in financial statements resulting from mathematical mistakes in the application of accounting principles or oversight or misuse of facts existing at the time the financial statements were prepared may qualify for prior-period fund equity adjustments.

1.7.2.1. Only requests considered material to the Nonappropriated Fund Instrumentality will be considered for adjustment. Materiality is typically defined as greater than one percent (1%) of the assets in the consolidated balance sheet.

1.7.2.1.1. The Resource Management Flight Chief submits the fully coordinated installation request for prior-period fund equity adjustment to AFSVC/SVI, who in turn forwards to AFSVC/FM for review and upward coordination for approval, if proper criteria for consideration are met.

1.7.2.1.2. Requests may be signed by the installation Resource Management Flight Chief or designated fund custodian. The package must show coordination with the base comptroller office, Nonappropriated Fund Financial Analyst, Force Support Squadron Commander or Director and indicate Nonappropriated Fund Council awareness. **(T-1)** Any adjustment resulting in an actual loss of assets (fixed or cash) must have documented installation commander coordination. **(T-1)**

1.7.2.1.3. Prior-Period Equity Adjustment requests must also include a timeline of events, all supporting documentation, justification for qualification as a prior-period equity adjustment, and specify the adjustment requested to include all affected general ledger account codes and amounts. **(T-1)** When determining if a package should be submitted, contact AFSVC/SVI or Financial Management Office for guidance.

1.7.2.1.4. If required by AFMAN34-202, *Protecting Nonappropriated Fund Assets* requests for approval must include results of investigation of loss or a statement why an investigation is not required.

1.7.2.2. AFSVC/SVI provides a copy to Air Force Installation and Mission Support Center Nonappropriated Fund Financial Analyst. Requests may be disapproved at any level in the coordination process for prior period equity adjustments when they do not meet all the criteria.

1.7.2.3. AFSVC/FM will review, coordinate and staff to higher headquarters. While requests may be disapproved at any level in the coordination process, only SAF/FMCEB has the authority to approve prior-period fund equity adjustments.

1.7.2.4. The NAF Accounting Office records the transaction only after SAF/FMCEB grants written approval.

1.7.2.5. Disapproved amounts will be recorded in general ledger account code 9460000, disapproved prior-period equity adjustments.

1.7.2.6. Make no adjustments to accounting records until written approval is received. **(T-1)**

1.7.2.7. The installation Resource Management Flight Chief will be notified by AFSVA/FM when the approved adjustment has been made in general ledger account code 2830000, prior-year adjustments. **(T-1)** The Nonappropriated Fund Accounting Office footnotes the financial statements explaining the circumstances of the adjustment and the effect.

1.7.2.8. Individuals completing comparative analysis should adjust prior-period statements. The NAF AO will maintain a copy of the approval letter in the Life of Fund file. **(T-1)**

1.7.2.9. Do not treat the following corrections and adjustments as prior-period fund equity adjustments:

1.7.2.9.1. The result of the use of estimates in the accounting process. **(T-1)**

1.7.2.9.2. Changes in estimates resulting from new information. **(T-1)**

1.7.2.9.3. Subsequent developments and adjustments based on better insight or improved judgment. **(T-1)**

1.7.2.10. Examples of transactions that generally accepted accounting principles does not consider as prior-period fund equity adjustments include, but are not limited to:

1.7.2.10.1. Amounts considered immaterial in the determination of net income and net income adjusted for depreciation.

1.7.2.10.2. Changes in the estimated lives of property or equipment that affect the computed amounts of depreciation.

1.7.2.10.3. The undepreciated value of property or equipment no longer used due to facility renovation or replacement.

1.7.2.10.4. Pay and severance benefit increases that apply to wages earned in a prior year if they could have been reasonably estimated in a prior year or the increase resulting from events occurring after the close of the affected prior FY.

1.7.2.10.5. Gains or losses resulting from changes in foreign currency exchange rates.

1.7.2.10.6. Amounts held in construction-in-progress for a terminated and uncompleted project. Example: design funds utilized but the project was cancelled.

1.8. Transfers of Equity. When transfers of cash or other assets are made between Nonappropriated Fund Instrumentalities, except for the purchase of assets and payments for services rendered, they are recorded as transfers of equity. Certain Air Force Services Center programs may require alternative accounting treatments. Air Force Services Center Financial Services Division (AFSVC/FMA) will provide specific accounting instructions for those programs. These instructions are delivered electronically at the time of program execution. These instructions are then posted to the Services Installation Support Portal for download.

1.8.1. Reserved Fund Equity. A reserve of fund equity accounting entry must be made for goods and services on order but not yet received and for budgeted and approved fixed assets, facility improvements and quantity (bulk) expendable purchases which are going to be executed in the future, normally the next 12 months. **(T-1)** However, for a larger installation funded project this period may exceed 12 months. Exclude centralized lodging purchases made by the Air Force Lodging Fund; these projects are recorded on the Air Force Lodging Fund books, not the installations. When the project(s) is complete, the project(s) will be transferred to the installation and the corresponding entries to the installation lodging records will be made at that time.

1.8.1.1. Reserved Equity-Current Purchases. At the end of each accounting period, adjust this account to reflect the total value of all outstanding orders not received. Include outstanding orders from all obligation documents, such as outstanding purchase orders, blanket purchase agreement orders, and purchase requests for supplies, inventory and services, including fixed assets, facility improvements, and quantity (bulk) expendables on order. Use general ledger account code 2730000, Outstanding Orders to account for reserved equity-current purchases. Installations must also account for outstanding orders that are MAJCOM, AF, or MOA funded under the appropriate general ledger account codes (e.g. general ledger account codes 274XXXX or 275XXXX).

1.8.1.2. Reserved Equity-Capital Requirements. During the month of September each FY, close the current dollar amount in the reserved equity to fund equity-prior year and set up the dollar amount for the next fiscal year. As of 30 September, this account should always reflect the current and future 11 periods of proposed capital requirements. At the end of the period adjust this account for those items executed on or no longer needed (disapproved) and ensure the balance includes a total of 12 periods of future capital requirements, this end of period balance will be the beginning balance for the next period. The Nonappropriated Fund Accounting Office submits a general ledger adjustment forms to the Shared Service Center to make necessary adjustments. Use general ledger account code 2760001, Current Fiscal Year Capital Requirements to account for the 12 periods of future capital requirements. Installations must also account for capital requirements approved in the long-range capital requirements budget beyond the current fiscal year using general ledger account codes 2760002, Next Fiscal Year Budgeted Capital Requirements and 2760003, Out-Year Capital Requirements (3-5 years).

1.8.1.3. Reserved Equity-Quantity (Bulk) Expendable Equipment. Follow the same process as detailed in [paragraph 1.8.1.2.](#)

1.8.2. Equity Accounts. After a completed end of year closeout, the Shared Service Center will prepare and post in the first period of the new fiscal year to roll specific equity accounts to retained earnings; general ledger account code 2900000, Fund Equity Prior Years. Installations prepare general ledger adjustment forms to post to the 2900000 as the offsetting entry for outstanding orders and capital requirements detailed in [paragraph 1.8.1.2.](#) and [paragraph 1.8.1.3](#)

1.9. Grants. See AFMAN34-201, paragraph 5.12, for guidance on acceptance and usage of grants. Contact AFSVC/FM for specific accounting guidance and controls. Only use general ledger account code 8330000, Special Grants Operating, when specifically directed by AFSVC/FM accounting instructions. Additional accounting guidance for grants is provided in [paragraphs 5.31](#) and [5.32](#).

1.10. Extraordinary Items. The Resource Management Flight Chief submits requests to record any transaction as an extraordinary gain or loss to AFSVC/SVI through their local Force Support Squadron leadership, with coordination by the installation Nonappropriated Fund Financial Analyst. AFSVC/SVI will review the package to ensure documentation is complete and provide Air Force Installation and Mission Support Center Nonappropriated Fund Financial Analysts with a copy. AFSVC/FM will review the package and if sufficient forward to AF/A1S and then SAF/FMCEB for approval. Disapproval of requests may at any level in the coordination process. Request for approval must include all supporting documentation, justification for qualification as an extraordinary item and, the specific entries requested to include general ledger account codes and amounts. **(T-1)** If disapproved, use the proper general ledger account code as the normal situation would dictate. If SAF/FMCEB approves the request, the Resource Management Flight Chief must account for extraordinary items under general ledger account code 9610000, Extraordinary Items, and must attach a footnote to the financial statements with an explanation of the cause of the transactions and its effect on current operations. **(T-1)**

1.11. Financial Statements. Financial statements are available to all authorized users from the AFSFMS report website, <https://ssc.afsv.net/>, and may be downloaded and printed as required. The financial statements consist of the income and expense statement, balance sheet, cash flow statement, and notes to the financial statements. Cash flow statements are prepared at the installation. Financial statements are used to assess each operation's current performance and for critical decision-making at all levels of your installation and Force Support Squadron leadership.

1.10.1. The Resource Management Flight Chief is responsible for preparing footnotes to the financial statements. Refer to training aid, TA-AFSFMS-59, *Attaching Financial Statement Footnotes to 6i Report*, available on the Services Installation Support Portal, for instructions on how to footnote financial statements using the Resource Management Flight Chief footnote template. Footnotes are an integral part of the financial statements and must be provided to Force Support Squadron management and other installation-level users of the financial statements. **(T-1)**

1.12. Requests for Technical Assistance or Waiver. Submit requests for clarification or interpretation of this manual to AFSVC/SVI. Submit each request for waiver, except those waivers authorized and granted locally according to guidance in the applicable Air Force Instruction (AFI) to AFSVC/SVI. The installation commander must approve waivers granted according to the AFMAN through the custodian, Force Support Squadron commander or director, as applicable. Requests for certain waivers concerning Civilian Welfare Funds, Fisher House Funds or Mission Essential Feeding Funds submitted through AFSVC/FM for consideration and approval by the appropriate Board Central Fund custodian. In all waiver requests, outline the problem, identify the specific requirement to be waived, recommend an alternative and furnish complete justification. Review waivers at least annually or when conditions and circumstances change.

1.13. Forms. Force Support Squadron may use automated formats of AF and Nonappropriated Fund forms. AFSVC/FM will recommend changes to Air Force forms following the approved Air Force publication process.

1.14. Financial Management Training. The Fund Custodian (normally the Resource Management Flight Chief) conducts (or obtains) financial management training as required. The Resource Management Flight Chief must ensure Nonappropriated Fund Accounting Office staff, and activity personnel as required, are trained on specific job-related duties and responsibilities and applicable regulatory references and other published training materials (such as program training aids, and other training-related guidance dealing with Nonappropriated Fund accounting issues). **(T-1)** The Resource Management Flight Chief documents all financial management training.

1.15. Management Fee Agreements. Management services provided in support of activities (other than where the manager is assigned) must be based on the actual time spent in the activity. The activity receiving management services processes a transfer of labor between the applicable cost centers.

1.15.1. Each pay period, Nonappropriated Fund activity managers document the actual hours spent providing management services to other activities. Provide this documentation to the serviced activities so they can prepare the labor transfer. Include the cost center where the manager is originally assigned, number of hours worked in other activities, and the receiving activity where the manager performed the work.

1.15.1.1. As an alternative to tracking hours by pay period, the Force Support Squadron commander or director may establish a distribution formula based on actual time spent during a 30-day period. This distribution formula must be validated annually and changed as conditions or situations vary.

1.15.1.2. Keep the documentation supporting the formula in the Life-of-the-Fund file.

1.15.2. The activity manager prepares the general ledger adjustment forms for the transfer and the appropriate supporting documentation is provided to the Nonappropriated Fund Accounting Office so the appropriate personnel can approve the general ledger adjustment forms for the Shared Service Center to post in the accounting system. The activity managers or designees need to review financial statements and general ledger detail listing to ensure personnel expense is accurate and transactions have posted.

1.15.3. Nonappropriated Fund activity managers may not transfer more than 40% of their total salary plus benefits to any individual activity in any month. The installation commander must approve distribution formulas that allot more than 40% of total salaries to a single activity other than their assigned cost center. **(T-1)** This is a control to ensure activities are not transferring labor just to improve their financial condition.

1.16. Community Commons. Existing activities defined by this AFMAN and DoDI1015.10, *Military Morale, Welfare, and Recreation (MWR) Programs* that are re-grouped in a new configuration in the same building, must retain their existing cost center. **(T-0)** The building does not receive an administrative cost center. The activities retain their fund source identity for all expenses and capital, according to AFI65-106, *Appropriated Fund Support of Morale, Welfare, and Recreation (MWR) and Other Nonappropriated Fund Instrumentalities (NAFIS)*. If a single manager is hired to oversee the operation, labor transfers are completed as detailed above to ensure the proper expenses are recorded in the benefiting cost centers. **(T-0)**

1.17. Training Aids (TAs). Training Aids provide additional information on how to implement this policy. These training aids provide clarification and go into detail on process and procedures for this and other publications. They provide a valuable resource for all personnel. Training Aids are located on the Services Installation Support Portal. All accounting office personnel should have access to all training aids related to their specific duties.

1.18. Financial Analysis. The Nonappropriated Fund Financial Analyst prepares outside financial analysis each month in accordance with AFI65-107, *Nonappropriated Funds Financial Management Oversight Responsibilities*. **(T-1)**

1.18.1. The Nonappropriated Fund Financial Analyst completes the statistical and narrative portions of the financial analysis (working with activity managers) and sends it to the Force Support Squadron commander or director for review and comment (refer to AFI65-107, *Nonappropriated Funds Financial Management Oversight Responsibilities* for details on the contents of the financial analysis).

1.18.2. After review, the Force Support Squadron commander or director returns the analysis and comments to the Nonappropriated Fund Financial Analyst.

1.18.3. The Nonappropriated Fund Financial Analyst finalizes the analysis, including the comments received from the Force Support Squadron commander or director.

1.18.4. The Nonappropriated Fund Financial Analyst obtains signatures of the Force Support Squadron commander or director and the installation comptroller on the analysis and forwards it to the AFSVC/SVI and Air Force Installation and Mission Support Center/Nonappropriated Fund Financial Analyst.

1.19. Disposition of Records. Dispose of records in accordance with Air Force Records Information Management System. The Air Force Records Information Management System website is <https://www.my.af.mil/gcss-af61a/afrims/afrims>. You may view the Air Force records disposition schedule under the services records retention schedules.

Chapter 2

NONAPPROPRIATED FUND ACCOUNTING ROLES, RESPONSABILITIES AND STANDARDS

2.1. Directorate of Services (AF/A1S).

2.1.1. Directorate of Services, Headquarters, United States Air Force administers the Air Force Central Fund Nonappropriated Fund Instrumentalities and establishes any new Central Fund Nonappropriated Fund Instrumentalities as required, except where Department of Defense Instruction 1015.15, Establishment, Management, and Control of Nonappropriated Fund Instrumentalities, and Financial Management of Supporting Resources, requires this authority to be the Department of Defense Component Head.

2.1.2. Directorate of Services, Headquarters, United States Air Force approves establishment and dissolution of all Air Force Nonappropriated Fund Instrumentalities with the exception of base isolated unit funds, the Air Force Fisher House Fund and its subaccounts, and Air Force Civilian Welfare Fund Boards.

2.2. Air Force Services Center, Commander (AFSVC/CC) or Executive Director.

2.2.1. Oversees all Air Force Nonappropriated Fund Instrumentalities worldwide, except for those governed by their respective boards; works in concert with Air Force Installation Mission Support Center Commander and Directorate of Services, Headquarters, United States Air Force.

2.2.2. Designates and appoints the Air Force Central Funds Nonappropriated Fund Instrumentality custodian in writing.

2.2.3. Serves as the approval authority for all Nonappropriated Fund lease requests.

2.2.4. Approves the Shared Service Center transaction fees.

2.3. Air Force Services Center, Directorate of Financial Management and Comptroller (AFSVC/FM).

2.3.1. Receiving, safeguarding, and disbursing funds and other nonappropriated fund assets of the Central Fund Nonappropriated Fund Instrumentalities.

2.3.2. Presenting financial plans, nonappropriated fund income and expense budgets, cash flow and capital requirements budgets, results from operations, and management reports to the Nonappropriated Funds Finance Committee, showing each Nonappropriated Fund Instrumentality's financial status.

2.3.3. Operates the custodial fund for Air Force NAFs and serves as the central processor for all participating NAFIs.

2.3.4. Provides specific accounting instructions for all centrally managed nonappropriated fund programs and for similar programs operated at the installation.

2.3.5. Review and coordinate on Prior-Period Equity Adjustments (PPEA) requests.

2.3.6. Review and coordinate on installation requests to record any transaction as an extraordinary gain or loss.

2.3.7. AFSVC/FM will recommend changes to Air Force forms following the approved Air Force publication process.

2.4. Air Force Services Center, Shared Services Center (AFSVC/SSC).

2.4.1. Maintains the general ledger and prepares the income and expense statement and balance sheet for each Nonappropriated Fund Instrumentality.

2.4.2. Processes the transactions necessary for receiving, safeguarding, and disbursing funds and other nonappropriated fund assets for the installation and central funds.

2.4.3. Provides a certification of the subsidiary reconciliation for the accounts it is responsible for.

2.4.4. Responsible for processing Military Pay Order actions for Air Force active duty members and writing off uncollectible accounts and other debts submitted to them for collection.

2.5. Air Force Services Center, Directorate of Installation Support (AFSVC/SVI). Works in concert with Air Force Services Center, Directorate of Financial Management and Comptroller and Shared Services Center in providing guidance, advocacy and assistance to installations in the execution of their local Nonappropriated Fund Instrumentalities.

2.6. Air Force Installation and Mission Support Center Nonappropriated Fund Financial Analysts

2.6.1. Review and coordinate on Prior-Period Equity Adjustments (PPEA) requests.

2.6.2. Review and coordinate on installation requests to record any transaction as an extraordinary gain or loss.

2.7. Installation Commander.

2.7.1. The installation commander supervises and administers the establishment, operation, and dissolution of installation Nonappropriated Fund Instrumentalities

2.7.2. Oversees and monitors activities and Nonappropriated Fund Instrumentalities to proactively manage fiscal health.

2.7.3. Coordinates on request packages submitted to higher headquarters concerning Nonappropriated Fund accounting or financial management.

2.7.4. Approves or delegates approval to local waivers authored in this AFMAN.

2.7.5. Reviews and approves local installation Nonappropriated Fund budgets with the exception of Civilian Welfare Fund budgets.

2.7.6. Approves or delegates approval for all un-programmed Nonappropriated Fund purchases.

2.8. FSS Commander or Director.

2.8.1. Coordinates on request packages submitted to installation leadership and higher headquarters concerning Nonappropriated Fund accounting or financial management.

2.8.2. Reviews and provides comments on the monthly financial analysis.

2.8.3. Appoints local funds custodians and activity managers in writing.

2.8.4. Develops local financial objectives and goals for Force Support Activities.

2.8.5. Reviews and approves Force Support Nonappropriated Fund Budgets for submittal to the base Nonappropriated Fund Council.

2.9. Resource Management Flight Chief.

2.9.1. Receiving, safeguarding, and disbursing funds and other nonappropriated fund assets of the installation Nonappropriated Fund Instrumentality according to this instruction

2.9.2. Presenting financial plans, nonappropriated fund income and expense budgets, cash flow and capital requirements budgets, results from operations, and management reports to the Nonappropriated Funds Council and/or any sub-committees of the Nonappropriated Funds Council showing each Nonappropriated Fund Instrumentality's financial status.

2.10. Nonappropriated Fund Accounting Office Standards. The Nonappropriated Fund Accounting Office provides centralized professional accounting and financial management services to all Nonappropriated Fund activities established within the installation Force Support Squadron organization. The Resource Management Flight Chief supervises the Nonappropriated Fund Accounting Office personnel. The Nonappropriated Fund Accounting Office will follow certain basic standards:

2.10.1. Document financial transactions clearly.

2.10.2. Properly classify and record transactions in the period of receipt.

2.10.3. Ensure only persons acting within the scope of their delegated authority execute transactions. Force Support Squadron commander or director must document the delegated authority.

2.10.4. Assign key duties to maintain the segregation of duties. Examples of key duties are: authorizing, approving and recording transactions; issuing or receiving assets; making payments; and auditing procedures. See TA NA-18, separation of duties within the Nonappropriated Fund Accounting Office and Activities.

2.10.5. Provide qualified and continuous supervision to assure that Nonappropriated Fund Accounting Office personnel follow established procedures. Ensure areas of personal responsibility and accountability are clear.

2.10.6. When the Resource Management Flight Chief delegates authority (for example, procurement authority), make periodic comparisons of the transactions with the recorded accountability.

2.10.7. Ensure key personnel are trained and experienced to accomplish their assigned duties.

2.11. Nonappropriated Fund Accounting Office Relation to Other Type Funds. Force Support Squadron or higher headquarters may designate a Nonappropriated Fund Accounting Office to provide accounting and financial management support for other installations or geographically separated units. This support should be presented in a support agreement and any costs above and beyond Shared Service Center fees must be charged to the applicable Nonappropriated Fund Instrumentality. **(T-1)**

2.12. Nonappropriated Fund Accounting Office Funding Support. The Nonappropriated Fund Accounting Office uses a combination of Nonappropriated Fund and Appropriated Funds resources. Refer to AFI65-106, *Appropriated Fund Support of Morale, Welfare and Recreation, and Nonappropriated Fund Instrumentalities*, for authorized appropriated fund support and AFMAN34-201, *Use of Nonappropriated Funds*, for authorized nonappropriated fund support.

2.12.1. The Nonappropriated Fund Accounting Office calculates the Accounting and Human Resources Office fees that are charged to the Nonappropriated Fund Instrumentalities receiving support from the Nonappropriated Fund Accounting Office. Do not prorate overhead costs to other Morale, Welfare, and Recreation Fund activities. The results of the most current and previous calculations are kept in the Life-of-the-Fund file. The Shared Service Center assesses a fee, approved by the AFSVC/CC or Executive Director, for services rendered based on total transactions processed.

2.12.2. Refer to TAAFSFMS-51, *Computing NAF Accounting Office HRO Service Fees*, for the computation of the Fees-for-Services-Rendered Method for the Nonappropriated Fund Accounting Office and Human Resource Office charges.

2.12.3. The Resource Management Flight Chief reviews the service fee charged to each Nonappropriated Fund Instrumentality receiving support from the Nonappropriated Fund Accounting Office semi-annually in March and September (utilizing the current month data processed from months February and August) and adjusts the service fee, if necessary, to cover inflation or changes in operational cost. **(T-1)** Maintain the results of each review (prior and current) in the Life-of-the-Fund file for the Morale, Welfare, Recreation and Nonappropriated Fund Instrumentalities.

2.13. Changes of Custodian and Activity Managers. Changes in Nonappropriated Fund Instrumentality custodians or activity managers can occur at any time. Schedule the change to coincide with the End of Month if possible.

2.13.1. **Custodian or Alternate Custodian Change.** The Force Support Squadron commander or director appoints a successor in writing according to AFMAN34-201, *Use of Nonappropriated Funds*. The recommended format for transfer of accountability is shown in [Attachment 2](#). Prepare the memo in triplicate, provide the original to the Nonappropriated Fund Accounting Office to file in the Life-of-the-Fund file and provide a copy to the incoming and outgoing custodians (Resource Management Flight Chiefs). In addition:

2.13.1.1. Review the AF Form 1736, *Nonappropriated Fund Cash Management and Investment Program Account Verification* for those Nonappropriated Fund instrumentalities serviced by the Nonappropriated Fund.

2.13.1.2. Prepare a schedule of accounts receivable, by Nonappropriated Fund Instrumentality, for those Nonappropriated Fund Instrumentalities serviced by the Nonappropriated Fund Accounting Office and ensure the accounts receivable subsidiary reconciles to the General Ledger control account.

2.13.1.3. Prepare a schedule of outstanding obligations for all Nonappropriated Fund Instrumentalities and ensure the accounts payable subsidiary reconciles to the General Ledger control account.

2.13.1.4. Ensure other subsidiary accounts reconcile to the respective general ledger control account.

2.13.1.5. Transfer perpetual Life-of-the-Fund files established for each Nonappropriated Fund Instrumentality.

2.13.1.6. Transfer asset receipts for all Nonappropriated Fund Instrumentalities.

2.13.1.7. Transfer appropriated fund equipment assigned to the resource management section. Refer to AFMAN34-204, *Property Management*.

2.13.1.8. Transfer Nonappropriated Fund fixed assets within the resource management section. A physical inventory of accountable assets outside the section is not required unless requested by the incoming custodian. Refer to AFMAN34-204 *Property Management*.

2.13.1.9. Transfer accountability for master key to the key storage container.

2.13.2. Activity Manager Changes. The Force Support Squadron commander or director appoints a replacement or successor in writing according to the following procedures. Prepare a memorandum using the format shown in [Attachment 2](#), or similar format, in triplicate. Provide the original to the Nonappropriated Fund Accounting Office to file in the Life-of-the-Fund file, and give a copy to the incoming and outgoing activity managers. In addition:

2.13.2.1. Transfer decentralized and in-use inventories and Nonappropriated Fund fixed assets according to AFMAN34-204 *Property Management*.

2.13.2.2. Transfer appropriated fund equipment according to AFMAN34-204 *Property Management*.

2.13.2.3. Transfer central Nonappropriated Fund storeroom and warehouse inventory using the same criteria as indicated in **paragraph 9.1.2.** of this publication.

2.13.2.4. Ensure incoming lodging managers use the financial statements to verify and validate the correctness of the Account Receivable .

2.13.3. Acceptance of Accountability. The incoming activity manager/individual assigned to the manager position or Resource Management Flight Chief must accept accountability and complete certification within 30 days of arriving in the new position. **(T-1)** Incoming managers must be in a duty status before completing certification. **(T-1)**

2.13.3.1. Complete Certification by preparing a memorandum to the Force Support Squadron commander or director showing all discrepancies or disputes of transfer records and attach the memorandum receipt ([Attachment 3](#)).

2.13.3.2. Resolve any variances, losses and so forth according to instructions provided in AFMAN34-202 *Protecting Nonappropriated Fund Assets*. Upon resolution, file documentation with the memorandum receipts in the Life-of-the-Fund file.

2.14. Life-of-the-Fund File. The Nonappropriated Fund Accounting Office keeps the following documents in the Life-of-the-Fund (not an all-inclusive list),

2.14.1. Authority to establish the Nonappropriated Fund Instrumentality (where applicable, refer to AFMAN34-201, *Use of Nonappropriated Funds*)

- 2.14.2. Property transfer documents required by AFMAN34-204, *Property Management*.
- 2.14.3. Applicable documentation authorizing change, petty cash and imprest funds (including amount), fund-storage authorizations, inventory ceilings and signed receipts from activity managers for change, petty cash and imprest funds issued.
- 2.14.4. Documentation of waivers to governing directives including waivers for small sites or small activities.
- 2.14.5. Documentation pertaining to approvals for adjustments to prior-period fund equity, extraordinary items and losses from discontinued operations.
- 2.14.6. List of activities requiring financial analysis.
- 2.14.7. Letters delegating authority.
- 2.14.8. Records of lasting importance such as warranties, vehicle titles, maintenance contracts, and memorandum of agreements.
- 2.14.9. Documentation pertaining to approvals and adjustments for Unit Physical Training Facilities (mini-fitness centers) and related equipment.
- 2.14.10. Fee-for-Service-Rendered Method computation to determine charges to other Nonappropriated Fund Instrumentalities.
- 2.14.11. Distribution formula computation for management fee agreements.
- 2.14.12. Service Level Agreement with the Shared Service Center.

Chapter 3

BUDGET PROCEDURES

3.1. Nonappropriated Fund Budget Program. Activity managers must use the standard Air Force Nonappropriated Fund Budget and Analysis Program to prepare Nonappropriated Fund budgets. **(T-2)** In turn, the Nonappropriated Fund Accounting Office must use the Air Force Nonappropriated Fund Budget and Analysis Program to consolidate activity budgets. **(T-2)** The Nonappropriated Fund Financial Analysts must use the Air Force Nonappropriated Fund Budget and Analysis program to develop and analyze activity performance and validate activity budgets. **(T-2)** Instructions and templates for the Air Force Nonappropriated Fund Budget and Analysis Program are found on the Services Installation Support Portal.

3.2. Nonappropriated Fund Budget Preparation Timeframe. The budget year is from 1 October of a given year through 30 September of the following calendar year. The preparation, review and approval process for the budgets should begin early enough in the current fiscal year to complete before the start of the new fiscal year. See [Figure 3.1.](#) for a sample budget schedule. Although budget preparations are an annual requirement, we recommend, as a minimum, consolidated projections are updated or maintained each quarter to maintain four quarters of budget data at all times. This provides more accurate cash flow projections and trend analyses as you reach the end of a fiscal year.

Figure 3.1. Suggested Nonappropriated Fund Budgeting Actions Schedule.

<u>ACTIONS TO BE TAKEN</u>	<u>ACTION TIME FRAME</u>	<u>ACTION OFFICER(S)</u>
Provide budget training	15-20 May	Resource Management Flight Chief, Nonappropriated Fund Financial Analyst if needed
Establish financial goals	20-31 May	Activity managers, flight chiefs, Resource Management Flight Chief, Force Support Squadron commander
Prepare Income and Expense, Nonappropriated Fund Requirements Budget, and Account Payable Fund budgets	1-30 Jun	Activity managers
Review and consolidate Income and Expense, Nonappropriated Fund Requirements Budget and Account Payable Fund budgets and Prepare cash flow budget. Make recommendations for revisions, provide guidance as needed	1-25 Jul	Resource Management Flight Chief

Prioritize consolidated Nonappropriated Fund Requirements Budgets	26-31 Jul	Force Support Squadron commander or director or budget working committee (if est.)
Review budgets and make recommendations for revisions	1-15 Aug	Nonappropriated Fund Financial Analyst
Review and finalize all budgets prior to submission for approval	16-31 Aug	Force Support Squadron commander or director
Submit all completed budgets to installation commander for approval	1-30 Sep	Nonappropriated Fund Council
Approve or disapprove final budgets	1-30 Sep	Installation commander
Distribute approved budgets to managers, MAJCOMs and others, as appropriate	1-30 Sep	Resource Management Flight Chief

3.3. Preparing Nonappropriated Fund Income and Expense Budget. Activity managers will prepare Nonappropriated Fund Income and Expense budgets for their activity. **(T-1)** Activity managers use these projections, when compared to actual performance, to help identify specific areas where they need revised planning or corrective action in their operations.

3.3.1. Activity managers develop financial objectives and goals with their flight chief and Resource Management Flight Chief based on requirements of the Force Support Squadron commander or director or higher headquarters.

3.3.2. Prepare realistic budgets for cost centers under their management with guidance from the Resource Management Flight Chief. Make financial goals that are measurable in dollars for both the Nonappropriated Fund Instrumentality and the activities supported by the Nonappropriated Fund Instrumentality and make sure these goals are attainable. This allows comparisons between budgeted and actual financial results. In setting goals, the activity manager should consider the following factors:

- 3.3.2.1. Net earnings objectives.
- 3.3.2.2. Amount of appropriated fund support authorized and what is realistic to receive.
- 3.3.2.3. Desire for new or revised programs.
- 3.3.2.4. Desired changes in inventory levels or cost of resale items.
- 3.3.2.5. Desired construction and facility maintenance and repair.
- 3.3.2.6. Need for new equipment or repair of existing equipment.
- 3.3.2.7. Higher headquarters financial goals where established.
- 3.3.2.8. Mission changes that will affect base population operations, positive or negative.

3.3.3. Justify Income and Expense budgets by explaining major changes in income or expense categories over the quarter just ended, seasonal variances, payroll computations and departures from established standards or goals. Submit a copy of this documentation as part of the budget package. Keep the original in the activity with the budget. Do not make the documentation a part of the NAF Council review.

3.3.4. Ensure when estimating supply expense, the current year portion from bulk purchases of high value supply items from the Nonappropriated Fund Requirements Budget is included as supply expense in the operating budget.

3.3.5. When major budget items are to be recorded as a pre-paid and expensed over time, the budget should be footnoted in the justification field of the standard Air Force Nonappropriated Fund budget program. The Resource Management Flight Chief will need this information to prepare the cash flow budget since cash will be expended earlier than forecasted in the budget.

3.3.6. Provide the Income and Expense budget to the Nonappropriated Fund Financial Analyst as detailed within AFI65-107, *Nonappropriated Funds Financial Management Oversight Responsibilities*. (T-1)

3.4. Prepare the Nonappropriated Fund Requirements Budget (NRB). The activity manager will prepare the NRB for a minimum of 5 years for each activity before the beginning of the FY. (T-1)

3.4.1. Describe on the Nonappropriated Fund Requirements Budget each requested asset, the asset's priority, the funding source, the cost center that will use the asset, the estimated month and year of completion or purchase, and the estimated cost of the asset.

3.4.2. The Nonappropriated Fund Requirements Budget includes Nonappropriated Fund purchases of capital assets. Capital assets include fixed assets, facilities acquired or constructed, and improvements made on existing facilities from Nonappropriated Funds.

3.4.3. The Nonappropriated Fund Requirements Budget also includes quantity expendable (bulk) assets. Include expendable equipment (like-items) that the activity purchases in bulk. Also, include bulk purchases of high value supplies.

3.4.4. Annotate the budget if expected to receive higher headquarters funding for a specific asset.

3.4.5. Justify the requirements listed on the Nonappropriated Fund Requirements Budgets. Justifications for Nonappropriated Fund vehicle purchases are coordinated with the vehicle control officer

3.4.6. The Resource Management Flight Chief will provide a template to complete the Nonappropriated Fund Requirements Budget. (T-2)

3.4.7. The Force Support Squadron commander or director, or activity manager for Civilian Welfare Funds, makes recommendations to the Air Force Civilian Welfare Fund Board for Nonappropriated Fund Requirements Budget and Income and Expense budget approval. Air Force Civilian Welfare Fund Board approves any operational or capital grant requests. Local installation leadership should coordinate on all recommendations before submitting to the board.

3.4.8. The installation commander approves all un-programmed Nonappropriated Fund purchases, or delegates this authority (in whole or in part) no lower than the Force Support Squadron commander or director. **(T-1)** If delegated, maintain the delegation letter in the Life-of-the-Fund file.

3.4.8.1. Do not confuse the approval of un-programmed Nonappropriated Fund purchases with the purchasing authority as stated in AFMAN64-302, *Nonappropriated Fund Contracting Procedures*. Once the installation commander approves the un-programmed purchase, the Resource Management Flight Chief should include un-programmed items in the Nonappropriated Fund Instrumentalities cash flow budget.

3.4.8.2. Installations must limit un-programmed purchases to emergencies. **(T-1)** Non-availability of Appropriated Funds does not constitute an emergency allowing for the use of Nonappropriated Funds. **(T-1)** The Force Support Squadron must follow appropriated fund processes to obtain needed funds, or request a waiver to spend Nonappropriated Funds in accordance with AFMAN34-201.

3.4.9. Ordering Nonappropriated Fund Requirements Budget Items:

3.4.9.1. Activity managers send all requests to purchase Nonappropriated Fund Requirements Budget items to the Resource Management Flight Chief, through the Internet Based Purchasing System (IBPS). The Purchase Order may specify the use of the Nonappropriated Fund government Purchase Card as payment terms as long as the amount is within Purchase Card purchase limits. Inform the Resource Management Flight Chief, or designee, of any delays in ordering Nonappropriated Fund Requirements Budget items since this directly impacts cash flow. The Resource Management Flight Chief should manage purchases to limit adverse impact on operations.

3.4.9.2. The Resource Management Flight Chief, or designee, reviews each request to purchase Nonappropriated Fund Requirements Budget items before buying to:

3.4.9.2.1. Ensure the purchase is for an approved Nonappropriated Fund Requirements Budget item or an un-programmed item approved by the commander. Record un-programmed purchases in the minutes of the next Nonappropriated Fund Council meeting.

3.4.9.2.2. Ensure appropriate approvals to spend Nonappropriated Funds are obtained if the purchase is authorized appropriated fund support.

3.4.9.2.3. Ensure the purchase is included in the cash flow budget.

3.4.9.2.4. Determine if enough cash is available to buy the item and the capital purchase is being made in accordance with Nonappropriated Fund Instrumentality priorities.

3.4.9.2.5. Certify the availability of funds before obligating funds.

3.5. Preparation of the Nonappropriated Fund Cash Flow Budget. The Resource Management Flight Chief prepares an annual cash flow budget for each Nonappropriated Fund Instrumentality and updates it quarterly in conjunction with the Income and Expense budget. The Force Support Squadron commander or director and the Resource Management Flight Chief use the cash flow budget to plan the use of cash resources while maintaining the cash solvency of the Nonappropriated Fund Instrumentality. A Nonappropriated Fund Cash Flow Budget template is available at the Services Installation Support Portal. The Resource Management Flight Chief does the following in developing an accurate cash flow budget:

3.5.1. Include anticipated cash inflows and cash outflows based on the operating budget, the Nonappropriated Fund Requirements Budget, and the balance sheet when developing the cash flow budget. Use historical balance sheet data, Nonappropriated Fund Requirements Budget and income and expense budgets to project cash flow for each Nonappropriated Fund Instrumentality over a given period of time.

3.5.2. Include budgeted Nonappropriated Fund Requirements Budget items in the cash flow budget for the period in which the Nonappropriated Fund Instrumentality expects to pay for the item.

3.5.3. Include Nonappropriated Fund Requirements Budget items ordered in the prior FY not yet paid for.

3.5.4. Establish an upper limit cash balance as the total cash needed to pay all operating expenses and budgeted Nonappropriated Fund Requirements Budget items due during the period while maintaining a healthy acid test ratio.

3.5.5. Establish a minimum cash balance (lower limit cash balance) necessary for each Nonappropriated Fund Instrumentality to cover normal operating costs and to maintain a minimum acid test ratio. Establish a minimum balance that ensures the acid test ratio stays above Air Force level as published through the Commander NAF Sustainment Program discussed in AFMAN34-201.

3.5.6. Recommend revisions to financial goals or plans if projected cash flows do not show adequate cash to cover normal operations and capital requirements as budgeted.

3.5.7. Must provide cash flow budget to the Nonappropriated Fund Financial Analyst. **(T-1)**

3.6. The Appropriated Fund Budget. The Resource Management Flight Chief works with Force Support Squadron management to prepare the appropriated fund budget. Activity Managers also place budgeted appropriated fund capital assets on the Nonappropriated Fund Requirements Budget and identify the items for “appropriated fund” purchase. Activity managers, flight chiefs, the logistics chief, and the resource advisor identify which operational needs and capital requirements will be purchased with appropriated funds.

3.6.1. The Force Support Squadron submits any capital or operational needs for which appropriated fund funding is authorized, but unavailable, as unfunded requirements in the appropriated fund budget. AFI65-106, *Appropriated Fund Support of Morale, Welfare, and Recreation (MWR) and Nonappropriated Fund Instrumentalities (NAFI)* provides guidance on appropriated fund authorizations. Under limited circumstances, the Force Support Squadron obtains SAF/FMC written approval to use Nonappropriated Funds, when appropriated fund are not available for an item authorized appropriated fund support (see AFMAN34-201, *Use*

of Nonappropriated Funds and AFI65-106, *Appropriated Fund Support of Morale, Welfare, and Recreation (MWR) and Nonappropriated Fund Instrumentalities (NAFI)* for waiver authorities and appropriated fund authorizations). After obtaining a waiver to fund source from SAF/FMC, remove the item from the appropriated fund budget and include it on the applicable Nonappropriated Fund budget. Approvals to use Nonappropriated Funds for purchases and payments when appropriated funds are not available must be maintained in the Life of the Fund file and footnoted on the financial statement. **(T-1)** Follow additional reporting requirements in accordance AFMAN34-201, *Use of Nonappropriated Funds*.

3.7. Nonappropriated Fund Vehicle Budget Exhibit. Before the beginning of each FY, the vehicle control officer prepares a Nonappropriated Fund Vehicle Budget Exhibit. This exhibit should be prepared in conjunction with the normal actions and deadlines set by the Resource Management Flight Chief for submitting budgetary documents to the base Nonappropriated Funds Council. The exhibit is an information item in the base Nonappropriated Fund Council agenda when submitting activity Nonappropriated Fund Requirements Budgets for approval.

3.7.1. The vehicle control officer obtains a list of all budgeted vehicles from the Nonappropriated Fund Accounting Office. The data on this list should be for the next fiscal year. It should identify the activity, type of vehicle budgeted, estimated purchase price and estimated quarter of purchase. The vehicle control officer ensures all vehicles budgeted by activity managers have been justified and approved by the Force Support Squadron commander or director using the guidance in AFMAN34-204, *Property Management*. If there is not an approved vehicle authorization, the vehicle control officer works with the applicable activity manager to prepare the needed justification documentation.

3.7.2. The vehicle control officer uses the information received from the Nonappropriated Fund Accounting Office to develop a Nonappropriated Fund Vehicle Budget Exhibit. Refer to the sample at **Figure 3.2**. At a minimum, the exhibit includes the following:

3.7.2.1. Activities requesting Nonappropriated Fund vehicles.

3.7.2.2. Descriptions for vehicles requested.

3.7.2.3. The quarter in which the vehicle is programmed for purchase.

3.7.2.4. Estimated purchase price for each vehicle.

3.7.2.5. Total dollar amounts for all budgeted vehicles (by quarter and annual total).

3.7.2.6. The total proceeds received from sales of Nonappropriated Fund vehicles during the previous 12 months. Use the 12 months prior to the date the report is prepared. Annotate which months were used for determining the proceeds from sales of vehicles.

3.7.3. The Nonappropriated Fund vehicle budget exhibit is provided to the Force Support Squadron commander or director for review and approval and then submitted to the base Nonappropriated Fund Council as part of all Force Support Nonappropriated Fund Budgets submitted to the installation commander for approval.

Figure 3.2. Sample Nonappropriated Fund Vehicle Budget Exhibit.

		Quarter Programmed for Purchase and Estimated Purchase Price:				
Location:	Type of Vehicle:	Q1	Q2	Q3	Q4	Total FYXX
ITT	15 PAX Van	\$ 45,000				\$ 45,000
Golf Maintenance	Dump Truck	\$ 55,000				\$ 55,000
Officers' Club	Mini-Van		\$ 32,000			\$ 32,000
Enlisted Club	Mini Van		\$ 32,000			\$ 32,000
Officers' Club	Hatchback			\$ 11,000		\$ 11,000
Bowling Center	Sedan, 4 dr				\$ 25,000	\$ 25,000
						\$ -
	Totals	\$ 100,000	\$ 64,000	\$ 11,000	\$ 25,000	\$ 200,000
Proceeds Received from Sales of NAF Vehicles During Past 12 months (Sep 96 - Aug 97) \$34,000						
Prepared as of: XX Aug 97						

3.8. The Lodging Budget. The Lodging Rate Package process drives the Lodging Budget. The approved rate package budgets serve as the lodging manager's operational income and expense budget. No other budgeting is required at installation level. The most current copy of the approved budgets are available Services Installation Support Portal. AFSVC/FM maintains the approved Lodging Budgets for all Lodging Nonappropriated Fund Instrumentalities.

3.8.1. Changes to the approved budget must be submitted to Air Force Services Center, Operations Directorate (AFSVC/SVO) and AFSVC/FM for approval and will be posted to the above website when approved prior to the beginning of the quarter in which changes occur. **(T-1)** Local changes to the approved Lodging Budgets are not authorized. **(T-1)** AFSVC/FM must accumulate all changes for incorporation into the next rate package. **(T-1)**

3.9. Review and Approval Nonappropriated Fund Budgets. All levels of management take part in the review and approval process once the activity manager completes the budget. If a Budget Working Committee is established, the committee meets as necessary, to update or revise the current year Nonappropriated Fund Requirements Budgets. The Force Support Squadron commander or director determines the make-up of the committee and may rotate it periodically.

3.9.1. **Activity Managers.** Activity managers may consider variable budgeting as an optional method of developing meaningful budgets. A variable budget is a series of Income and Expense budgets for different levels of sales or activity revenue. Activity managers forward completed budgets to their flight chiefs for review, consolidation and approval.

3.9.2. **Flight Chief Review.** Flight chiefs review and consolidate the proposed budgets for activities under their flight. Provide changes to the activity manager. Once the flight chief concurs with the activity manager's budgets, send the budget files and copies of the budget supporting documentation to the Resource Management Flight Chief.

3.9.3. **Resource Management Flight Chief Responsibilities.** The Resource Management Flight Chief reviews and consolidates (to Nonappropriated Fund Instrumentality level) all budgets to ensure accuracy. The Resource Management Flight Chief provides the flight chiefs and activity managers with recommended budget changes.

3.9.3.1. Works with the resource advisor or base budget officer to determine if appropriated fund support is available for Force Support requirements.

3.9.3.2. Consolidates all activity Nonappropriated Fund Requirements Budgets into a single budget for each Nonappropriated Fund Instrumentality.

3.9.3.3. Consolidates all Income and Expense budgets by each Nonappropriated Fund Instrumentality.

3.9.3.4. Prepares an annual cash flow budget, with quarterly breakouts, for each Nonappropriated Fund Instrumentality.

3.9.3.5. Forwards all budgets, individual and consolidated, to the Force Support Squadron commander or director, or appropriate Civilian Welfare Fund manager, for review and to prioritize the Nonappropriated Fund Requirements Budget items.

3.9.4. Force Support Squadron Commander or Director Responsibilities. The Force Support Squadron commander or director:

3.9.4.1. Reviews Income and Expense budgets, including Civilian Welfare Fund and recommends revisions or corrections to the applicable activity manager.

3.9.4.2. Reviews Nonappropriated Fund Requirements Budget items and sets the budget priorities for the total Nonappropriated Fund Instrumentality. The Force Support Squadron commander or director requests the budget working committee, if established, to review and recommend a priority.

3.9.4.3. Ensures the activity completes appropriate needs assessments and justifications for the Capital Requirements Budget items as applicable (refer to AFI32-1022, Planning and Programming of Nonappropriated Fund Facility Construction Projects).

3.9.4.4. Forwards budgets to the Nonappropriated Fund Financial Analyst for review and comparison to goals. The Nonappropriated Fund Financial Analyst performs a review and analysis of the budgets, including the Civilian Welfare Fund budgets, and recommends revisions to the Force Support Squadron commander/director.

3.9.4.5. Forwards completed budgets, except the Civilian Welfare Fund budgets, through the base Nonappropriated Fund Council, then to the installation commander for approval. Forward completed Civilian Welfare Fund budgets through the Civilian Welfare Fund council, then to the installation commander for approval.

3.9.4.6. Reviews and approves the annual Nonappropriated Fund vehicle budget exhibit and submits it to the base Nonappropriated Fund Council as part of the Nonappropriated Fund Requirements Budget submission.

3.9.5. Installation Commander. The installation commander approves the completed budgets for all Nonappropriated Fund Instrumentalities.

3.10. Budget Training. The Resource Management Flight Chief ensures that management receives budget training. The Nonappropriated Fund Accounting Office and the Nonappropriated Fund Financial Analyst provide formal training, if needed.

Chapter 4

PROPERTY

4.1. Capitalization of Assets:

4.1.1. An asset must be capitalized when the item costs \$2,500 or more and has a useful life of 2 years or more and does not lose its identity through use. **(T-1)**

4.1.2. When capitalizing Nonappropriated Fund fixed assets, include all related expenses, such as freight, training, discounts and installation charges. If part of the cost of an asset, such as kitchen equipment, includes initial training given by a vendor, the cost of training paid to the vendor should be included in the valuation of the asset. See [paragraph 4.1.6.](#) for information on start-up costs.

4.1.3. The cost and estimated useful life of furniture, equipment and property determines whether the item is posted as an asset or to an expense account (refer to [Table 4.1.](#)).

4.1.4. Where the activity manager and Resource Management Flight Chief determine that the useful life may be shorter than listed in the table, due to type of use, etc., annotate the documentation. For expendable items refer to [paragraph 4.4.](#)

4.1.5. Other type of assets used in the activity are recorded (for control purposes) with a zero dollar value. An example would be a pilferable item or an item that has fully depreciated, but is now considered pilferable.

4.1.6. There are start-up costs that can be capitalized and there are costs that are not capitalized and considered operating expenses for a Nonappropriated Fund Instrumentality. Examples of start-up costs that are not capitalized include place settings, napkins, tablecloths, promotional items, the hourly cost of payroll incurred by training of employees, etc. See Training Aid NA-31, Accounting for New Facility Start-up Costs, on the Services Installation Support Portal.

4.1.7. Intangible Assets. Intangible assets are generally assets that are not physical assets. The assets cannot be seen or measured, etc. Examples are copyrights, trademarks, licenses, initial franchise fees, patents and other similar intangible assets that can be specifically identified. Intangible assets are recorded in Intangible Assets, general ledger account code 1680000. Record the initial fees of the franchise as an intangible asset (based on the contract fee) for the life of the contract. The life of the intangible asset is limited to the “legal or contractual life,” in this case the term of the franchise agreement (refer to Training Aid NA-31 for further details). Royalty and marketing fees paid to the franchisor are operating expenses and are not capitalized. Once the contract expires, the old asset must be disposed by submitting AF Form 2534 *Nonappropriated Fund Property Disposal/Transfer Receipt* Submit a fixed asset template for the new contract.

4.2. Recording Fixed Assets. When making purchases of Nonappropriated Fund capital assets, the request for purchase and receiving of the asset is made through Internet Based Purchasing System or a Purchasing Card. Either type of purchase requires the asset to be recorded in Air Force Services Financial Management System. To record the assets in the Air Force Services Financial Management System Fixed Asset Module, a Nonappropriated Fund Fixed Asset Form must be completed and transmitted to the Shared Service Center the following business day upon receipt of fixed assets (see TA-AFSFMS-15, *Fixed Asset Template*, for detailed instructions on how to submit the required form). **(T-1)** The Shared Service Center will:

- 4.2.1. Maintain property records on all fixed assets. **(T-1)**
- 4.2.2. Process payments to vendors if required. **(T-1)**
- 4.2.3. Make asset lists available for inventory purposes. **(T-1)**

4.3. Acquisition of Fixed Assets. Nonappropriated Fund Instrumentality assets are acquired by several methods.

4.3.1. Nonappropriated Fund Grant Purchases. Nonappropriated Fund fixed assets include those purchased with grant funds received from higher headquarters.

4.3.2. Donations. If a Nonappropriated Fund Instrumentality acquires donated property at no expense from a source other than another Air Force Nonappropriated Fund Instrumentality, the donor must transfer title to the Nonappropriated Fund Instrumentality. The Nonappropriated Fund Instrumentality may only accept donations as specified in AFMAN34-201. The receiving manager, working with the logistics manager, prepares an AF Form 2534, *Nonappropriated Fund Property Disposal/Transfer Receipt* to accept a fixed asset donation. The Resource Management Flight Chief and activity manager may, with the assistance of Air Force Services Center Budget and Logistics Division (AFSVC/FMB) or other resource, determine the fair market value of the donation. If the donation has a value of \$2,500 or more and a useful life of two or more years, the Nonappropriated Fund Accounting Office forwards the fixed asset template electronically to the Shared Service Center to record the asset as donated equity. **(T-1)** If additional funds were expended to put the asset in place, such as freight, that cost would generally reduce the value of the donation as the donated asset must be recorded no higher than its fair market value unless actual cost exceeds fair market value. The Nonappropriated Fund Accounting Office will depreciate donations of fixed assets according to **Table 4.2.** **(T-1)**

4.3.3. Inter- and Intra-Nonappropriated Fund Instrumentality Transfers. Any activity transferring property completes AF Form 2534, *Nonappropriated Fund Property Disposal/Transfer Receipt*. Approval required by AFMAN34-204, *Property Management* is adequate supporting documentation.

4.3.3.1. Record property items received from, or transferred to, another Air Force Nonappropriated Fund Instrumentality as a transfer of equity. The Nonappropriated Fund Accounting Office uses the fair market value of the items transferred as the acquisition price of the transferred equity.

4.3.3.2. Capitalize items transferred with a value of \$2,500 or more, including all transportation, training, or related charges. These items must have a useful life of two years or more. Depreciate the asset according to **Table 4.2.**

4.3.3.3. Expense items valued at less than \$2,500 or a useful life of less than two years to the applicable receiving activity. Refer to AFMAN34-204, *Property Management* for additional guidance concerning inter- and intra-Nonappropriated Fund Instrumentality transfers, or TA-AFSFMS-14, *NAF Property Disposals and Transfers*, and TA-AFSFMS-15, *Fixed Asset Template*, on the Services Installation Support Portal for detailed instructions on making these transfers within the Air Force Services Financial Management System.

4.3.3.4. **Intra-Nonappropriated Fund Instrumentality Transfers.** These transfers are between activities within the same Nonappropriated Fund Instrumentality. The Nonappropriated Fund Instrumentality prepares an electronic AF Form 2534, *Nonappropriated Fund Property Disposal/Transfer Receipt*, and distributes it according to AFMAN34-204, *Property Management*. The AF Form 2534, *Nonappropriated Fund Property Disposal/Transfer Receipt* will automatically transmit to the Shared Service Center for processing the transfer in the Air Force Services Financial Management System Fixed Asset module for the losing and gaining Nonappropriated Fund Instrumentality upon signature of Resource Management Flight Chief or designee. When transferring between activities in the Morale, Welfare and Recreation Fund, the full value should be transferred and depreciation continues with the original amount or what is remaining.

4.3.3.5. **Inter-Nonappropriated Fund Instrumentality Transfers on the same installation.** These transfers are between different Nonappropriated Fund Instrumentalities on the same installation (Morale, Welfare and Recreation and Lodging). The transferring Nonappropriated Fund Instrumentality prepares an electronic AF Form 2534, *Nonappropriated Fund Property Disposal/Transfer Receipt* and distributes it according to AFMAN34-204, *Property Management*. The AF Form 2534, *Nonappropriated Fund Property Disposal/Transfer Receipt*, will automatically transmit to the Shared Service Center for processing the transfer in the Air Force Services Financial Management System Fixed Asset module for the losing and gaining Nonappropriated Fund Instrumentality upon signature of Resource Management Flight Chief or designee. The gaining Nonappropriated Fund Instrumentality prepares a fixed asset template with the new value and acquisition date and forwards the form to Nonappropriated Fund Accounting Office for validation. The Nonappropriated Fund Accounting Office submits the form electronically to Shared Service Center to record the asset. The Nonappropriated Fund Accounting Office prepares a cash transfer in Air Force Services Financial Management System to transfer the funds between the Nonappropriated Fund Instrumentalities.

4.3.3.6. **Inter-Nonappropriated Fund Instrumentality Transfers outside the installation.** The gaining installation or paying installation is responsible for generating an e-mail request to the AFSVA/FMTB, banking@afsv.net. The Bank Products & Services Branch processes a cash transfer upon receipt of an approved AF Form 2534, *Nonappropriated Fund Property Disposal/Transfer Receipt*. The AF Form 2534, *Nonappropriated Fund Property Disposal/Transfer Receipt* supports the cash transfer.

4.3.4. Nonappropriated Fund Construction. Nonappropriated Fund facility construction projects or facility renovations are charged to construction-in-progress, general ledger account code 185XXXX or 180XXXX, based on Internet Based Purchasing System purchase order or contract, Internet Based Purchasing System receiving reports for goods received or partially completed construction or paid by Purchasing Card. Construction in progress includes all costs attributable to an ongoing construction project to include costs of new buildings, renovations of existing buildings, and fixed assets purchased as part of the project. This includes payments such as contract progress payments, design costs, project validation assessment, purchases of equipment items and purchases of supplies, which will not be used until the project is complete. The Nonappropriated Fund Accounting Office will maintain general ledger account code 185XXXX by Nonappropriated Fund Instrumentality, activity, program, and cost center. The Nonappropriated Fund Accounting Office will use the activity cost center of the accounting string to designate the specific project or a separate general ledger account code 185XXXX or 180XXXX.

4.3.4.1. Beneficial Occupancy. The beneficial occupancy date is the date the new or renovated facility is open for patron use. If the project is not for patron use, the beneficial occupancy date is the date the structure is used by employees (e.g., golf maintenance facility) or for its intended purpose (e.g., golf irrigation system). The Force Support Deputy takes the necessary actions outlined in AFI34-205, *Services Nonappropriated Fund Facility Projects*, on the beneficial occupancy date for Nonappropriated Fund funded projects.

4.3.4.2. The Nonappropriated Fund Accounting Office will maintain a separate project subsidiary folder for each ongoing project. **(T-1)** The folder contains copies of all accounting-related documents pertaining to the project (e.g. contract, modifications, budget approvals, copies of paid invoices, receiving reports, etc.). In addition to the detailed supporting documents, the subsidiary must contain a construction summary, which lists the financial transactions relating to the project. **(T-1)** As a minimum, the summary should list each payment, payment date, amount, and the purpose of the payment (e.g. construction, equipment, bulk purchases, supplies). The Nonappropriated Fund Accounting Office must reconcile the subsidiary to the general ledger monthly. **(T-1)** This summary and the backup documents are used at the end of the project to remove items from the construction in progress account to the respective general ledger account codes.

4.3.4.3. When starting a new renovation, the Nonappropriated Fund Accounting Office should review the property list of the respective activity to identify previous renovations in the same activity. The Resource Management Flight Chief, working with the activity manager, determines which previous renovations will be substantially changed by the new renovation. If the renovation description on the property list is unclear, the Resource Management Flight Chief makes the final determination or changes the property description to include more descriptive information to better identify the renovation area. The Resource Management Flight Chief writes off the undepreciated value of a previous renovation when the new renovation substantially changes the previous one. The undepreciated value is written-off to the gain or loss on Disposal of Assets accounts in the benefiting activity (general ledger account code 9130000, *Gain or Loss on Disposal of Assets*). See [paragraph 4.12](#) for information on disposal documentation.

4.3.4.4. The Resource Management Flight Chief processes appropriate documentation to move construction costs from general ledger accounts (general ledger account code) 185XXXX or 180000X, to appropriate asset general ledger account codes, within 30 days of notification of beneficial occupancy of a Nonappropriated Fund facility by the Force Support Deputy. The Force Support Deputy notifies the Nonappropriated Fund Accounting Office, in writing, as soon as a project reaches the beneficial occupancy date using the guidance in AFI34-205, *Services Nonappropriated Fund Facility Projects*. In the month the activity begins to use the facility or facility renovation, or otherwise obtains beneficial occupancy, the Nonappropriated Fund Accounting Office prepares Nonappropriated Fund fixed asset templates. Transmit the forms to the Shared Service Center to initiate a transfer from general ledger account code 185000X to the fixed asset general ledger account code and to the Air Force Services Financial Management System Fixed Asset Module or expense accounts as applicable. There may be some pending items requiring additional work. Unless these pending items prevent the use of the facility, the project is considered 100 percent construction complete. **Note:** Record installed carpeting and wall coverings with the building along with the project design and all other related items attached to the building to general ledger account code 186XXXX, Facilities and Improvements Nonappropriated Fund.

4.3.4.5. There may be times when a project reaches the beneficial occupancy date but the Nonappropriated Fund Accounting Office and Shared Service Center has not received all final bills. Do not delay removing the project from the construction-in-progress account when final bills have not been received. If the final invoice is received after the activity begins to use the facility and the project costs have been transferred from general ledger account code 185XXXX, notify the Shared Service Center of the transaction by e-mail and forward the final invoice. The NAF AO will transmit the Fixed Asset Adjustment Template via MyPers to the Shared Service Center and the Shared Service Center will then add and update the Air Force Services Financial Management System Fixed Asset Module. The Resource Management Flight Chief must certify the project is correctly transferred from the construction-in-progress account and recorded to the appropriate asset and expense account. **(T-1)** The Resource Management Flight Chief provides the Force Support Deputy a certification memo and a copy of the general journal detail listing showing the transfer of the entries from the Construction-in-Progress account to the appropriate accounts.

4.3.4.6. The Force Support Deputy notifies the Resource Management Flight Chief and in turn the Nonappropriated Fund Accounting Office, in writing, when a project is cancelled or put on indefinite hold. **(T-1)** Once notified that a project is cancelled or put on indefinite hold, the Nonappropriated Fund Accounting Office must remove any project costs from the construction-in-progress account within 30 days of the written notification. **(T-1)** If a project is disapproved for construction after design costs or project validation assessment (or other similar costs) have been incurred, the Nonappropriated Fund Accounting Office prepares a general ledger adjustment forms to move the project costs to general ledger account code 9130000 in the benefitting activity cost center. This transaction is posted as

soon as the Resource Management Flight Chief or Nonappropriated Fund Accounting Office is informed of the project cancellation or disapproval. Force Support Squadron management must ensure the Resource Management Flight Chief/Nonappropriated Fund Accounting Office is informed of project cancellations or delays and ensure the Nonappropriated Fund Accounting Office is informed when the facility or renovation is put into use. (T-1)

4.3.4.7. Automated Reimbursement Account Small Projects Program Reimbursement.

4.3.4.7.1. Cash Management and Investment Program Reimbursement: For Air Force Base Capital Improvement Fund projects see [paragraph 14.50](#), on automated reimbursements and cash transfers. It is important for the Cash Management and Investment Program technician and the account payable technician to communicate. Refer to TA-AFSFMS-23, *Construction Payment and Reimbursements*, for additional process information. Synchronize the payment and reimbursement, to ensure cash-in-bank is sufficient to cover daily operating expenses and payroll charges. Ensure the Nonappropriated Fund Accounting Office coordinates with the Force Support Deputy and Resource Management Flight Chief on the allocation of funds with AFSVC/SVXF. This ensures the monies in the Automated Reimbursement Account and the cash transfer will process. It is best to process the cash transfer the same day as the payment. If the cash transfer is incorrect or is not processed in a timely manner, it may cause an overdraft of the cash-in-bank account. The automated reimbursements and remittances appear in paragraphs 1 and 2 of the daily Cash Management and Investment Program statement. Record the remittance as a debit to general ledger account code 1010000, Cash-in-Bank, and a credit to general ledger account code 2810000, Grants-Non-Operating. Each month the Nonappropriated Fund Accounting Office receives a Cash Management and Investment Program Automated Reimbursement Account Capital/Constructions Expenditures Report reflecting the remaining balance on each outstanding automated reimbursement account project. File this report in the subsidiary project folder and balance the subsidiary to the general ledger (refer to Training Aid NA-36).

4.3.4.7.2. Nonappropriated Fund Small Projects Program Construction Contracts Payment and Reimbursement Procedures. The Shared Service Center Cash Reconciliation Section will process the general ledger adjustment forms to record the Cash Management and Investment Program reimbursement as a debit to cash-in-bank 1010000 and a credit to general ledger account code 2810010, Grants Non-Operating -Small Projects Program. The Nonappropriated Fund Accounting Office may post the non-operating grant in the applicable activity cost center of the project or in the balance sheet cost center (0000).

4.4. Acquisition of Expendable Items. The activity marks expendable equipment items for identification of ownership. Expendable items do not meet fixed asset requirements (see AFMAN34-204, *Property Management* for detailed procedures on acquisition of expendable items).

4.4.1. Bulk Supply or Expendable Equipment Purchases. Supplies are items we purchase that are consumed during use. Examples are staples, copy paper and pencils. They also include things we use during the course of our business that do not qualify as an equipment item and in general do not have a useful life of two years or more. Examples are clock radios, bedspreads, bowling balls, bowling pins, range balls, ski poles, jackets, etc. They may be purchased in large quantities but do not qualify as an asset because they lose their identity during use. If purchased in bulk quantities, they are amortized over the period of time they will remain useful. Bowling pins are usually used over a two-year period so they could be set up under general ledger account code 1300000, Prepaid Supplies for current year operations and the second year under general ledger account code 1940000, Long Term-Prepaid Expenses.

4.4.1.1. Some expendable equipment items can also be posted to general ledger account code 1710000, Quantity Expendable (Bulk) Equipment Items, depending on the quantity purchased. They include bulk purchases of like-equipment items. Each item in the bulk purchase must cost below \$2,500 and have a life expectancy of two years or more. The collective value of the bulk purchase must be \$5,000 or more. Amortize these items over their expected useful life. Examples of these equipment items are electric golf cart batteries, televisions, microwaves, barstools, mattresses, box springs, curtains, drapes, carpets, DVD or Blu-ray players, kayaks, skis, chairs, tables, nightstands and headboards. These items do not lose their identity with use but do not meet the threshold in order to be capitalized. These items may also be classified as pilferable. Expendable bulk purchases of like equipment items are recorded as assets and amortized in the Air Force Services Financial Management System using the appropriate depreciation general ledger account code. Amortization of bulk purchases are excluded in the calculation of net income adjusted for depreciation. Unless the asset classifies as pilferable, delete bulk equipment items when they are fully amortized.(T-1)

4.4.1.2. Both prepaid supplies and expendable equipment can be pilferable. These items must be identified when purchased so they can be placed on the required pilferable fixed asset list. (T-1)

4.4.1.3. The Nonappropriated Fund Accounting Office posts the full acquisition cost, including freight and shipping costs, to non-current assets-quantity expendable (bulk) equipment items (general ledger account code 171XXXX) and posts monthly amortization expense (general ledger account code 796XXXX, 797XXXX, 798XXXX, or 799XXXX) in the operating statement to the benefiting cost center code.

4.4.1.4. The Nonappropriated Fund Accounting Office amortizes these items according to **Table 4.2.** for small or light assets. Amortize these purchases in the month following receipt of the purchase. **Exception:** If the activity manager determines that the useful life is lower than the table, use the lower useful life. If the useful life is under two years then record the bulk purchase as an expense (or a prepaid asset account). These bulk purchased items will be deleted from the property subsidiary when they are completely amortized unless they are deemed pilferable.

4.4.2. Volume Purchases of High Value Supplies. The Resource Management Flight Chief may treat certain types of bulk purchases as volume purchases of high value supply items and Nonappropriated Fund quantity supply-type items. These items do not qualify for the procedures in [paragraph 4.4.1.1](#). High value supplies are not capitalized. They are recorded as a pre-paid item and prorated over the life of the item not to exceed 3 years. The expense is charged to supply expense and not excluded for the Net Income Adjusted for Depreciation calculation. Large purchases of supply items costing more than \$600 with an expected use period of at least 3 months may be prorated at \$200 per month. The Resource Management Flight Chief, working with the Force Support Commander or Director, should establish a local policy during the budget process to determine the dollar value for high value supplies purchased in volume. Examples are stainless steel ware, glassware, linens, glass coffee pots/servers, irons and ironing boards, bowling pins, other similar supply-type items (See also AFMAN34-204, *Property Management*).

4.4.2.1. The activity posts the acquisition costs to short-term or long-term prepaid expenses (general ledger account code 130XXXX/194XXXX) and posts monthly supply expense (general ledger account code 720XXXX) in the operating statement to the benefiting cost center. Items may be prorated for a minimum of 3 months up to a maximum of three years (one year short-term and two years long-term). Do not exceed the life of the items in the volume purchase.

4.4.3. Small Value Items. Other expendable items are defined as small purchases of towels, hand cloths, linens, kitchen utensils, guest checks, accounts receivable statements, expendable equipment, etc. The activity posts the acquisition cost to short-term or long-term prepaid expenses (general ledger account code 130XXXX/194XXXX). These items may be prorated for up to 2 years (1 year short-term and 1 year long-term). Do not exceed the life of the supply. Post the monthly supply expense (general ledger account code 720XXXX) in the benefiting cost center. The Resource Management Flight Chief, working with the Force Support Commander or Director, establishes a local policy on when an activity uses the prepaid asset account and when the activity directly expenses the purchase. When determining whether you should post an item in the prepaid expense account, consider such factors as the amount of revenue earned by the Nonappropriated Fund Instrumentality and the materiality of the purchase to the Nonappropriated Fund Instrumentality. Apply this policy consistently from one accounting period to the next. Do not base your decision on the current financial condition of the activity. **(T-1)**

4.5. Leases.

4.5.1. A capital lease is based on the concept that a lease transfers substantially all of the benefits and risk of ownership of equipment to the lessee. The Nonappropriated Fund Capital Lease Program is available for installations to acquire furniture, fixtures and equipment eligible for capitalization but not covered by grants or the Base Capital Improvement Fund program. The lessee records a capital lease as an asset (general ledger account code 1750000, NAF Capital Lease Asset, for capital leases acquired through the Nonappropriated Fund capital lease program and general ledger account code 1880000, capital lease, for commercial capital

leases acquired through a third party via waiver). If old fixed assets are being traded in to establish a capital lease, the trade-in value of the old assets must be recorded under general ledger account code 913, Gain or Loss on Asset Disposal (refer to [paragraph 4.11](#)). Record the value of the capital lease at its original acquisition cost. The lessee amortizes the leases in a manner similar to depreciating assets. The period of amortization may vary. Amortize a capital lease over the life of the asset if:

4.5.1.1. The lease transfers ownership to the lessee by the end of the lease term.

4.5.1.2. The lease contains a bargain purchase option.

4.5.1.3. The lease term is 75% or more of the estimated useful life of the leased property, or at the inception of the lease.

4.5.1.4. The present value of the lease payments is 90% or more of the fair value of the leased property.

4.5.1.5. The lease is \$2,500 or more with a useful life of 2 years or more.

4.5.2. Central Nonappropriated Fund Capital Lease Program.

4.5.2.1. Nonappropriated Fund Instrumentalities will not obtain cash loans, deferred time payments, lines of credit, or capital leases from commercial or other non-Air Force sources without prior approval of AFSVC/FM.

4.5.2.2. This program will be operated through the Air Force Financial Management Fund. The minimum Nonappropriated Fund Capital Lease request is \$50,000.

4.5.2.3. All leases under this program will be established with a lease payment of both principal and interest (interest factor subject to change at the end of the fiscal year—equal to the interest AFSVC/FM would have earned on invested monies).

4.5.2.4. All leases will be for the estimated useful life of the leased property, as the ownership of the asset will be transferred from the AFSVC/FM to the applicable installation Nonappropriated Fund Instrumentality when the asset is purchased.

4.5.2.5. Leases from Air Force Services Center are solely for equipment items: all facility acquisitions must be processed through the Air Force Base Capital Improvement Fund.

4.5.2.6. AFSVC/FMB will establish lease repayment terms consistent with generally accepted accounting principles. If the installation cannot meet the monthly payment, ownership of the asset will revert to the Air Force Services Center and the custodian will determine appropriate disposition.

4.5.2.7. Monthly lease payments will be made through Cash Management and Investment Program via cash transfer.

4.5.2.8. To obtain approval for a central Nonappropriated Fund capital lease:

4.5.2.8.1. The Nonappropriated Fund Instrumentality must budget for the lease of the capital asset to ensure cash flow will sustain the monthly payments. The installation's Nonappropriated Fund Council and installation commander must approve the lease request. Budget associated interest and depreciation expense in the Income and Expense Budget.

- 4.5.2.8.2. The installation commander, upon receipt of the lease request takes one of the following actions:
- 4.5.2.8.2.1. Approves submission of the request if it is determined to be valid.
 - 4.5.2.8.2.2. Disapproves submission of the request in whole or in part and returns it to the initiator.
- 4.5.2.8.3. The installation commander submits the request to AFSVC/SVI with a description of the requirement, justification, funding source, indication of the Nonappropriated Fund Council's support, and any additional information that supports the request as required.
- 4.5.2.8.4. AFSVC/SVI ensures the package is complete and forwards the coordinated lease request to AFSVC/FMB. Incomplete packages will be returned to the installation.
- 4.5.2.8.5. AFSVC/FMB validates the request with input from Air Force Services Center functional representatives. Valid requests will be forwarded to AFSVC/CC or Executive Director for decision. Invalid requests will be returned through AFSVC/SVI to the installation.
- 4.5.2.8.5.1. If approved by Air Force Services Center, the asset will be purchased by the Air Force Nonappropriated Funds Purchasing Office for the Air Force Services Central Fund with delivery instructions to the requesting installation. Charge the Cost of the asset to the Air Force Services Central Fund.
 - 4.5.2.8.5.2. The installation will prepare the receiving report immediately upon delivery of the asset. **(T-1)**
 - 4.5.2.8.5.3. Once notified of receipt AFSVC/FMB will begin to withdraw payment of principal and interest through Cash Management and Investment Program. Amounts collected are deposited in the Air Force Services Central Fund.
- 4.5.3. A third party capital lease (mentioned in [paragraph 4.5.1](#)) requires a waiver. **(T-1)** The waiver must include an economic analysis showing the third party capital lease is less costly than acquiring the assets through the Nonappropriated Fund Capital Lease Program. The installation will submit the waiver and the complete Nonappropriated Fund Capital Lease package to AFSVC/SVI. **(T-1)** AFSVC/SVI verifies completeness and forwards to AFSVC/FMB for evaluation. If further work is required, AFSVC/SVI or AFSVC/FMB will return the package to the installation; otherwise, AFSVC/FMB will submit to AFSVC/CC or Executive Director for approval.
- 4.5.4. An operating lease does not meet any of the four criteria of a capital lease as listed above in [paragraph 4.5.1.1](#) through [4.5.1.5](#). The Nonappropriated Fund Accounting Office posts the cost of an operating lease as rental expense (general ledger account code 7930000), using the appropriate cost center code when payment is made. Make payments in accordance with the rental agreement.

4.6. Fixed Assets-Appropriated Fund Titled. The activity manager, working with the logistics manager, may transfer Nonappropriated Fund procured property or facilities to appropriated fund titled facilities or property for maintenance when allowed by AFMAN34-201, *Use of Nonappropriated Funds* and AFI65-106, *Appropriated Fund Support of Morale, Welfare, Recreation (MWR) and Nonappropriated Fund Instrumentalities (NAFI)*. The Nonappropriated Fund Accounting Office posts these items in the Nonappropriated Fund property records and general ledger as Fixed Assets-Account Payable Fund titled (signifies government title (general ledger account code 183XXXX)). Depreciate them according to **Table 4.2**. Include the following footnote in the balance sheet (except for equipment): "The title of real property financed with nonappropriated funds and reported hereon is vested in the United States Government." When the property is equipment, footnote the balance sheet with a statement that the equipment was financed with Nonappropriated Funds. See AFMAN34-204, *Property Management* for more information regarding the master fixed asset listing.

4.7. Horses. Value horses at their purchase price plus transportation and other incidental costs of taking possession. The useful life guidelines recommended for all stallions, geldings, and mares regardless of breed is 16 years (through the 15th year of age). Record any foals produced by breeding as property. Accumulate all costs associated with the pregnancy and birth of foals. If the aggregate cost of a successful birth reaches \$2,500 or more, capitalize the foal and depreciate. If the aggregate cost of a successful birth is under \$2,500, expense to the applicable cost center code. In this instance, record the foal on the property records with a zero book value for accountability purposes. In the case of unsuccessful births, expense all related costs.

4.8. General Services Administration Seized Property or Defense Logistics Agency Disposition Services (formerly Defense Reutilization and Marketing Office). The activity may incur Nonappropriated Fund costs to acquire General Services Administration seized or Defense Logistics Agency Disposition Services property; however, the Nonappropriated Fund Instrumentality does not have title and control of this property. The Nonappropriated Fund Accounting Office capitalizes acquisition costs of \$2,500 or more with a useful life of 2 years or more for General Services Administration property or property obtained from Defense Logistics Agency Disposition Services. The Nonappropriated Fund Instrumentality cannot sell or trade General Services Administration seized property. **(T-0)** Activity managers must follow AFMANs34-201, *Use of Nonappropriated Funds* and 34-204, *Property Management* when the property becomes unserviceable or when they no longer need the property. **(T-1)**

4.8.1. If the item meets the criteria for capitalization, the Nonappropriated Fund Accounting Office capitalizes the property as Fixed Assets-Account Payable Fund (general ledger account code 183XXXX). General Services Administration seized or Defense Logistics Agency Disposition Services obtained property recorded as fixed assets-Nonappropriated Fund (general ledger account code 181XXXX) should be reclassified to fixed assets-Account Payable Fund (general ledger account code 183XXXX).

4.8.1.1. Depreciate the item to the activity receiving the benefit of the property.

4.8.1.2. Value the property at zero plus Nonappropriated Fund costs to acquire the property (such as repair costs, transportation costs, storage fees and so forth).

4.8.1.3. Use **Table 4.2** to determine the useful life of the asset.

4.8.1.4. If the acquisition does not meet the criteria for capitalization, expense the acquisition costs to the benefiting activity.

4.8.2. The Nonappropriated Fund Accounting Office uses the procedures in [paragraph 4.12](#) to post the disposition.

4.8.3. The activity manager, working with the logistics manager, must mark all Defense Logistics Agency Disposition Services property to distinguish it from Nonappropriated Fund Instrumentality owned (titled) property. Refer to AFMAN34-204, *Property Management* to account for Defense Logistics Agency Disposition Services property.

4.9. Repair of Fixed Assets. The procedures for capitalizing repairs of fixed assets apply to repairs of Nonappropriated Fund-purchased fixed assets, seized equipment (for example, aircraft and boats) leased aircraft and Defense Logistics Agency Disposition Services-obtained equipment. The Nonappropriated Fund Accounting Office capitalizes repair of any fixed asset when the repair costs \$2,500 or more. The repair must extend the useful life of the asset 2 years or more. If the repair does not qualify for capitalization (e.g. yearly vehicle inspections, battery, brake, and tire replacements, etc.) post the cost as an expense to the benefiting activity.

4.10. Depreciation. Depreciation accounting distributes the cost or other basic value of tangible capital assets over the estimated useful life of such assets in a systematic and rational manner. Accounting for depreciation as an expense is an integral part of the accrual basis of accounting. Accordingly, all capitalized assets paid for with Nonappropriated Funds are depreciated over the expected useful lives of such assets (See also AFMAN 34-204, *Property Management* for managing fixed assets). The activity manager assigns the projected life for a fixed asset based on the depreciation table ([Table 4.2](#)). The Resource Management Flight Chief helps the activity manager to determine the projected life. The Resource Management Flight Chief will establish facility depreciation periods according to the depreciation [Tables 4.1](#) and [4.2](#). (T-1) If accelerated depreciation is required, it can only be accomplished at the beginning of the fiscal year.

4.10.1. The Air Force Services Financial Management System computes depreciation by item on a straight-line basis beginning the first month the item is placed into service continuing through the month of disposal or month of 100% depreciation.

4.10.2. The SSC processes fixed asset template submissions from the Nonappropriated Fund Accounting Office for all eligible depreciable items using the projected useful life. Air Force Services Financial Management System will compute depreciation based on the total cost of assets to include shipping and freight. Charge the depreciation expense to the benefiting cost center. Assign periods of projected life based on minimum, midpoint, and maximum ranges in [Table 4.2](#). Although the procedure for assignment of these periods is the same for new, used, or repaired property, the life expectancy of used or repaired property shall not normally be greater than the midpoint shown in the table. Establish the periods based on the expected useful life as shown in the examples below. Do not change the periods of projected life during the accounting year. (T-0) The number of periods may need to be changed at the beginning of a fiscal year if enough evidence exists to show that the life expectancy has changed. Do not make these changes retroactively. Submit a Nonappropriated Fund Fixed Asset Adjustment Form to the SSC in accordance with end-of-year closeout procedures and October End of Month closeout timelines. The SSC will process the necessary changes after closeout but before the new fiscal year depreciation starts to run.

- 4.10.2.1. Establish depreciation periods in increments of 12-month periods.
- 4.10.2.2. Charge depreciation to the benefiting cost center.
- 4.10.2.3. In a lodging fund, distribute depreciation to the benefiting cost center.
- 4.10.2.4. Do not charge depreciation to a Nonappropriated Fund Instrumentality or activity administrative cost center code except when one of the following situations applies:
 - 4.10.2.4.1. The operation's business office physically uses the property.
 - 4.10.2.4.2. More than one cost center uses the property. An example is a general-purpose vehicle used by a club.
 - 4.10.2.4.3. Depreciation expense for Nonappropriated Fund capital assets transferred to Account Payable Fund records for maintenance or other support continue to be depreciated until the assets are fully depreciated. Post the depreciation expense in the transferring activity's cost center.

4.11. Trade-in of Assets. When assets are traded in, the disposition of the old asset is treated like a sale using the normal process. Post the newly acquired asset at its full cost (before trade-in). Post the trade-in value in the general ledger account code 9130000, Gain or Loss on Disposal of Assets. The trade-in value of an old asset does not affect the acquisition value of the new equipment listed in the property sub-system. The Force Support Commander or Director approves trade-in of fixed assets. Do not trade-in assets transferred to appropriated fund records. For additional guidance, see [paragraph 4.12.](#) of this AFMAN and AFMAN34-204, *Property Management* for managing, controlling, and disposing of Nonappropriated Fund and Defense Logistics Agency Disposition Services property.

4.12. Disposition of Assets. The accounting procedures for disposing of Nonappropriated Fund property contained in this AFMAN apply to all assets including those acquired by transfer or donation (unless there is an exception stated in this chapter). See AFMAN34-204, *Property Management* for detailed instructions when disposing of assets.

- 4.12.1. Write off related renovations when an activity disposes of a facility. Complete AF Form 2534, *Nonappropriated Fund Property Disposal Transfer Receipt* and transmit to the Shared Service Center to write off the assets.
- 4.12.2. Upon receipt of the AF Form 2534, *Nonappropriated Fund Property Disposal/Transfer Receipt* the Shared Service Center posts the disposition in the property subsidiaries and general ledger records.

4.13. Nonappropriated Fund Fixed Assets Inventory. As a minimum, activities must conduct a physical inventory of Nonappropriated Fund fixed assets at least once during each fiscal year. Personnel from activities, other than the activity being inventoried, observe activity personnel as they take the impartial physical inventory. See AFMAN34-204, *Property Management* for fixed asset inventory requirements, procedures and individual responsibilities.

4.14. Insurance Claims. The Air Force Services Center Plans and Force Management Directorate, Human Resources and Benefits Division (AFSVC/SVXH), will settle claims for insured assets destroyed or damaged. Once AFSVC/SVXH settles the claim, the Nonappropriated Fund Accounting Office adjusts the affected accounts using the fixed asset templates. Claim settlements do not exceed the acquisition value less accumulated depreciation of the property destroyed (book value). Reference AFMAN34-202, *Protecting Nonappropriated Fund Assets*. Report a Gain or Loss when:

4.14.1. The asset is damaged and repaired. If the asset is repaired with insurance proceeds, no entry is made to accounting records. Record the cost of the repair as a receivable; when the funds are received, ensure the receivable is cleared.

4.14.1.1. If the asset's fair market value is reduced even after it is repaired, record the decrease in value to general ledger account code 9130000, Gain or Loss on the Disposal of Assets. Reduce the asset on the fixed asset module by the amount of the decrease in fair market value and depreciate it over its remaining useful life.

4.14.1.2. If insurance proceeds are more or less than the cost of the repair, record the difference as miscellaneous income or expense.

4.14.2. The asset is damaged and not repaired. Reduce the value of the asset to its fair market value on the fixed asset module and depreciate it over its remaining useful life. Record the decrease in fair market value, net of any insurance reimbursement as a Gain or Loss on the Disposal of Assets.

4.14.3. The asset is a total loss. Remove it from the fixed asset module and report the net book value of the asset, net of any insurance reimbursement as a Gain or Loss on the Disposal of Assets. Record the purchase of the replacement asset the same as the purchase of any other asset.

4.15. Nonappropriated Fund Labor Costs Incurred During Self-Help Renovation Projects:

4.15.1. Capitalizing Nonappropriated Fund labor as part of the total project cost for self-help renovation projects must meet the following criteria:

4.15.1.1. The total NAF funds spent on the project (including Nonappropriated Fund labor) must be \$2,500 or more and the construction and renovation must have a useful life of 2 years or more. Air Force Services Center commander approves, in writing, requests to complete self-help projects with a total cost of \$200,000 or over. Include a breakout of all the estimated costs and a justification for the project.

4.15.1.2. The installation civil engineers must approve the self-help project (approved work order, AF Form 332, *Base Civil Engineer Work Request*, and other approvals as required by AFI32-1022, *Planning and Programming of Nonappropriated Fund Facility Construction Projects*).

4.15.1.3. Nonappropriated Fund labor costs must be material (i.e., significant) in relationship to the total project cost. The costs to capture the information accurately should not outweigh the benefits received.

4.15.1.4. Capitalize only those Nonappropriated Fund labor costs directly related to the project. For example, capitalize labor costs for carpenters, electricians and laborers, but do not capitalize support staff such as accounting and administrative support as these costs were not direct costs in constructing the asset.

4.15.1.5. Do not include fixed overhead costs unless they are increased because of the construction and renovation. Do not capitalize management salaries unless this expense increases because of the construction of the asset.

4.15.1.6. Do not apply this policy to instances where appropriated funds are authorized to complete the project. **(T-1)** Follow the guidance in AFI32-1022, *Planning and Programming of Nonappropriated Fund Facility Construction Projects* and AFI65-106, *Appropriated Fund Support of Morale, Welfare, and Recreation (MWR) and Nonappropriated Fund Instrumentalities (NAFI)* to determine whether the project is authorized account payable fund support or not.

4.15.1.7. Nonappropriated Fund employees allowed to work on construction or renovation projects must work within the scope of their authorized position guides and descriptions.

4.15.2. Follow these procedures to control and account for self-help renovation projects:

4.15.2.1. The activity manager includes the project (total cost including Nonappropriated Fund labor) on the capital requirements budgets according to [Chapter 3](#). Total Nonappropriated Fund labor cost includes hours worked times the rate of pay adjusted for any differentials, overtime, premiums, plus all applicable benefits (retirement, employer's share of Federal Insurance Contributions Act (FICA), insurance, workers compensation, and so on).

4.15.2.2. The activity manager forwards a request to the Resource Management Flight Chief before the project starts. Include any AF Forms 9, *Request for Purchase*, for materials; individual service contracts and an estimate of the total Nonappropriated Fund labor cost (include employees' names for accountability purposes). Attach the approved work order from the installation civilian engineers. Annotate the work order number on all documentation relating to this project.

4.15.2.3. The Resource Management Flight Chief will establish a project folder for each self-help project to track the obligation and expenditure of funds. **(T-1)**

4.15.2.4. The activity manager tracks and captures the Nonappropriated Fund labor costs. At the end of each month, forward a labor transfer memorandum to the Resource Management Flight Chief. The manager's signature on the labor memorandum certifies that the hours annotated were worked directly in support of the project involved.

4.15.2.5. The Nonappropriated Fund Accounting Office does not reduce the applicable personnel expense general ledger account codes by the amount of the labor transfer. Instead, credit the personnel expense-self help projects contra account (general ledger account code 6800000, Self-Help Labor-Contra) for the amount of the labor transfer and debit construction-in-progress (general ledger account code 185XXXX). Use the cost center code of the activity where the employee is originally assigned. The credit to general ledger account code 6800000 offsets the personnel expense remaining in the personnel

expense general ledger account codes. If an employee works on a project for another Nonappropriated Fund Instrumentality, process a dollar transfer of funds.

4.16. Aero Clubs. The Nonappropriated Fund Accounting Office accrues the anticipated engine overhaul or replacement cost monthly. Nonappropriated Fund Accounting Offices should also establish accruals in Aero Clubs for any other planned major maintenance such as repainting aircraft.

4.16.1. To account for accrued maintenance, the Nonappropriated Fund Accounting Office will keep two separate subsidiary ledgers, one for engine overhaul and one for other planned maintenance. **(T-1)** For engine overhauls, the Nonappropriated Fund Accounting Office sets up the accrued maintenance as a debit to general ledger account code 1790001, Fixed Assets in Transit-Vehicles and Aircraft and a credit to general ledger account code 2490000, Other Payables under the specific Aero Club cost center. For any other planned maintenance, the Nonappropriated Fund Accounting Office sets up the accrued maintenances as a debit to general ledger account code 7230000, Maintenance and Repair- Fund Owned or general ledger account code 7240000, Maintenance and Repair- Non-Fund Owned and a credit to general ledger account code 2490000, Other Payables under the specific Aero Club cost center. Setting aside accruals minimizes the impact of a major maintenance expense to the Club. Ensure accruals are included in the Nonappropriated Fund budget process and the Nonappropriated Fund Instrumentality is healthy enough to absorb these maintenance accruals.

4.16.2. The Nonappropriated Fund Accounting Office sets up capital improvements made to an aircraft in the fixed asset system as a repair. The repair should include adequate descriptions, serial numbers, etc., to enable identification of the improvement. The fixed asset system will separately identify the addition to the original aircraft as part of that aircraft.

4.17. Grants. When the installation receives grant funds to acquire fixed assets, facilities, livestock, etc., refer to [paragraph 5.31](#).

Table 4.1. Criteria for Capitalizing Purchases.

If purchased goods are:	and cost of each individual item is:	and they have a useful life of:	then record as:	
Furniture and Equipment	less than \$2,500	N/A	Expense	
	\$2,500 or more	Less than 2 years	Expense	
	\$2,500 or more	2 years or more	Asset and Deprecate over its useful life.	
Facilities	less than \$2,500	N/A	Expense	
	\$2,500 or more	Less than 2 years	Expense	
	\$2,500 or more	2 years or more	Asset and Deprecate over its useful life.	
If repairs are to:	and cost is:	and they will extend the useful life by:	then record as:	
Fixed Assets - Furniture and Equipment	less than \$2,500	N/A	Expense	
	\$2,500 or more	Less than 2 years	Expense	
	\$2,500 or more	2 years or more	Asset and Deprecate over its useful life.	
Fixed Assets - Facilities	less than \$2,500	N/A	Expense	
	\$2,500 or more	Less than 2 years	Expense	
	\$2,500 or more	2 years or more	Asset and Deprecate over its useful life.	
If purchased goods are:	and cost of each individual item is:	the entire purchase cost is	and they have a useful life of:	then record as:
Bulk purchase of	less than \$2,500	less than \$5,000	N/A	Expense
		\$5,000 or more	Less than 2 years	Expense
		\$5,000 or more	2 years or more	as a bulk purchase asset and amortize over useful life NTE 7 years.

Table 4.2. Depreciation/Amortization Rate Schedules.

FURNITURE AND EQUIPMENT		Life Expectancy in Years		
Fixed Assets	Lower Limit	Midpoint	Upper Limit	
Furniture and equipment includes those items that are not structural components of a building. Does not include communications equipment that is included in other classes. This list is not all-inclusive and the life expectancies are suggestions. Sound judgment must be applied based on manufacturer and historical information when determining useful life.				
Small or light: Outdoor furniture, computers, laptops, software, canopies, pool umbrellas, installed wall hand dryers, portable air conditioners, rugs, rug shampooer, buffer, bar glass washer, liquor scales, bus carts, dish trucks, televisions, chairs, tables, moveable carpets, wall-paper, office desks, book shelves, metal office chairs, file cabinets, light fixtures, Sumo wrestling suits, bouncers, etc.	3	5	7	
Medium: Wall mirrors, room dividers, bar stools, upholstered chairs and sofa, stereo systems, beer coolers, cash registers, coffee urns, bun warmers, ice cream cabinets, pizza ovens, microwave ovens, deep fat fryer, grills, fans, ladders, ice makers, juke boxes, portable bars, trophy display cabinets, vehicles, back hoes, snow blowers, etc.	4	6	8	
Heavy: Pianos, wall, front bars, reach-in refrigerators or freezers, public address systems, ranges, broilers, dishwashers, oven mixer, steam kettles, meat slicers, storage cabinets, steam tables, stainless steel work tables, service stands, sinks, safes, vending machines, food waste disposals, installed resale fixtures, portable sheds, wooden and dry storage racks, etc.	9	11	13	
Aero club assets:				
Aircraft*	5	7	9	
Aircraft engine overhauls/replacements	2	4	6	
Avionics	2	3	5	
Painting aircraft	2	3	5	
Aircraft interior replacement	2	3	5	
Telephone systems	7	10	13	
*Note: For an Appropriated Fund loaned aircraft, be prudent when applying useful life as these aircraft cannot be sold through Nonappropriated Fund procedures and improvements will remain with aircraft when they become excess.				
Information systems: Includes computers and their peripheral equipment used in administering normal business transactions and the maintenance of business records, their retrieval and analysis. Information systems are defined as:				

FURNITURE AND EQUIPMENT	Life Expectancy in Years		
Fixed Assets	Lower Limit	Midpoint	Upper Limit
Systems. Computer systems usually consist of a central server unit containing extensive storage, logic, arithmetic, and control capabilities. Excluded from this category are portable cash registers not affiliated with point of sale, electronic desk calculators, etc.	4	5	6
Peripheral equipment. Consists of the auxiliary machines that may be placed under control of the central server unit. Peripheral equipment may be used on-line or off-line.	4	5	6
Computer Software. In general there are 2 types of software: 1) systems software (also called operating systems) which interpret and execute commands, manage and process disk files and oversees and communicates w/the peripherals. Examples are MS-DOS and UNIX. 2) Application software is a broad range of software used for specific purposes like word processing, database management, spreadsheets, etc. The majority of software falls into this category. Examples are: Enable, Lotus 123, Harvard Graphics.	2	4	5
Data handling equipment, except computers. Includes typewriters, calculators, adding and accounting machines, copiers and duplicating equipment.	5	6	7
Land improvement. Includes improvements directly to, or added to, land provided such improvements are depreciable. Examples of such assets might include sprinkler systems, sidewalks, roads, canals, waterways, drainage, facilities, sewers, wharves and docks, bridges, fences, landscaping, shrubbery, or radio and televisions transmitting towers. Does not include land improvements that are included in any other class, buildings and structural components. Excludes initial clearing and grading land improvements.	10	15	20
Vehicles. Forms of transportation used in the course of daily business or for pleasure such as automobiles and golf carts:			
Automobiles	2	3	4
Buses	7	9	11
Light general purpose trucks. Includes trucks for use over the road (actual unloaded weight less than 13,000 pounds)	3	4	5
Heavy general purpose trucks. Includes heavy general purpose trucks, concrete ready-mix truckers, and ore trucks, for use over the road (actual unloaded weight 13,000 pounds or more)	5	6	7
Tractor units for use over the road	3	4	5

FURNITURE AND EQUIPMENT		Life Expectancy in Years		
Fixed Assets		Lower Limit	Midpoint	Upper Limit
Trailer and trailer-mounted containers		5	6	7
Golf carts/mowers		2	4	6
Water craft: Forms of transportation and working vessels and pleasure craft of lakes, seas and oceans				
Small (under 28 feet)		2	6	10
Large (28 feet and over)		5	10	15
Vessels, barges, tugs and similar water transportation equipment		14	18	22
Facility and Renovations		Life Expectancy in Years		
Facility Property Class		Lower Limit		Upper Limit
Buildings and structures. This relates to the erection, installation and assembly of a new facility for the following categories. Costs associated with alterations. Additions and renovations of projects will be depreciated over the expected life of the improvement. Facilities costing less than \$1,000 and expected life of 2 years or less will be expenses.				
Permanent - The Resource Management Flight Chief and Civil Engineer set the life expectancy		20		30
Semi-permanent		5		25
Temporary		2		5
Leasehold Improvements. Includes costs of approved renovation of leasehold improvement.		2		35
Real Property Installed Equipment. Those items of government-owned or leased accessory equipment, apparatus and fixtures that are essential to the function of the real property and are permanently attached or integrated to the government-owned or leased property.		3		35
Horses		Life Expectancy in Years		
Fixed Assets		Age of Animals		Remaining Years Useful Life
Animals: For example, horses used for trail rides and riding lessons.		6 or under		10
Horses - stallions, geldings and mares of all breeds		7		9
		8		8

FURNITURE AND EQUIPMENT		Life Expectancy in Years		
Fixed Assets		Lower Limit	Midpoint	Upper Limit
	9		7	
	10		6	
	11		5	
	12		4	
	13		3	
	14 or over		2	

Chapter 5

REVENUE TRANSACTIONS AND PROMOTIONAL PROCESSING

5.1. Revenue Processing. Activities prepare AF Form 1875A, *Nonappropriated Fund Individual Cashier's Report*, to provide accountability for individual cashiers. Activities prepare AF Form 1876, *Nonappropriated Fund Consolidated Cost Center Report*, or approved Point of Sale AF Form 1876, *Nonappropriated Fund Consolidated Cost Center Report* to report deposits and consolidated income to the Nonappropriated Fund Accounting Office. Print the form generated in the Nonappropriated Fund Data Interface System or point of sale. The activity manager, or designee, signs as approver on the printed AF Form 1876, *Nonappropriated Fund Consolidated Cost Center Report*. Transmit the AF Form 1876 *Nonappropriated Fund Consolidated Cost Center Report* according to TA-AFSFMS-08, *1876 Processing Using NAFDIS*, for entry into the accounting records and keep one signed copy in the activity. The Central Cashier posts deposit transactions on the AF Form 1877, *Nonappropriated Fund Central Cashier Control Log*, transmits according to TA-AFSFMS-09, *Creating the NAF Central Cashier Control Log*. In the process, the Nonappropriated Fund Accounting Office is responsible to:

5.1.1. Maintain Account Receivable subsidiary records as determined locally. Some subsidiaries will be maintained by activities while others remain a Nonappropriated Fund Accounting Office responsibility. The Nonappropriated Fund Accounting Office will maintain all end of month supporting documents for all subsidiaries. **(T-1)**

5.1.2. Prepare accounts receivable schedules to support the financial statement as required. **(T-1)**

5.1.3. Receive AF Forms 1876, *Nonappropriated Fund Consolidated Cost Center Report* and related AF Form 1875A, *Nonappropriated Fund Individual Cashier's Report* with supporting documentation from activities for retention in accordance with the Air Force Records Information Management System tables and rules. **(T-1)**

5.1.4. Receive banquet, party or special function forms. **(T-1)** See TA-08, Processing and Accounting for Special Functions for specific details on reporting criteria.

5.2. Individual Cashier's Reports and Consolidated Cost Center Reports. Activity managers control these reports according to AFMAN34-202, *Protecting Nonappropriated Fund Assets*. The activity manager or designee accumulates individual cashier's reports and supporting documents. Send the documentation to the Nonappropriated Fund Accounting Office for filing on the agreed time schedule. The activity manager and resource management flight chief may agree the activity retain AF Forms 1875A, *Nonappropriated Fund Individual Cashier's Report* and supporting documents for a given period (for example, 1 week, 1 month, or a 3-month period). At the end of the designated period, the activity sends the documents to the Nonappropriated Fund Accounting Office for filing. The Resource Management Flight Chief documents the agreement. Both the activity and the Nonappropriated Fund Accounting Office keep a copy of this agreement on file. The Nonappropriated Fund Accounting Office maintains their copy in the Life-of-the-Fund file. The Nonappropriated Fund Accounting Office is the office of record for all source documents.

5.3. Deposit Slips. The Nonappropriated Fund Accounting Office receives deposit slips (validated and invalidated) to validate deposits reported through the NAFDIS Form 1877. If the Nonappropriated Fund Accounting Office receives an invalidated deposit slip, suspense it until the bank sends a validated copy. The Nonappropriated Fund Accounting Office should receive the validated deposit slip within 3 days after the day of business. Immediately notify the Resource Management Flight Chief or office manager of any variances between the suspense deposit slip and the validated deposit slip when received. **(T-1)**

5.3.1. The Air Force Services Center, Financial Management and Comptroller Directorate, Treasury Division (AFSVC/FMT) will compare the cash deposit amount reported on the NAFDIS 1877 to the actual deposit reported by the depository bank. Any differences are referred to as a deposit validation error adjustment. AFSVC/FM provides the deposit validation report monthly to installations and the Shared Service Center and banking will post the deposit validation adjustment to the base Cash Management and Investment Program MWR account. Installations should contact AFSVC/FM with information related to the deposit validation error and provide applicable line of accounting to Shared Service Center cash reconciliation for valid deposit validation adjustments.

5.3.2. The Shared Service Center will record deposit validation adjustments reflected on Cash Management and Investment Program in the month following the error to the applicable line of accounting.

5.3.3. The Nonappropriated Fund Accounting Office is responsible for researching and clearing deposit validation errors, and providing the proper Line of Accounting to Shared Service Center cash reconciliation. If deposit validation errors are significant enough to require correction in the current month, contact Shared Service Center cash reconciliation to make the adjustment.

5.4. Credit Card Deposits. The Nonappropriated Fund Accounting Office receives the end-of-day settlement reports from credit card terminals or Point of Sale systems for each day's business through the central cashier deposit transactions. The activity reports the amount of the credit card deposit through the NAFDIS 1876. The amount reported should agree to the credit card terminal settlement reports. The current nonappropriated fund merchant processor, automatically deposits daily receipts based on the data received from the credit card terminals. If the deposits do not match the amount recorded on the AF Form 1876, the difference will be recorded in general ledger account code 7920001, Cash Variance. AFSVC/FM posts the funds received from the merchant processor to each applicable Nonappropriated Fund Instrumentality bank account identified by individual merchant number. The Nonappropriated Fund Accounting Office is responsible for clearing transactions posted to general ledger account code 7920001. Prior to closing the general ledger each month The Shared Service Center will move any remaining balance in general ledger account code 7920001, Cash Variance, to general ledger account code 1140060, on the 7th workday after end-of-month.

5.5. Bank Fees and Charges. The Shared Service Center posts bank fees and charges to the Nonappropriated Fund Instrumentalities administration cost center. This includes fees for deposit bags, keys, re-presented checks, and deposit slips. It also includes fees paid for armored car service, which are posted by the Nonappropriated Fund Accounting Office. Merchant discount rates paid to credit card contractors are posted to the applicable activity's benefiting cost center based on the merchant code being assessed a fee for the credit transactions made on the specific terminal in general ledger account code 7190000, Credit Card Expenses.

5.6. Special Function Gratuities. The membership and community services support flight chief will develop a local operating instruction on the treatment of special function gratuities in Nonappropriated Fund activities. **(T-1)** In the operating instructions, establish the percent of the gratuity, if any, an employee working the function receives. Ensure this percent is consistent for all Nonappropriated Fund activities. The activity posts the earned gratuities to the employees' pay using the AF Labor Management System on individual time sheets.

5.7. Accountability Using Point of Sale System. Activities using Point of Sale systems that provide individual cashier accountability do not have to use an AF Form 1875A, *Nonappropriated Fund Individual Cashier's Report* except to maintain a daily log of change funds issued to cashiers and total funds turned in by each cashier. Cashiers sign the AF Form 1875A, *Nonappropriated Fund Individual Cashier's Report* for change funds received and the manager or other authorized designee and signs for all cash turned in at the end of each shift. The manager or designee takes the register readings daily and determines each cashier's accountability.

5.8. Unearned Income. This is income received but not earned by an activity until a later period, such as advance dues, annual green fees, gift certificates, etc. Unearned income is not applicable for use by base restaurant funds. **(T-1)** There are three types of unearned income; general ledger account code 232XXXX, Unearned Income with Defined Periods, general ledger account code 233XXXX, Unearned Income without Defined Periods, and general ledger account code 234XXXX, Unearned Income Gift Certificates. The installation activity is responsible of maintaining customer subsidiaries for each type of unearned income and the backup documentation. **(T-1)** The activity manager or the Nonappropriated Fund Accounting Office is responsible for the end of month reconciliation and certification of unearned income as determined locally.

5.8.1. Unearned Income with Defined Period. General ledger account code 232XXXX is used for income received but not earned until a later period, and the periods are known at the time of the transaction (e.g., annual green fees). The Air Force Services Financial Management System manages the unearned income with defined period subsidiary by transferring the income to the proper revenue account when it is earned. The Nonappropriated Fund Accounting Office, in coordination with the activity manager, is responsible for reconciling the subsidiary accounts against the information in Air Force Services Financial Management System. **(T-1)**

5.8.2. Unearned Income without Defined Period. General ledger account code 233XXXX is used for income received but not earned until a future period, which is unknown at the time of receipt (e.g., commercial sponsorship, fund-raising events, etc.). The activity is responsible for maintaining the subsidiary information. The Nonappropriated Fund Accounting Office coordinates with the activity managers to determine when the income are earned and transfer of funds from the unearned income account to the proper revenue account. The Nonappropriated Fund Accounting Office, in coordination with the activity manager, is responsible in the reconciliation of this account. **(T-1)**

5.8.3. Unearned Income–Gift Certificates. General ledger account code 234XXXX includes gift certificates sold to customers in all activities except name brand food facilities. Installations may use self-developed subsidiary worksheets, automated subsidiaries, or Point of Sale subsidiary to track this type of unearned income. The activity is responsible for maintaining the subsidiary information. The Nonappropriated Fund Accounting Office with the coordination of the activity manager determines when the income is earned and transferred from the unearned income account to the proper revenue account. The Nonappropriated Fund Accounting Office is responsible for reconciling and ensuring that the general ledger adjustment forms are accomplished for the income earned within the month. **(T-1)**

5.9. Cash Refunds. Cash refunds shall not be approved without validation of the corresponding sale amount rung into the cash register or Point of Sale. **(T-1)** Activity managers only approve refunds that include complete customer identification (name, address and telephone number) and signature. Activity managers ensure all cash refunds are documented on AF Form 1401, AF petty and refund voucher, or in the case of lodging, use system generated refund vouchers. Attach the original refund voucher with the original sales slip (when available) to the AF Form 1875A, *Nonappropriated Fund Individual Cashier's Report* or the automated 1875A, *Nonappropriated Fund Individual Cashier's Report* when funds are turned in at end of shift. The activity reports cash refund made from receipts as a separate line item in the accountability section of AF Forms 1875 and 1876, *Nonappropriated Fund Consolidated Cost Center Report*. Post the refund as a decrease to the appropriate income account and to cash-in-bank. Refer to AFMAN34-202, *Protecting Nonappropriated Fund Assets* for refund authority.

5.10. Credit Card Refunds. Do not approve credit card refunds without validation of the corresponding credit transaction processed by the credit card terminal or rung into the cash register or Point of Sale. Use of the credit card swipe terminal must always be accompanied by an entry into the cash register or Point of Sale to avoid any shortages for that business day. **(T-1)** The amount of the refund cannot exceed the amount shown as the total on the original sales receipt. The installation activity should not give cash (or cash equivalent) refunds to a customer in connection with a credit card transaction, unless required by law or permitted by the payment brand rules (credit card acceptance guidelines). **(T-0)** The installation activity shall not split a refund disbursement into multiple transactions unless the original sales receipt is presented as such. **(T-1)** Post the refund as a decrease to the appropriate income account and to commercial charges.

5.11. Returned Checks. Refer to [paragraph 6.23.1](#) for instructions on recording returned checks, including Nonappropriated Fund and bank service charges.

5.12. Promotions. When Force Support opens an entertainment or promotional event to the entire base, the Nonappropriated Fund Accounting Office and activities post the expense and revenue to a miscellaneous cost center code (12XX as applicable). The activity posts expenses for goods and supplies only when specifically advertised in connection with a promotion, or the item is used during a free program. In a membership activity, when the activity opens the entertainment or promotional event to the entire membership, the expense is posted to the activity's administration cost center code unless another cost center code is specified to be used. The activity may transfer labor expense specifically scheduled and used in conjunction with the promotional or giveaway event. Examples are club membership night and child development center's open house. Use AF Form 2533, *Nonappropriated Fund Transfer Between Cost Centers*, or automated order entry register to document cost of goods or services transferred. Record the cost of entertainment or promotion to the activity receiving the benefit. The Nonappropriated Fund Accounting Office submits the transfer between cost centers by processing a general ledger adjustment forms using NAFDIS (refer to TA-AFSFMS-13, transfer between cost centers and Nonappropriated Fund labor transfer form).

5.13. Cash Overages and Shortages. Account for cash overages and shortages in the appropriate cost center that incurred the overage or shortage in general ledger account code 7920000, cash shortage or overage. The activity manager reports and monitors overages and shortages according to AFMAN34-202, *Protecting Nonappropriated Fund Assets*.

5.14. Petty Cash Purchases From Change Funds/Receipts. The activity reports purchases made from change funds and receipts as a separate line item in the accountability section of AF Forms 1875A, *Nonappropriated Fund Individual Cashier's Report* and AF Form 1876, *Nonappropriated Fund Consolidated Cost Center Report*. Post the purchase to the appropriate expense account and decrease to cash-in-bank. Refer to AFMAN34-202 *Protecting Nonappropriated Fund Assets* for procedures and authority.

5.15. Monte Carlo Night. The Nonappropriated Fund Accounting Office accounts for Monte Carlo Night as a resale operation.

5.16. Interest. AFSVC/FM provides the interest rate paid on all cash within the Cash Management and Investment Program and the amount of any end of year declared dividend. The Shared Service Center posts interest income in the applicable Nonappropriated Fund Instrumentalities administration cost center code in general ledger account code 8040000, interest income.

5.17. Army and Air Force Exchange Service (AAFES) Support. The Air Force Services Central Fund earns AAFES dividends corporately. The central dividends are allocated to installations based on an Air Force approved method. AFSVC/FM distributes the allocation amounts monthly, based on the AAFES revenues of two months prior. Air Force Services Central Fund distributes the allocations monthly through Cash Management and Investment Program. The Shared Service Center records the allocations as a debit to cash in bank and a credit to general ledger account code 8050000, Allocations-Base Level Dividends.

5.18. Operating Subsidies. The Nonappropriated Fund Accounting Office posts subsidies through the Shared Service Center from foreign governments as non-operating income in the applicable cost center to general ledger account code 855XXXX, Operating Subsidies. Post the associated expense to the same applicable cost center.

5.19. Foreign Currency. Overseas Nonappropriated Fund activities involved in accommodation exchange services shall sell and repurchase local foreign currency at rates, which are no more advantageous to the customer than the rates offered by the contracted Military Banking Facility (MBF). Treasury banking notifies installations of the current rates via fax or email.

5.19.1. **Accommodation Sales.** Local currency change funds will be held to a minimum level commensurate to meet business activity. Nonappropriated Fund Instrumentalities shall not engage in any foreign currency speculations. (T-0)

5.19.2. Local currency reconversion sales are repriced daily to reflect the current purchase rate. Foreign currency change funds will be revalued to the current rate for balance sheet purposes at the end of each month. Compute the gain or loss on foreign currency on hand at the beginning of each business day based on changes between the prior and current day's wholesale rates. Profit on the sale is the difference between the purchase (wholesale) rate and the selling (accommodation) rate.

5.19.3. Prepare and submit and AF Forms 1876, *Nonappropriated Fund Consolidated Cost Center Report* and disbursement request, on the above transactions as applicable to the Shared Service Center via NAFDIS.

5.19.4. **Accounts Payable.** Once an activity completes the receiving report, Air Force Services Financial Management System automatically adjusts for the gains and losses based on the receiving date, invoice date, general ledger date, and payment date. The gains and losses are automatically recorded in the installation's general ledger account code 910XXXX in the applicable activity cost center as noted in the Purchase Order. The Shared Service Center general ledger corrects any gain or loss adjustments that may have not posted automatically. The Shared Service Center accounts payable posts a general ledger adjustment forms at end of month to correct all gain or loss transactions failing to post to the installation's general ledger account code 910XXXX.

5.20. Commercial Sponsorship Program. The Nonappropriated Fund Accounting Office posts the sponsorship in the activity sponsored by the vendor. Use the administration cost center code of the activity, if appropriate. If the vendor does not specify an activity, record the sponsorship in the marketing and publicity cost center. If the event sponsored by the vendor has not occurred and will not occur within the same month funds are received, record the sponsorship funds in general ledger account code 2330001, Unearned Income-Commercial Sponsorship, in the applicable cost center. Reclassify the necessary sponsorship funds to general ledger account code 8020008, Commercial Sponsorship, when the sponsored event takes place to offset the corresponding expenses for the event. Any unused commercial sponsorship funds remaining by the following fiscal year after the event or program took place must be recorded to general ledger account code 8020008 in the sponsored activity, or Marketing and Publicity, as applicable. Record commissary cause marketing and prime vendor rebates according to this paragraph. (T-0)

5.21. Randolph Sheppard Act-Vending Facility Program for the Blind. The Nonappropriated Fund Accounting Office posts the Nonappropriated Fund Instrumentalities proceeds from vending machines as revenue in the applicable cost center. Show the payment to Agencies for the Blind as expenses in those cost centers. Use applicable general ledger account codes to record these expenses.

5.22. Gaming Machines. The Nonappropriated Fund Accounting Office posts gaming machine income in the activity where the gaming machines are located. Use the designated gaming machine cost center codes to record transactions involving gaming machine revenue. Gaming machine expenses (labor, supplies, etc.) are recorded to the applicable gaming machine cost center codes. All maintenance, depreciation, and other operating expenses are recorded in the Air Force Services Central Fund.

5.23. Advertising Revenue. Account for advertising revenue in general ledger account code 8110000, Advertising Fees, in the activity bearing the expense of producing the publication containing the advertisement. If there are no expense costs incurred for the advertising (i.e., no personnel costs, etc.), the advertising revenue is accounted for in the marketing and publicity cost center.

5.24. Discounted Revenue. When an activity gives reduced prices to customers, the activity records the transaction as discounted revenue. Examples of discounted revenue are reduced price beverages in a bar, a percent discount allowed to club members in the dining room, an aero club member's purchase of block time at reduced rates, and sale prices of merchandise in pro-shops. The activity cashier enters the sale at the discounted price. The activity absorbs the expense of the discounted sale in the cost of goods or as a reduction to fees and charges sold by the activity providing the discount. Account for discounted employee meals according to this paragraph.

5.25. Coupons. When an activity accepts a coupon, the cashier rings up the entire sale amount using the normal process and accepts the coupon as a cash substitute. Do not reduce the amount of the sale by the amount of the coupon. The general change fund cashier records all redeemed coupons as coupons redeemed on the AF Form 1876 *Nonappropriated Fund Consolidated Cost Center Report*. When the activity posts the AF Form 1876, *Nonappropriated Fund Consolidated Cost Center Report* it posts the revenue to the applicable accounts (sales, fees and charges). The activity posts the total value of redeemed coupons to general ledger account code 752XXXX, Coupon Expenses, in the activity where the customer redeemed the coupon. The activity posts the cost of printing coupons to supplies. Refer to AFMAN34-202, *Protecting Nonappropriated Fund Assets* for coupon Nonappropriated Fund and commercial accountability procedures.

5.26. Gift Certificates and FSS Gift Cards. Customers buy gift certificates for later redemption of goods or services. Refer to AFMAN34-202, *Protecting Nonappropriated Fund Assets*, for gift certificate issuance and control procedures. Gift certificates must have an expiration date. **(T-1)**

5.26.1. When a customer purchases a gift certificate, the activity cashier enters the purchase on the cash register for accountability. Record the total dollar amount for purchased gift certificates on the AF Form 1876, *Nonappropriated Fund Consolidated Cost Center Report* in general ledger account code 234XXXX, Unearned Income – Gift Certificates. Activities maintain the subsidiary for all gift certificates sold.

5.26.2. When a customer redeems a gift certificate, the activity cashier records the gift certificate as if it were cash and redeems the certificate for one purchase transaction. The activity cashier enters the actual retail price of the sale on the cash register. Record the total amount of the gift certificates redeemed on the AF Form 1876 *Nonappropriated Fund Consolidated Cost Center Report* as a decrease to general ledger account code 234XXXX, Unearned Income, to account for the face value of the gift certificate. The activity manager determines whether customers can be given change when redeeming gift certificates. If the activity manager allows change to be given for sales that fall below the gift certificate value, the activity manager should set this at a minimal amount.

5.26.3. FSS gift card. Customers buy FSS gift cards for later redemption of goods or services. The accounting for gift cards as they are activated, re-loaded or redeemed in various FSS activities is processed through AFSVA/FM and the Shared Service Center. FSS gift cards have no expiration date.

5.26.4. When a customer purchases a gift certificate, the activity cashier processes the issuance through the POS system. FSS gift cards sold in all activities are reported on the AF Form 1876, *Nonappropriated Fund Consolidated Cost Center Report* in the Cost Center in which they are sold, as a credit to general ledger accounting code 2490075–*Other Payables–AF Gift Card*.

5.26.5. When a customer redeems a gift certificate, the activity cashier processes the redemption through the POS system. FSS gift cards redeemed in all activities are reported on the AF Form 1876, *Nonappropriated Fund Consolidated Cost Center Report* in the cost center in which they are redeemed, as a debit to general ledger accounting code 1140075–NAFI receivable–AF gift card.

5.27. Members First Discounts. “Members First” discounts will be recorded as a contra account (reduction) to sales general ledger account code 3040000, Sales Discounts – Members First, or activity revenue general ledger account code 5150000, Activity Revenue Discounts – Members First. This will enable management to monitor prices, discounts, and the resulting cost-of-sales based on the actual customer mix. Discounts will be recorded in the cost center in which they are generated. **(T-0)**

5.28. Commercial Credit Authority. Installations may not enter into individual agreements for commercial credit. **(T-1)** The only authorized commercial credit authority issuer is contracted centrally at with Air Force Nonappropriated Fund Purchasing Office.

5.29. Merchant Agreement Authority. All Nonappropriated Fund Instrumentalities must use the current Air Force Nonappropriated Fund contracted merchant processor. **(T-1)** If the installation has a unique merchant processing requirement, submit a request to AFSVC/FM. All Nonappropriated Fund Instrumentalities must use the approved recurring charges application. **(T-1)** Use of this application is mandatory. Do not store credit card information in any system unless it meets payment card industry compliance requirements. **(T-0)** Storage of credit card numbers in any other manner is unauthorized. **(T-1)**

5.30. Cash Transfers from Centrally Funded Programs. All cash transfers utilize general ledger account code 1140016, Nonappropriated Fund Instrumentality Receivable—AF Central Fund cash pull or reimbursement, when transmitted to the installation. Installations must clear general ledger account code 1140016 to the applicable corresponding general ledger account code prior to closing the general ledger for the month.

5.31. Operating Grants. Do not use general ledger account code 8330000, Special Grants Operating, unless specifically directed in an accounting instruction. Installations must read and follow provided accounting instructions as centrally funded programs vary. If a Central Fund Nonappropriated Fund Instrumentality provides cash to a base to offset expenses for a specific program and the use of this general ledger account code is directed, accounting instructions will be issued to the participating installations directing the use of this general ledger account code. In those instances, record the grant to general ledger account code 8330000 to offset the costs of the program. The associated expenses are recorded in the general ledger account codes specified in the accounting instructions.

5.32. Non-operating Grants. If a Central Fund Nonappropriated Fund Instrumentality provides funds to an installation for capital investment, both the installation and the central fund record the grant as a non-operating grant in general ledger account code 2810000, Grants Non-Operating. Do not use general ledger account code 2810000 for any other transactions unless directed in an accounting instruction. Examples are Air Force Base Capital Improvement Fund grants (including transfers of cash for expendable equipment).

5.33. Purchases Made with Grant Funds. Regardless of the type of grant your installation receives, always record the expense in the applicable general ledger account code. For example, if you buy a fixed asset, record it in an asset account (general ledger account code 17XXXXXX or 18XXXXXX as applicable) and depreciate it over the useful life. If you buy supplies, record it as supply expense (general ledger account code 720XXXXX). Do not set up a prepaid for supply purchases made with grants unless specifically directed. This does not apply to program expenses that are centrally funded and expensed to the central fund Nonappropriated Fund Instrumentalities accounting records. In those instances, accounting instructions will be provided.

5.34. Aero Club Liability and Hull Insurance Premiums. Aero clubs pay a quarterly assessment based on the information provided on AF Form 270, *Aero Club Operations*. Each aero club completes AF IMT 270 quarterly in accordance with AFI34-101, *Air Force Morale, Welfare, and Recreation (MWR) Programs and Use Eligibility*, and forwards to the Air Force Services Center Programs Directorate, Community Programs Division, Business Recreation Branch (AFSVC/SVPCR). Aero club liability premiums are based on the physical number of seats in each aircraft and asset premiums are based on the declared value of each aircraft. AFSVC/SVPCR reviews the information on the AF Form 270 and compiles the data electronically. AFSVC/SVPCR then provides a hard copy of the forms from all installations and the compiled electronic data to AFSVC/FM. AFSVC/FM calculates liability and hull premiums and provides premium statements to the Nonappropriated Fund Instrumentalities. If the aero club has a grounded aircraft reported on the AF Form 270, AFSVC/FM charges a reduced rate for hull insurance. (T-1) Refer to AFMAN34-208 for details.

5.34.1. Aero Club Liability Insurance. AFSVC/FM credits the aero club activity accrual account general ledger account code 2490032, Other Payables–Aero Liability Assessments, for the cost of the insurance premium and transfers funds from the installation MWR Fund to the Air Force Insurance Fund. The premium income is recorded to the appropriate general ledger account code in the Air Force Insurance Fund.

5.34.1.1. At the end of each month, the Nonappropriated Fund Accounting Office obtains the information from the aero club AF Form 270, *Aero Club Operations* and calculates the liability premium for the month. Record the insurance expense general ledger account code 7900000, Insurance, to each aircraft's cost center code and record the assessment accrual in general ledger account code 2490032.

5.34.1.2. After the end of each quarter, AFSVC/FM transfers funds for the premium based on the information provided on the AF Form 270, *Aero Club Operations* and electronic data received from AFSVC/SVPCR. The cash transfer is recorded as a debit to general ledger account code 2490032 and credit to cash in bank.

5.34.1.3. The Nonappropriated Fund Accounting Office reconciles the premiums established as a liability to the amount transferred by AFSVC/FM for the premium payment. If a variance exists, determine the reason and make necessary adjustments to general ledger account code 7900000 for the applicable aircraft and general ledger account code 2490032. Contact AFSVC/FM to determine if corrections are needed to the funds previously withdrawn and contact AFSVC/SVPCR if there is an error on data reported on AF Form 270, *Aero Club Operations*.

5.34.2. Aero Club Hull Insurance. AFSVC/FM credits the aero club activity accrual account (general ledger account code 2490031, Other Payables – Aero Hull Assessments) for the cost of the insurance premium and transfers funds from the installation MWR Fund to the Air Force Insurance Fund. The premium income is recorded to the appropriate general ledger account code in the Air Force Insurance Fund.

5.34.2.1. Based on the declared value from the prior quarter, the Nonappropriated Fund Accounting Office multiplies the declared value by the specified rate per aircraft. Record one-third of the total as a debit to hull insurance expense, general ledger account code 7900000 to each aircraft's cost center code and record the assessment accrual to general ledger account code 2490031 for each month of the current quarter.

5.34.2.2. At the end of each quarter, AFSVC/FM transfers funds for the premium based on the information provided on the AF Form 270, *Aero Club Operations* and electronic data received from AFSVC/SVPCR. The cash transfer is recorded as a debit to general ledger account code 2490031 and credit to cash in bank.

5.34.2.3. The Nonappropriated Fund Accounting Office reconciles the premiums established as a liability to the amount transferred by AFSVC/FM for the premium payment. If a variance exists, determine the reason and make necessary adjustments to general ledger account code 7900000 for the applicable aircraft and general ledger account code 2490031. Contact AFSVC/FM to determine if corrections are needed to funds previously withdrawn and contact AFSVC/SVPCR if there is an error on data reported on the AF Form 270, *Aero Club Operations*.

5.35. Asset and General Liability Insurance. AF Nonappropriated Fund Instrumentalities pay a quarterly asset and general liability assessment based on prior quarter's financial information in select general ledger account codes. The Nonappropriated Fund Accounting Office computes the quarterly assessment for all Nonappropriated Fund Instrumentalities serviced and records the assessments in the administration cost center code of the respective Nonappropriated Fund Instrumentalities. AFSVC/FM assesses each Nonappropriated Fund Instrumentalities quarterly insurance premium and records the premium to the appropriate general ledger account code in the Air Force Insurance Fund. AFSVC/FM computes current quarter asset and liability insurance premiums using financial information from each installation's prior quarters general ledger, applies the current insurance rates issued by Air Force Services Center Plans and Force Management Directorate (AFSVC/SVX) and transfers premium assessments to the Air Force Insurance Fund. Premiums are deducted from Cash Management and Investment Program in February, May, August and November for the previous quarter.

5.35.1. Asset Insurance. After the end of each quarter, AFSVA/FM computes the liability premium for the upcoming quarter based on the book value of assessable assets. Assessable assets are defined as general ledger account codes 1010000 through 1080000, 1610000 through 1640000, 1730000 through 1820007, 185XXXX, and 1880000 through 1890000. The assessment will be processed as a cash transfer. The Shared Service Center records the transfer of funds as a debit to expense general ledger account code 7900000, Insurance and a credit to cash in bank. AFSVA/FM reconciles the premiums established as a liability to the amount transferred by AFSVC/FM for the premium payment. If a variance exists, determine the reason and make necessary adjustments to general ledger account code 7900000 in the administration cost center of the respective Nonappropriated Fund Instrumentality. Contact AFSVC/FM to determine if corrections are needed to funds previously withdrawn.

5.35.2. General Liability Insurance. After the end of each quarter, the Nonappropriated Fund Accounting Office computes the liability premium for the upcoming quarter based on the quarter activity of assessable income. Assessable income general ledger account codes are 301XXXX, 501XXXX, 5030000 through 5140000, 5170000 through 521XXXX, 580XXXX, 801XXXX through 8080000, 810XXXX through 812XXXX, 8160000, 8200000, 8340000, and 8350000. The assessment will be processed as a cash transfer. The Shared Service Center records the transfer of funds as a debit to expense general ledger account code 7900000, Insurance and a credit to cash in bank.

5.35.2.1. AFSVA/FM reconciles the premiums established as a liability to the amount transferred by AFSVC/FM for the premium payment. If a variance exists, determine the reason and make necessary adjustments to general ledger account code 7900000 in the administration cost center of the respective Nonappropriated Fund Instrumentality. Contact AFSVC/FM to determine if corrections are needed to funds previously withdrawn.

5.36. Lodging Assessment Processing.

5.36.1. Temporary Lodging Facility (TLF) Assessment and Visiting Officer's Quarters/Visiting Airmen's Quarters/Visiting Quarters Surcharge. AFSVC/FM advises the Nonappropriated Fund Accounting Office of new or changed rates for assessment and surcharge collection and reporting purposes. The rates for assessments are determined during the lodging rate package process.

5.36.1.1. The lodging property management system calculates the monthly TLF assessment based on the room revenue. The process is the same for Visiting Officers' Quarters, Visiting Airmen's Quarters and the Visiting Quarters surcharges. Monthly the file is transmitted to the Shared Service Center for auto posting to the installation financial statement. Cash is automatically transferred from the Base Lodging Fund to the Air Force Lodging Fund (AFLF).

5.36.1.2. Installations that do not have the automated file transfer will prepare a monthly spreadsheet utilizing Training Aid NA-54, *Calculating Lodging Assessment and Surcharge*. The daily revenue numbers for each room type are entered from the G084, *Multi Revenue Report*. The spreadsheet determines the bed nights sold and calculates the assessment due. Forward spreadsheet to the Shared Service Center according to monthly and end of year reporting schedules for those designated installations with manual processing.

5.36.1.3. The Shared Service Center completes the transfer general edger adjustment forms to transfer to AFLF. The assessment applies to all bed nights. Detailed information is in Training Aid NA-54.

5.36.2. Lodging Nonappropriated Fund Instrumentalities Excess Cash Pull. The Air Force Services Center Financial Management and Comptroller, Financial Services Division, Lodging Central Accounting Branch (AFSVC/FMAL) pulls cash centrally from the installations weekly to fund all lodging capital requirements to include room décor, etc. Installations do not fund local capital requirement items without first obtaining Air Force Services Center Operations Directorate, Lodging Division (AFSVC/SVOL) and AFSVC/FM approval. (T-1)

5.37. Gaming Machine Assessments. AFSVA/FMA assesses gaming machine income on a monthly basis. Air Force Services Center, Programs Directorate (AFSVC/SVP) computes the gaming assessment amount based on data obtained from the gaming machine accounting system and submits a general ledger adjustment forms to the Shared Service Center. AFSVA/FMA transfers the funds between Nonappropriated Fund Instrumentalities, collects assessments due, and debits general ledger account code 2490007, Other Payables-Slot Assessments Payable, on the installation Nonappropriated Fund Instrumentality to clear the month end accrual for gaming assessments. At the end of each month, the Nonappropriated Fund Accounting Office will establish the assessment liability in general ledger account code 2490007 as a credit and debit general ledger account code 9080000, AF Assessments. The Nonappropriated Fund Accounting Office compares the accrued liability to the actual assessment and prepares a general ledger adjustment forms to adjust for any differences.

Chapter 6

ACCOUNTS RECEIVABLE

6.1. Customer Purchases of Merchandise and Services. Activities are not authorized to establish or maintain accounts receivable for individuals outside of an approved Air Force Services accounts receivable system except as authorized in [paragraph 6.3.1](#) and [6.3.2](#). (T-1) If, by exception, an actual receivable does exist, then record it in the Air Force Services Financial Management System. (T-1)

6.2. Payment Method for Merchandise and Services.

6.2.1. All resale merchandise and services generated are either:

6.2.1.1. Processed through the current nonappropriated fund merchant processor contractor using a personal Visa, MasterCard, American Express, government purchase card, or government travel card or:

6.2.1.2. Paid with check or cash at the time of purchase.

6.2.2. Individuals who utilize the Child Development and Youth Center Programs or other programs requiring recurring payments must provide a credit or debit card number with the application and agree to have the card charged for the entire amount owed in the event payment is not received when due. Apply this same policy in all activities with similar recurring fees or charges if the individual does not pay timely using the recurring charge application. Activities must use the automated payment systems to process recurring payments via credit or debit card as described in [paragraph 6.2.3](#). (T-1)

6.2.3. The authorized banking program must be used to process all recurring charges for dues, monthly fees, and services; however, individuals may make payments in advance. The recurring payments guidance is available on the Services Installation Support Portal under credit card guidance.

6.3. Authorized Use of an In-House Account Receivable System. In-house receivable subsidiaries are not permitted except in accordance with [paragraphs 6.3.1](#) and [paragraph 6.3.2](#). (T-1)

6.3.1. For overseas locations, in-house account receivable systems may be used for special Nonappropriated Fund sponsored programs that require the Nonappropriated Fund Instrumentality to directly purchase the merchandise or service on behalf of authorized patrons in order to comply with status of forces agreement provisions for tax free purchases; for example, a program for home heating fuel (bulk) deliveries. Locations having unique accounts receivable requirements must submit requests to AFSVC/FM for approval of an exception. (T-1)

6.3.2. Aero club members using Veterans Administration (VA) flight training benefits or tuition assistance pay their portion by cash, credit card, or check. The portion to be paid by the VA, as stated in a pre-approved agreement with the VA, will be recorded as an account receivable in general ledger account code 1150000, Outside Agency Receivable. A subsidiary ledger is maintained by the Aero Club and sent to the Nonappropriated Fund Accounting Office monthly where it is reconciled to the general ledger control account. (T-1)

6.4. Unauthorized Use of an In-House Account Receivable System. Activities are not permitted to bill customers for purchases or services other than authorized in [paragraphs 6.3.1.](#) and [paragraph 6.3.2.](#) (T-0)

6.5. Finance Charges. If the Nonappropriated Fund Instrumentality has an authorized in-house account receivable system, it may not charge finance charges or service charges (not to be confused with late payment fees) for delinquent charge accounts.

6.6. Late Payment Charge. AFSVC/FMA authorizes charging late fees for accounts maintained as part of an authorized in-house Accounts Receivable system. Do not authorize more than \$20 in one delinquent cycle (60 and 90 days). Do not charge more than \$40 for an entire delinquency period. (T-1) The Nonappropriated Fund Accounting Office posts late payment charges as non-operating revenue to the Nonappropriated Fund Accounting Office cost center to offset costs of collecting delinquent accounts.

6.7. Payment Method for Merchandise and Services. Air Force Lodging will require all individual guests to pay with cash, check, or credit card. All guests and aircrews registering under a unit or organization account (“Agency” account) must guarantee payment in advance with a government purchase card, centrally billed account, or other payment method. Guests who do not have a valid credit card or chose to pay with cash or check, will pay in advance for the entire stay or up to 30-day increments at the time of check-in. (T-1)

6.8. Temporary Lodging Facility (TLF). All TLF guests must pay at least every 15 days and upon checkout. (T-1) Overseas installations may change the frequency requirement to match Temporary Lodging Allowance (TLA) payments.

6.9. Visiting Quarters (Visiting Quarters). All Visiting Quarters guests must pay at least every 15 days and upon checkout. (T-1) This includes Visiting Airmen’s Quarters, Distinguished Visiting Airmen’s Quarters, and Visiting Quarters Business Suites.

6.10. Other Credit Provisions. All guests providing a valid credit card at check-in will have the option to have their credit card processed for payment immediately or at checkout. Guests staying longer than 15 days will be charged in 15-day increments. (T-1)

6.11. Agency Accounts. All organizational accounts must make payment within 20 days of the actual stay (checkout day). (T-1) Lodging must work with the organizational point of contact to ensure payment is received. Payment for personal charges are the responsibility of the member and must be paid at time of checkout. (T-1) Organizational (Agency) accounts paid by Reserve and Guard units for personnel on inactive duty training must be paid using a Government Purchase Card or centrally billed account within 20 days after checkout. Each unit member must pay any personal charges (sundry items, video rentals, phone calls, etc.). (T-1)

6.12. Collection Actions. The Lodging Fund administers its own accounts receivable collections on accounts that are 30 and 60 days delinquent. The Resource Management Flight Chief ensures the Lodging Manager is performing collection actions timely as defined in AFMAN34-202 *Protecting Nonappropriated Fund Assets*, and assumes responsibility of all accounts over 90 days old.

6.13. Balancing Account Receivable Subsidiary. Both Lodging and the Nonappropriated Fund Accounting Office must ensure the accounts receivable subsidiary account maintained on the automated lodging point of sale system balances to the general ledger control account in the Air Force Services Financial Management System. Lodging must complete daily balancing of the automated lodging Point of Sale system. **(T-1)** The Nonappropriated Fund Accounting Office works with lodging to identify and resolve variances between the lodging system and general ledger. The Lodging Manager provides a certification to the Resource Management Flight Chief on the accuracy of the subsidiary account each month in accordance with paragraph 1.5.2. The Resource Management Flight Chief ensures lodging and Nonappropriated Fund Accounting Office personnel substantiate specific causes for lodging transaction discrepancies and appropriate corrections are made. Variances between the general ledger and subsidiary account must be clearly disclosed on the financial statement. **(T-1)**

6.14. Late Payments and Finance Charges. Late payment charges and finance charges are not authorized for lodging accounts receivable. **(T-1)**

6.15. Allowance for Uncollectible Accounts. The Nonappropriated Fund Accounting Office posts bad debt expense at the end of each accounting period. Use the Nonappropriated Fund Accounting Office cost center to record bad debt write-offs and accruals for the Morale, Welfare and Recreation Fund; for other Nonappropriated Fund Instrumentalities use their respective administrative cost center. Base the allowance for bad debts accrual on realistic expectations of bad debt write-offs using historical data. No entry is required if the historical bad debt write-off expense is immaterial. The Resource Management Flight Chief evaluates the estimate at least quarterly and documents the basis for the accrual amount. The Nonappropriated Fund Accounting Office reduces the appropriate allowance for bad debts account when an actual account is written off. If the write-off reduces the allowance for bad debts account to zero, expense any remaining amount to the appropriate bad debt expense account in the current accounting period.

6.16. Account Receivable Operating Instruction. The Resource Management Flight Chief will develop an operating instruction(s) to provide guidance on monitoring account receivable. **(T-1)** These Operating Instructions should include actions needed to maintain an authorized in-house account receivable system. Include guidance on follow-up actions, account write-offs, and internal control procedures required to reduce the possibility of fraud.

6.17. Account Receivable Aging and Reporting. The Nonappropriated Fund Accounting Office and Shared Service Center report aged account receivable quarterly for their respective subsidiaries, for all Nonappropriated Fund Instrumentalities and activities authorized in-house credit systems. For Lodging Fund, break out separately the aging for individual guest and agency accounts. Include recourse accounts written off in the quarter and outstanding military pay order actions. When an activity other than the Nonappropriated Fund Accounting Office maintains the account receivable subsidiary records, the activity manager furnishes a schedule of aged account receivables to the Nonappropriated Fund Accounting Office monthly.

6.18. Special Functions. FSS activities do not serve as a cash collection agency for special functions, nor do they assume responsibility for individual attendee payments. The individual booking the function must pay the entire amount of the bill at the conclusion of the event or under a previously determined payment schedule. **(T-3)**. A list of members whose accounts are to be billed for a pro-rata share of the special function charges may be accepted. A pro-rata list includes the following statement: “The undersigned accepts personal liability for the pro-rated portion of the total cost for individuals on this list who have not indicated (signature) authorization to pro-rate costs to their accounts should they fail to pay the amounts charged to them”.

6.19. Collection Actions. The Nonappropriated Fund Accounting Office performs collection actions for delinquent accounts other than returned checks. This does not prevent activity managers from helping the Nonappropriated Fund Accounting Office collect delinquent account receivable. The Resource Management Flight Chief and Nonappropriated Fund Accounting Office will:

6.19.1. Document follow-up actions. **(T-1)**

6.19.2. Process collection actions according to AFMAN34-202, *Protecting Nonappropriated Fund Assets*. **(T-1)**

6.19.3. Maintain, control, and report delinquent account receivable according to the procedures in TA-FSFM-41, *Debt Collection*. **(T-1)**

6.20. Military Pay Order. The Shared Service Center is responsible for processing Military Pay Order actions for Air Force active duty members and writing off uncollectible accounts and other debts submitted to them for collection. Account processing includes direct input to Defense Finance and Accounting Services for collection of the debt, recording required entries in the installations’ financial statement and transferring funds back to the installation once collected. **Note:** The Shared Service Center is authorized to Military Pay Order AF active duty members debts only. All other military branches will be processed through the Treasury Offset Program (TOP). The Shared Service Center writes off all debts up to \$2,500 in accordance with AFMAN34-202, *Protecting Nonappropriated Fund Assets*. If a debt is not eligible for Military Pay Order action, the Shared Service Center processes it for collection through the TOP.

6.21. Write-off of Uncollectible Accounts. The Shared Service Center notifies the Nonappropriated Fund Accounting Office when it is reasonably certain the account cannot be collected. The Shared Service Center prepares a general ledger adjustment forms to write off the debt to the appropriate expense accounts. Those bases that maintain allowance for bad debt accounts will use a general ledger adjustment forms to reclassify the expense to the allowance account when notified of the write-off.

6.22. Payment on Accounts Previously Written Off as Uncollectible. If the collection is in current year, reverse the entry made when written off and post the payment received to clear the account. If the collection is for an account written off in prior year, post the payment to general ledger account code 8120003, Miscellaneous Income Prior Year Debt Collection, in the applicable Nonappropriated Fund Instrumentality.

6.22.1. Payments received by the Shared Service Center are sent via Cash Management and Investment Program, less any fees, directly to the base where the debt originated.

6.23. Processing Debtor Payments at Base. The Nonappropriated Fund Accounting Office must call the Shared Service Center to determine the status of the account before processing a payment.

6.23.1. The Shared Service Center will automatically resubmit the check to their bank to clear if sufficient funds are available. **(T-1)** The installation may accept a payment on debt once a due process letter is issued. A \$25 returned check fee and a \$25 processing fee are assessed on all returned checks and should be collected at time of payment. Record the fees in other payables and the actual returned check amount as discussed in [paragraph 6.22](#). Do not accept a personal check or credit card for payment. Immediately notify the Shared Service Center, debt collection section of the payment. The service fees will be withdrawn from the Cash Management and Investment Program account.

6.23.2. If an individual approaches a Services activity wishing to redeem a returned check based on a notification from his or her financial institution, activity cashiers should accept the payment and immediately contact the installation NAF Accounting Office. Since patron is settling the payment prior to receipt of a due process letter, they will not be charged the \$25 processing fee but will still be charged the \$25 return check fee. Please note that checks will still go through the re-presentment process regardless if payment is received prior to completion of the process.

6.24. Bad Debt Write-Off Procedures. If the follow-up procedures prescribed in this instruction are not successful, the Resource Management Flight Chief begins write-off procedures as stated in AFMAN34-202, *Protecting Nonappropriated Fund Assets*. **(T-1)** The Nonappropriated Fund Accounting Office posts the write-off by preparing a general ledger adjustment forms utilizing NAFDIS, and records the bad debt in the Nonappropriated Fund Accounting Office cost center. Use procedures in [para 6.15](#) if an allowance for bad debts account is available.

6.25. Credit Card Charges. Credit card charges will be recorded as an account receivable to general ledger account code 1250000, Commercial Charges, until the cash is actually received and reported on the installation banking message. When the cash is received and reported on the banking message, the Shared Service Center will record the receipt of cash by the Nonappropriated Fund Instrumentality and reduce accounts receivable.

Chapter 7

PURCHASE AND CONTROL OF MERCHANDISE

7.1. Purchase and Control of Merchandise. The Resource Management Flight Chief is responsible for Nonappropriated Fund Instrumentality contracting as prescribed in AFMAN64-302, *Nonappropriated Fund Contracting Procedures*. The Resource Management Flight Chief or designee reviews purchase requests to ensure the use of the proper fund source. The Resource Management Flight Chief will ensure:

7.1.1. There is a separation of duties between contracting, receiving and payment of accounts payable. **(T-1)**

7.1.2. Activities maintain adequate control over merchandise inventories. **(T-1)**

7.1.3. Activities maintain adequate control over the movement of such goods from one location to another. **(T-1)**

7.1.4. For Nonappropriated Fund purchases, the Nonappropriated Fund Accounting Office:

7.1.4.1. Prepares AF Form 9, *Request for Purchase* or provides guidance on their preparation.

7.1.4.2. Maintains AF Forms 1408, *Nonappropriated Fund Call Register* (unless automated), as a log for tracking AF Forms 9, *Request for Purchase* and AF Forms 2209, *Nonappropriated Fund Order for Supplies or Services*. When purchasing authority is delegated outside the Nonappropriated Fund Accounting Office, the operational level to which purchasing authority is delegated maintains AF Forms 1408. File one copy of AF Form 2209, *Nonappropriated Fund Order for Supplies or Services* and AF Form 9, *Request for Purchase* in numeric sequence as backup for AF Form 1408, *Nonappropriated Fund Call Register*.

7.1.4.3. Maintains files for outstanding AF Forms 9 *Request for Purchase*, and AF Form 2209, *Nonappropriated Fund Order for Supplies or Services*.

7.1.4.4. Routes all contracting actions involving capital expenditures through the Resource Management Flight Chief for validation against the approved Nonappropriated Fund requirements budget and to determine cash flow requirements.

7.1.4.5. Processes prepayment requirements.

7.1.4.6. Date-stamps all completed receiving reports, invoices and delivery tickets when received. **(T-1)** This is necessary to comply with requirements of the Prompt Payment Act. The vendor must mail invoices to the Shared Service Center, Expenditure Branch, Accounts Payable Section (Bldg 1), 2261 Hughes Ave., JBSA Lackland TX 78236-9854.

7.1.4.7. Processes receiving reports and updates all inventory lists.

7.1.4.8. Receives proof of shipment from vendor if ownership changes at point of shipment. Since the activity has not received the goods yet, the Nonappropriated Fund Accounting Office or the vendor sends the proof of shipment to Shared Service Center Division, Expenditure Branch, Accounts Payable Section to establish the accounts payable and to pay the vendor. Suspend the Purchase Order to ensure receipt of a valid receiving report from the activity when the vendor delivers the goods.

7.1.4.9. Assigns stock numbers.

7.1.4.10. Processes Transfer Between Cost Centers.

7.1.4.11. Processes storeroom transactions.

7.1.4.12. Prepares inventory lists.

7.1.4.13. Prices and extends inventory lists and compares with established inventory levels.

7.1.4.14. Helps to establish stock levels and reorder points.

7.1.4.15. Establishes inventory control procedures for merchandise received on consignment.

7.1.4.16. Utilizes the government preferred method of payment, i.e., purchasing card or Electronic Fund Transfer (EFT) for all purchases.

7.2. Advance Payment Conditions and Authority. Certain businesses will not ship merchandise or provide services until the Nonappropriated Fund Instrumentality pays for the goods either in a full or partial payment. The Resource Management Flight Chief authorizes advances or prepayments. The Resource Management Flight Chief should take all steps available to prevent advances and prepayments; however, if contractually required, the Resource Management Flight Chief is the approval authority for advanced payments. Do not exceed contracting authority when authorizing advances or prepayments. **(T-1)** Do not confuse advance payments with situations where the vendor requires payment upon receipt of goods or services.

7.2.1. When making an advance or prepayment, the purchase must meet the following conditions before the Resource Management Flight Chief or designee authorizes the advance or prepayment:

7.2.1.1. The products or services must be available only from a sole source and alternative products or services must not be readily available at comparable or more favorable prices. **(T-2)**

7.2.1.2. The Nonappropriated Fund Accounting Office receives written evidence that the source will not provide the goods or services until the Nonappropriated Fund Accounting Office makes full or partial payment. **(T-1)**

7.2.2. Do not allow advances or prepayments of Nonappropriated Funds for customer special ordered items (the activity cannot sell the item(s) to other customers) unless the customer makes a deposit of at least 25% of the sales price before the activity places the order. **(T-3)**

7.2.3. Once the Resource Management Flight Chief or designee approves the advance or prepayment for a purchase the Nonappropriated Fund Accounting Office prepares a disbursement request in NAFDIS. The Resource Management Flight Chief or designee approves the disbursement. The Resource Management Flight Chief or designee ensures there is an appropriate contractual document to include all agreements such as method of shipment, whether substitutes or backorders are authorized, date merchandise is due, etc. Annotate all copies of the contractual document with an advance or prepayment authorization clause, to include the Resource Management Flight Chief's or designee's name. The Nonappropriated Fund Accounting Office makes normal distribution of the contractual documents. Attach a copy with the disbursement request in NAFDIS.

7.2.4. Document the contract file as required by AFMAN64-302, *Nonappropriated Fund Contracting Procedures*.

7.3. Overseas Shipments. The Shared Service Center accounts payable technician receives a vendor invoice and proof of shipment from the vendor to request payment of overseas shipments. The Shared Service Center normally processes this request before the activity receives the goods. The technician forwards a copy of the invoice paid on proof of shipment to the correct Nonappropriated Fund Accounting Office. Once the activity accepts the shipment and notes no damage, accomplish receiving in the Internet Based Purchasing System. The Nonappropriated Fund Accounting Office will then forward the receiving information to the Shared Service Center accounts payable if the receiving interfaced into Air Force Services Financial Management System for the correct inventory in transit reversal and receiving reversal. If the receiving is final but the Purchase Order did not interface into the Air Force Services Financial Management System, the Nonappropriated Fund Accounting Office is required to prepare a General Ledger Adjustment Form to move the amount in transit to the applicable account. AFMAN 64-302, *Nonappropriated Fund Contracting Procedures* describes documents evidencing proof of shipment.

7.4. Partial Shipments. The activity documents receipt of partial shipments in Internet Based Purchasing System. Partial receiving must be identified within Internet Based Purchasing System. (T-1)

7.5. Value Added Tax. Under United States (US) and Federal Republic of Germany agreement, authorized personnel may obtain exclusion from the German Value Added Tax, if they make their purchases through an official US government-contracting activity at USAF Europe (USAFE) installations. Under US and United Kingdom (Her Majesty's Customs and Excise) agreement, members of the US visiting force may obtain Value Added Tax-free purchases from suppliers participating in the British Tax-Relief program. Value Added Tax offices are part of the MWR Fund. Installations must follow the Army procedural guidance governing Value Added Tax office operations in Army in Europe Regulation 215-6, *Individual Tax Relief Program*. (T-0) The installation must operate this program to at least break-even. (T-1)

7.6. Stock Records. The Nonappropriated Fund Accounting Office uses the Nonappropriated Fund Resale Inventory System (NAFRIS) or other approved inventory system to maintain automated stock records to track inventory or highly sensitive items. Resale inventories are valued by weighted average. Activities must receive approval from AFSVC/FMA for any change in resale inventory systems. (T-1)

7.7. Stock Levels and Reorder Points. The activity manager may establish stock levels and reorder points. (T-2)

7.8. Stock Numbers and Standard Units of Measure. When using the NAFRIS inventory module, the Nonappropriated Fund Accounting Office assigns stock numbers to control inventories on all resale, storeroom merchandise, and supply items. Use consistent numbers throughout all Nonappropriated Fund Instrumentalities. The activity annotates the stock numbers on AF Form 2533, *Nonappropriated Fund Transfer Between Cost Centers* or equivalent automated form when transferring merchandise for resale or promotion. See the NAFRIS System User's Guide for the list of standard units of measure and their abbreviations used when processing inventory.

7.9. Nonappropriated Fund Transfer Between Cost Centers (Transfer Between Cost Centers). The activity manager or designee uses AF Form 2533, or an automated report produced by a Point of Sale system or inventory system to transfer goods or stock between cost centers or Nonappropriated Fund Instrumentalities. The transfer is made in Air Force Services Financial Management System by using a transfer General Ledger Adjustment Form. The activity manager or designee may consolidate several transfers onto one AF Form 2533. If activities are using the purchasing card as a payment method, they can annotate the actual expense and cost center where the transaction is accounted for eliminating the need to process a transfer between cost center and general ledger adjustment form.

7.10. Spoilage, Breakage and Out-Dated Material. The activity manager determines the amount of spoilage or breakage by incident, not by individual line item. The Nonappropriated Fund Accounting Office prepares a general ledger adjustment forms to record the losses in the month of occurrence. Report losses of items carried on resale or storeroom inventories according to AFMAN34-202, *Protecting Nonappropriated Fund Assets*. In addition, the Nonappropriated Fund Accounting Office must receive:

7.10.1. A certification by the Military Public Health Office, or designee, attesting to the loss of the reported items for spoilage of food and beverage costing \$100 or more. **(T-3)**

7.10.2. The manager's written and signed notice to the Resource Management Flight Chief on the loss. Include the date of spoilage or breakage, or the date material becomes obsolete, the cause, dollar amount, description (name) of item, quantity of items, how the activity will dispose of the items and identify the cost center. **(T-1)**

7.11. The activity absorbs spoilage, breakage, outdated material, customer complaint, or reject items that cost less than \$100 in cost of goods.

7.11.1. The Nonappropriated Fund Accounting Office posts all losses \$100 and above as Spoilage and Breakage expense (general ledger account code 7270000) in the applicable cost center.

7.11.2. Losses incurred through spoilage, breakage and obsolete material in a central storeroom are normal storeroom expenses shared by the using Nonappropriated Fund Instrumentalities based on the percentage of the total value of issues for that month. Prepare and process documents for adjustments to the central storeroom account as spoilage and breakage using the central storeroom cost center.

7.12. Commodities. The activity manager controls commodities received through the United States Department of Agriculture (USDA) Food Program. The requirements for ordering, receiving and controlling inventory and payment vary from state to state. The activity manager, appropriate flight chief and Resource Management Flight Chief decide the method of inventory accountability. At the end of each accounting period, the activity takes the physical inventory monthly.

7.13. Central Vendor Payment. Central vendor payment is designed to achieve a greater vendor discount by making centralized payment for items purchased against Nonappropriated Fund Purchase Agreements (NPA), blanket purchase agreements and open market purchases from participating vendors. Vendors forward all invoices, proofs of shipment and copies of orders to Shared Services Center for payment. When Shared Services Center pays the vendor, they reduce the base's Cash Management and Investment Program accounts by deducting the invoice amount plus any shipping or freight charges. The Central Vendor Payment office is the central point of contact and handles discrepancies such as missing or damaged items. The Shared Services Center refunds discounts to the base as a separate line item on the base's Cash Management and Investment Program message.

7.14. Consigned Merchandise. Title of goods received on consignment remains with the consignor. The activity, as consignee, does not own such goods; therefore, the Nonappropriated Fund Accounting Office makes no entry to record the receipt of, or obligation for, goods received on consignment.

7.14.1. The activity uses procedures in AFMAN34-202 *Protecting Nonappropriated Fund Assets* for the physical aspects of controlling resale merchandise.

7.14.2. The Nonappropriated Fund Accounting Office records the sale of consigned goods into the general ledger based on the activity's AF Form 1876, *Nonappropriated Fund Consolidated Cost Center Report*.

7.14.3. The Nonappropriated Fund Accounting Office posts the cost of sales at the end of each accounting period or when the activity returns the unsold consigned goods to the consignor, whichever, is first. Cost of sales for consigned inventory is the difference between goods received, or on-hand at the beginning of an accounting period, and those on-hand at the end of the period, or after return to the consignor.

7.14.4. The Nonappropriated Fund Accounting Office and activity personnel work together to resolve any discrepancies between actual count and the memorandum control record.

7.15. Receiving Reports. The Resource Management Flight Chief establishes internal controls to ensure the same individuals authorized to place calls against blanket purchase agreements or place orders by other contracting means do not inspect and accept goods received. Refer to AFMAN64-302, *Nonappropriated Fund Contracting Procedures* for receiving report requirements. For small activities, the Resource Management Flight Chief will prepare operating instructions to ensure the internal control of purchasing. **(T-1)**

7.15.1. When vendors provide free items as bonuses or a purchase discount, note the free items on the receiving report. Record free items on the inventory. Determine the unit cost by dividing the amount due the vendor by the total quantity received (including the free items).

7.15.2. If an activity receives free items for special occasions and gives them away, the activity accounts for these items without processing them through the inventory and cost of goods sold. Use AFMAN34-201 for the criteria in accepting donations. The activity makes a memo no-charge entry on stock records or other locally devised forms and footnotes the cashier's report when issued. The Resource Management Flight Chief or designee personally examines all transactions involving free items to ensure that the activity accounts for items received.

Chapter 8

ACCOUNTS PAYABLE PROCESSING

8.1. Establishment of Accounts Payable. The Shared Service Center posts accounts payable transactions when an activity has received goods or services. There is a direct interface between the Internet Based Purchasing System and Air Force Services Financial Management System. The Internet Based Purchasing System should be used to the greatest extent possible to create an accounts payable. Use Nonappropriated Fund Disbursement requests when there are no other alternative methods of payments available. Those requests might include, but are not limited to NAF official travel, membership fees, customer refunds, utilities, registrations or entry fees, workers compensation claims, PCS reimbursements. Ensure backup documentation is complete and still fulfills the three-way match requirement; contract and agreement, receiving and invoice; see **paragraph. 8.8.**

8.1.1. Use the central cashier to the greatest extent possible for replenishments for petty cash, change, imprest funds, bingo winners, etc. The electronic 1876, *Nonappropriated Fund Consolidated Cost Center Report* includes instructions for posting expenses.

8.1.2. Activity managers should anticipate payment requirements for entertainers and instructors and ensure paperwork is submitted in sufficient time. Ensure requirements for additional cash are submitted in sufficient time to negate the need for an overnight rush delivery of a check to the base or vendor.

8.2. Documents and Entries. Orders or agreements must be entered into Internet Based Purchasing System in order for a receiving report to be entered against the order and create an account payable. **(T-1)** An activity using a Point of Sale system to maintain a perpetual inventory must enter receiving documents into the Point of Sale system separately from Internet Based Purchasing System to update the inventory system. **(T-1)**

8.3. Payable Suspense File. The Shared Service Center establishes a suspense file for all payables through the Air Force Services Financial Management System accounts payable module. The file is used to ensure invoices are paid timely and to help reconcile the subsidiary. The documents in this file make up the subsidiary record of the general ledger control account along with the unbilled receiving completed by the installations.

8.3.1. The total should balance to the automated accounts payable subsidiary and general ledger control account. Invoices are entered into the payable system and matched to Purchase Orders and receiving reports in the system. Bases can review outstanding payables balances by running an Open Invoice Register report in Discoverer Viewer. Bases may request Discoverer Viewer access by sending a MyPers ticket to the Shared Service Center.

8.3.2. The Shared Service Center also generates a detailed Aging Report on the Air Force Services Financial Management System Report site (<https://ssc.afsv.net/>) reflecting aged accounts payables reflected under general ledger account code 2010000, Accounts Payable. The Nonappropriated Fund Accounting Office and activity managers must review the Aging Report regularly and in accordance with the End of Month closeout timeline to assist the Shared Service Center in clearing outstanding payable balances. **(T-1)**

8.4. Vendor Invoices. The vendor mails invoices directly to the Shared Service Center (exceptions are automated reimbursement accounts or in the case of an invoice in a foreign language that require a translation form). The Shared Service Center uses the invoice as part of the documentation required for payment. Invoice numbers are included with the payment to the vendor.

8.4.1. When the price stated on the invoice is higher than the price stated in the Purchase Order, pay the price stated in the Purchase Order for the quantity actually received.

8.4.2. When the price stated on the invoice is less than the price stated on the Purchase Order, pay the invoice price for the quantity received.

8.5. Proof of Shipment. The Shared Service Center may need to pay vendors on proof of shipment, rather than on receipt of goods; historically this is more common for overseas orders. Many NPA and AF Nonappropriated Fund Purchase Office contracts have different contract terms for payment based on proof of shipment. Review the contract terms to determine how a particular vendor will be paid. If the vendor requires payment on proof of shipments, have the vendor submit the proof of shipment documentation (e.g. Bill of Lading) along with the invoice to the Shared Service Center for payment. Refer to **paragraph. 7.3.** for the accounting entries and process required when payment is made based on proof of shipment.

8.6. Discounts. The Shared Service Center posts discounts by reducing the cost of the item purchased. If the Shared Service Center pays the invoice by the due date to receive the vendor's time discount, the Shared Service Center should ensure the discount is taken. The Purchasing Card is the preferred method of payment and should be used whenever the vendor accepts credit cards. The discount period begins with the date of the contractor's invoice. Discounts are reflected against the line of accounting that are reflected on the Purchase Order. For the purpose of earning a discount, the day the Shared Service Center issues the payment or the payment value date for electronic transfers is considered the payment date. To comply with the Prompt Payment Act, transmit or mail payments to vendors on the same day the payment is issued.

8.7. Delivery Costs. Record freight costs for purchases of expendable equipment, supplies, or resalable merchandise as supplies expense or cost of goods, as appropriate. Include freight cost associated with capitalized items (fixed assets) as part of the acquisition cost of the asset.

8.8. Documentation Required for Payment. Three documents are required to substantiate payment to a vendor: a Purchase Order or a delivery order written against an NPA, Essential Products Program, or Blanket Purchase Agreement, a receiving report and a valid vendor invoice along with proof of shipment. Vendor statements are not original documents and not suitable support for making payments. The Shared Service Center only makes payments to vendors through the automated process within Air Force Services Financial Management System or by individual Nonappropriated Fund Disbursement request, acting on the authority of the applicable installation or central fund custodian/designee.

8.9. Filing Paid Documents. Back-up documentation will be maintained in a manner that supports each payment and can be retrieved for review as required. Either paper or electronic documentation may be maintained. Records, including electronic records, must be maintained and disposed of in accordance with the RDS located at <https://www.my.af.mil/gcss-af61a/afrims/afrims>. (T-1)

8.10. Approval Authority. The Resource Management Flight Chief/Fund Custodian or their designee certifies funds availability for purchase requests and releases disbursement requests for payment. Nonappropriated Fund certification of funds should be given to installation organizations performing work for the Nonappropriated Fund Instrumentality on a reimbursable basis. These organizations need to work within an authorized funding amount and request additional funding for any modifications and additional work not addressed in the original request. Any delegation of authority to certify funds availability or to release disbursement requests for payment must be made in writing, signed by the Resource Management Flight Chief, and filed in the Life-of-the-Fund file. **(T-1)**

8.11. Blanket Purchase Agreement. The Shared Service Center should pay amounts due vendors for calls placed against Blanket Purchase Agreements or inter-fund purchases monthly. This does not apply to meat or meat food products. Pay for meat or meat food products according to the Prompt Payment Act. **(T-0)**

8.12. Centralized Payment of Consolidated Purchases. Air Force Services Center pays vendors for AF Nonappropriated Fund Purchase Office central buys and subsequently withdraws the amount paid from each installation's Cash Management and Investment Program account.

8.13. Prompt Payment Act Requirements. The Prompt Payment Act applies to contracts awarded (including purchase and delivery orders), calls placed against Blanket Purchase Agreements, and blanket delivery orders, on or after 1 April 1989. The Act also applies to contracts awarded to foreign vendors outside the United States for work performed or supplies delivered outside the United States. The Act requires federal agencies to pay their bills on time, to take discounts when payments are made by the discount date and to pay interest penalties when payments are late. The Shared Service Center must pay interest penalties when due regardless of whether the vendor requests payment. Calculate interest on a 360-day year.

8.13.1. Under the provisions of the Prompt Payment Act, consider the vendor paid on the settlement date for an EFT payment, or on the date the check was issued. The Prompt Payment Act requires that when the payment includes a penalty, to include a notice to the vendor with the amount of interest penalty included in the payment, the rate used to compute the penalty, and the number of days used to compute the penalty. **(T-0)**

8.13.2. **Terms Dates.** Terms dates are based on the date a proper invoice is received at the Shared Service Center or the date the receiving is completed by the installation Activity, whichever is latest. Receiving reports must be completed within 24 hours of the receipt of goods and services in accordance with the Prompt Payment Act. **(T-0)**

8.14. Ratification. If an individual makes an unauthorized purchase, a ratification package is prepared. This consists of Employee's Statement of Facts, Supervisor's Certification, Invoice and funded Purchase Request. The Nonappropriated Fund contracting officer will review and prepare necessary contractual documents for forwarding to the servicing legal office. **(T-1)** After legal review, the package is forwarded to the appropriate ratifying authority for consideration. Refer to AFMAN64-302 *Nonappropriated Fund Contracting Procedures*.

8.15. Electronic Fund Transfer (EFT) Public Law 104-134, Debt Collection Improvement Act. Payment by EFT is required for all US vendors. **(T-0)** If the vendor will accept credit cards as a form of payment, the preferred method is NAF Purchasing Card.

8.15.1. Some payments are exempt from the EFT processing requirement because it is not feasible or practical to use EFT as a payment method. If the exemption is not provided below, then payment to the vendor must be via EFT. **(T-0)** In addition to the items listed below, the custodian may approve exemptions for persons on individual services contracts who will not be paid more than one time during the current fiscal year. The following payments are authorized exemptions and the Shared Service Center may process check payments for:

8.15.2. Special Morale & Welfare payments.

8.15.3. Change fund establishment and replenishment.

8.15.4. Other federal agencies not yet capable of accepting EFT.

8.15.5. Isolated unit funds without a US domestic bank account.

8.15.6. Payments for installation-level units (picnics, parties, etc.) can be made in advance by providing cash payments from the central cashier. Have the central cashier complete an AF Form 2557, *Nonappropriated Fund Cash Receipt Voucher*, to advance funds. The unit-level representative provides a store or vendor receipt to the central cashier after purchasing the needed items, and the central cashier completes AF Form 1401, *Nonappropriated Fund Petty Cash/Refund Voucher*. As an alternative, a Nonappropriated Fund Accounting Office representative with a Nonappropriated Fund Purchasing Card may accompany the unit representative and make the purchases using the Nonappropriated Fund Purchasing Card.

8.15.7. Once the vendor has been established to accept EFT vendor payments, and the vendor's bank returns or refuses an EFT payment, do not calculate prompt payment penalties because of the returned payment. Prompt payment penalties are calculated based on the date the Shared Service Center made a good faith attempt to pay the vendor with the initial EFT payment (if applicable).

8.16. Filing The IRS Form 1099-MISC. AFSVC/FMA files IRS Forms 1099-MISC with the IRS for vendors processed in accounts payable. The due date to e-file Forms IRS Form 1099-MISC with the IRS is 31 March. If the due date falls on a Saturday, Sunday or legal holiday, IRS Forms 1099-MISC must be e-filed no later than the next business date.

8.16.1. **Prizes.** The installation must collect the name, address and Social Security number of the winner of a one-time prize that is \$600 or more. **(T-0)** Submit the information on the spreadsheet located on the Services Installation Support Portal to the Shared Service Center Accounts Payable Section via MyPers for processing of a IRS Form 1099-MISC no later than 10 January. See Training Aid NA-14A, *Prizewinner's 1099-MISC*, and additional guidance provided on the Services Installation Support Portal under the Shared Service Center Accounts Payable section.

8.17. Nonappropriated Fund Travel. Department of Defense (DoD) policy is that the Government Travel Charge Card will be used by all DoD personnel (military or civilian) to pay for all costs related to official government travel, unless otherwise exempt. **(T-0)** (Joint Travel Regulations (JTR), Chapter 2, Part G). Official government travel is defined as travel under official orders while performing duties pertaining to official government assignments such as temporary duty (TDY) and permanent change of station (PCS). The purpose of the Government Travel Charge Card is to serve as the primary payment method for official travel expenses incurred by DoD personnel (military or civilian) and it also allows the cardholder access to the General Services Administration City Pair Program.

8.17.1. All DoD personnel (military and civilian) are required to split-disburse all undisputed expenses charged to the travel card as a part of the travel settlement process. **(T-0)** Payment for all travel card charges will be sent directly to the travel card vendor via split disbursement as part of the traveler's voucher reimbursement. It is the cardholder's responsibility to promptly pay the travel card vendor directly for any outstanding charges not split-disbursed at the time of the travel voucher settlement. Approving officials are responsible for ensuring that split disbursement amounts are properly annotated and should return any travel vouchers that do not comply for correction and resubmission.

8.18. Purchasing Card. Cardholders are required to document all purchases within the bank's on-line system transaction notes. **(T-1)** Use a locally devised "outstanding items list to record transactions made prior to the end of the month, that do not post in the system before the end of the month. Submit a copy of this log to the approving official and the Resource Management Flight Chief by the third duty day of the month. Within the online system, cardholders record the appropriate line of accounting including the appropriate general ledger account code, cost center and activity within four business days of the items posting in the system. Cardholders must ensure the transaction notes include the items purchased and reason for the purchase. **(T-1)** Update inventory or fixed assets systems as appropriate. Cardholders reconcile copies of receipts to the monthly electronic statement of account report and attach copies of these receipts to the Statement of Account. Cardholders submit their Statement of Account to their approving official within three days after receipt of the monthly Statement of Account. If sales tax is shown in the on-line transaction detail, check the sales receipt to ensure the original amount excludes sales tax and the on-line settlement amount matches the original amount. AFI 34-275, *Air Force Nonappropriated Fund (NAF) Government Purchase Card Program*, details Nonappropriated Fund Purchasing Card cardholders and approving officials' duties and responsibilities.

8.18.1. Nonappropriated Fund Purchasing Card accounting office shall not delegate his or her authority. **(T-1)** An alternate accounting office must be designated to avoid transactions exporting without approval. **(T-1)** A cardholder cannot be his or her own accounting office, nor can the cardholder be an accounting office for his or her immediate supervisor. Approving officials are responsible for the performance and compliance with applicable guidance by their cardholders, and submit requests in writing to the Installation Program Coordinator to instruct the bank to cancel the Nonappropriated Fund Purchase card for any of his or her cardholders at any time. An accounting office will never have more than seven cardholders assigned without a letter on file showing the business case for the expanded numbers and proper approval as explained in AFI 34-275. **(T-1)**

8.18.2. The cardholder retains the original purchase documentation for purchasing card purchases.

Chapter 9

INVENTORY

9.1. Inventory Maintenance. Activity managers control inventories at all times to prevent loss due to spoilage, obsolescence or theft. The applicable activity is responsible for updating inventory records and providing the Nonappropriated Fund Accounting Office end-of-month documentation to substantiate the ending inventory balance. The activity manager is responsible for maintaining the inventory on one of the approved standard inventory systems, i.e., NAFRIS, FoodTrak, RecTrac, or Qubica, other systems may be authorized by AFSVC/FM. Spreadsheets are not authorized for use in maintaining resale inventories. **(T-1)** To ensure the general ledger and actual inventory contain the same data, the Resource Management Flight Chief may establish a cutoff date for inventory related documents. The types of inventories are:

9.1.1. Resale. Activities establish inventories for merchandise held for resale or consumption in sales outlets. Assign a value to these goods to determine a profit for the accounting period as shown on the income statement. The value for all Nonappropriated Fund Instrumentality inventories will be using the weighted average method. **(T-0)** Reference DoDI1015.15, *Procedures for Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources*, paragraph 6.4.2.9. The Nonappropriated Fund Accounting Office must fully disclose the valuation method used for reporting in the financial statements. **(T-0)** Make this disclosure as a footnote to the financial statement. An example of the footnote on the financial statement is: "Resale inventories are valued by [insert valuation method used]."

9.1.2. Central Storeroom. Inventory maintained in a central storeroom is recorded under general ledger account code 1610000, Inventory Central Storeroom. Classify this inventory in the asset section of the balance sheet until the storeroom issues the inventory. Once the storeroom issues the inventory, the receiving activity furnishes a transfer document to the Nonappropriated Fund Accounting Office, credits general ledger account code 1610000 and debits 4010000, Purchases, or 720XXXX, Supply Expense, depending on the item. The storeroom prepares a general ledger adjustment forms in NAFDIS with appropriate documentation of the transfer. The Nonappropriated Fund Accounting Office approves to make the transfer in the general ledger.

9.1.3. Decentralized Storeroom. Activities may establish decentralized storeroom inventories when they buy backup stock for in-use inventories or when they buy high value or sensitive merchandise which Force Support management determines needs additional control (such as petroleum, oil, lubricants and spare parts for aero clubs). This guidance applies to high cost items not qualifying for capitalization as fixed assets. Inventory maintained in a decentralized storeroom is recorded under general ledger account code 1640000, Inventory Decentralized Storeroom. Maintain the merchandise or spare parts as backup stock awaiting use. As activities use inventories from the storeroom, the activity furnishes a transfer document to the Nonappropriated Fund Accounting Office, credits general ledger account code 1640000 and debits the applicable expense general ledger account code. Record the expense regardless if the item was repaired and placed back into inventory. Maintain repaired parts separately.

9.1.3.1. Aero Club Inventory of Spare Parts. Aero clubs are not required to inventory spare parts costing less than \$500; these items are considered bench stock. The activity will post purchases of aircraft parts and bench stock items costing less than \$500 per item as a direct expense to each applicable aircraft based on anticipated usage. **(T-1)**

9.1.4. Consigned Merchandise. Title of goods received on consignment remains with the consignor. The activity, as the consignee, does not own the goods and establishes consigned merchandise inventory to control items received on consignment. When consigned goods are received, the Nonappropriated Fund Accounting Office does not post the receipt of, or any obligation for, the consigned items in the financial records. The activity manager tracks and controls consigned merchandise for accountability purposes only. The activity accounts for consigned goods through the use of memorandum control records or in Nonappropriated Fund Resale Inventory System (NAFRIS), until sold or returned to the consignor. An example of consigned merchandise are consigned tickets from vendors made available for sale at Information, Ticket, and Tour activities. The activity will establish either an automated or manual memorandum control. **(T-1)** This consignment inventory is for accountability tracking only and not for input into the general ledger.

9.1.5. Fixed Assets. The Nonappropriated Fund Accounting Office records fixed assets, through the Shared Service Center, in the Air Force Services Financial Management System Fixed Asset Module. AFMAN34-204, *Property Management* provides instructions for management of fixed assets including which assets are included on the Fixed Asset Module and defines independent inventory requirements.

9.1.6. Inventory-In-Transit. The Nonappropriated Fund Accounting Office will record merchandise or supplies paid in advance and shipped by a vendor with proof of shipment pending receipt by the Nonappropriated Fund Instrumentality as an asset under general ledger account code 163XXXX, Inventory in Transit-Inventory. **(T-1)** Upon actual physical receipt of the items, the activity must advise the Nonappropriated Fund Accounting Office so that a general ledger adjustment forms can be processed to reclassify and move the amount established under general ledger account code 163XXXX to the correct expense or asset account. **(T-1)**

9.2. Monitoring Inventory Levels. The Resource Management Flight Chief and Nonappropriated Fund Accounting Office staff work with activity managers or flight chiefs to ensure proper movement and turnover of inventory levels. Conduct analysis, i.e., inventory turnover rates and slow moving item reports, to determine appropriate resale inventory purchasing and levels. Unusable stock should be disposed of in a timely and appropriate manner. Activity managers review all inventories and stock records to identify slow moving items and dead stock at least semiannually. The Force Support commander or director may authorize sales below cost (not promotional) for slow moving or dead stock inventory items.

9.3. Inventory Schedule and Frequency. Review and document annually the policy letter signed by the Force Support commander/director issued which prescribes the resale inventory frequency. This policy letter will remain in effect for the entire FY unless extenuating circumstances warrant a change to more frequent physical inventories. Any change to the inventory policy letter must be in writing, and both the original policy letter for the year and any changes to that policy must be maintained in the Life-of-the-Fund file. **(T-1)** Generally, all resale inventories are taken no less than on a quarterly basis, see below for specific activity frequencies. The Force Support commander or director may establish an inventory frequency for activities on a more frequent basis (i.e. monthly). The Force Support commander or director may allow any activity having a Point of Sale system that maintains a perpetual inventory to take only an annual physical inventory. As a minimum, an independent observation team must observe the taking of the physical count on perpetual inventory at the end of the fiscal. **(T-1)** The Resource Management Flight Chief uses the physical inventory to determine if variances exist and if analysis or investigation is required according to AFMAN34-202, *Protecting Nonappropriated Fund Assets*,

9.3.1. Activities will inventory all food or beverage activities, pro shops, audio/photo and tickets on a monthly basis. **(T-1)**

9.3.2. Activities will inventory other resale merchandise including centralized and decentralized storerooms and merchandise on consignment, as a minimum, at the end of each quarter. **(T-1)**

9.3.3. Activities inventory merchandise held for special events by type of event. Inventory includes items received from commercial sponsored occasions (see AFMAN34-202, *Protecting Nonappropriated Fund Assets*).

9.3.4. The activity manager must inventory firearms daily. **(T-1)** The activity manager sends an inventory as of the end-of-the-month to the Nonappropriated Fund Accounting Office.

9.3.5. All inventories will be completed at the end of the fiscal year, at change of the activity manager (unless waived), when spot checks by the Nonappropriated Fund Financial Analyst indicate an inventory problem, or when required by an Air Force Audit. **(T-1)**

9.3.6. Annual Impartial Inventory. The Nonappropriated Fund Financial Analyst maintains a schedule for annual physical inventories of fixed assets, storerooms and salable merchandise. Use the guidance in AFI65-107, *Nonappropriated Funds Financial Management Oversight Responsibilities*.

9.4. Change of Activity Managers.

9.4.1. The Nonappropriated Fund Accounting Office furnishes all property listings to the activity managers when management changes. Incoming activity managers must satisfy themselves as to the correctness of the property records. To verify the property records, it is recommended the activity manager physically inventories and signs for the property. The Activity Manager works with the Nonappropriated Fund Accounting Office to address property items that are not found or missing. The incoming activity manager may waive the requirement to physically inventory properties but maintains accountability of the assets. The Nonappropriated Fund Accounting Office attaches the waiver to the change of custodian certificate. The incoming manager may use the financial statements to check the correctness of the decentralized storeroom and in-use inventories. When conducted, inventories no older than 90 days, may replace the next regularly scheduled or annual inventory, saleable or

consumable merchandise inventory, or property and equipment inventory. In order to replace the annual impartial inventory, independent observers must witness the inventory (at the time of the change of managers) in accordance with AFI65-107, *Nonappropriated Funds Financial Management Oversight Responsibilities* (see AFMAN34-204, *Property Management*).

9.5. Change of Custodian. Change of custodian does not require a physical inventory except for NAF Accounting Office assets, unless requested by the incoming custodian. Transfer inventories by exchanging receipts between the outgoing and incoming Resource Management Flight Chiefs and maintain the receipt in the Life-of-the-Fund File.

9.6. Free Items or Donations. When vendors provide free items as bonuses or a purchase discount, the receiver will note the free items on the receiving report. **(T-0)** The activity will record the free/donated items on the inventory. **(T-0)**

9.7. Nonappropriated Fund Accounting Office Inventory Procedures. The Nonappropriated Fund Accounting Office:

9.7.1. Provides lists of fixed assets to the Nonappropriated Fund Financial Analyst for the observation inventory team to use. **(T-1)** Also, furnish a fixed asset list when managers change.

9.7.2. Receives completed inventories and ensures appropriate action is taken based on requirement of specific inventory.

9.8. Bingo Payout Procedures.

9.8.1. Record bingo payouts to general ledger account code 4010000, Purchases using AF Form 2046, Bingo Activity Report as a source a document. **(T-1)**

9.9. Resale Inventory Transfer Between Cost Center.

9.9.1. Transfer resale inventory at cost using general ledger account code 4010000 between issuing and receiving cost centers. **(T-1)**

Chapter 10

CHILD DEVELOPMENT

10.1. United States Department of Agriculture (USDA) Child and Adult Care Food Program. The Nonappropriated Fund Accounting Office posts income, accounts receivable, and subsequent reimbursement for child development program participation in the USDA Child and Adult Care Food Program, through the Shared Service Center. The USDA Child and Adult Care Food Program administers and sponsors the program in all states and territories through the state or regional office. Installations must follow state USDA Child and Adult Care Food Program policies for completion and reporting purposes. (T-0)

10.1.1. USDA Child and Adult Care Food Program Sponsorship Family Child Care Providers. Air Force Family Child Care programs may act as sponsors for Family Child Care providers participating in the USDA Child and Adult Care Food Program.

10.1.1.1. The Family Child Care program receives compensation from the USDA Child and Adult Care Food Program to administer the program. The Family Child Care program can use the funds received from USDA Child and Adult Care Food Program to hire staff to administer the program only when enough funding is received to offset the cost of the staff.

10.1.1.2. Contact Air Force Services Center Financial Management and Comptroller, Treasury Division (AFSVC/FMT) for instructions when the state requests to pay by Electronic Fund Transfer(EFT).

10.1.2. USDA Reimbursement Requests for Continental United States (CONUS) installations. The Child Development Center director, Youth Program director or designee completes the state required forms requesting reimbursement for USDA Child and Adult Care Food Program per individual state guidelines. **Note:** In most cases, the state required forms are submitted online. If this is not the case for your state, then the process described below would be a manual process per state requirements and copies of the documentation submitted to the state would need to be provided to the Nonappropriated Fund Accounting Office.

10.1.2.1. For School-Age Program and Child Development Center, the designated individual at the activity collects information on the meals and snacks served and prepares the state required forms through the web-based system at the end of each month. The meal and snacks served report from the website along with a certification memo that summarizes the amounts from each activity from the online submission are then forwarded to the Nonappropriated Fund Accounting Office. The Nonappropriated Fund Accounting Office establishes the receivable, general ledger account code 1150028—Outside Agency Receivable USDA, with an offsetting entry to general ledger account code 5100000, USDA Reimbursement, using these documents as backup.

10.1.2.2. For Family Child Care Providers, the Family Child Care Coordinator collects the meal/snacks served information and prepares the state required forms through the web-based system at the end of each month. The meal and snacks served report from the website along with a certification memo that summarizes the amounts from the online submission, are then forwarded to the Nonappropriated Fund Accounting Office. The Nonappropriated Fund Accounting Office establishes the receivable, general ledger account code 1150028, with an offsetting entry to general ledger account code 2490000, Other Payables, using these documents as backup.

10.1.2.3. Once the check is received, the activity deposits the check and posts via the AF Form 1876, *Nonappropriated Fund Consolidated Cost Center Report* to clear the receivable and record any variance to general ledger account code 5100000, USDA Reimbursement.

10.1.2.4. If at the end of the following month, the receivable has not cleared the Nonappropriated Fund Accounting Office follows up with the activity for a status.

10.1.3. USDA Payments to Family Child Care Providers. Individuals wishing to provide child care services in their homes complete an application and sponsor agreement provided by the Family Child Care Coordinator. The provider records the number of breakfasts, lunches, snacks and dinners on a USDA form provided by the Family Child Care Coordinator. The Family Child Care provider submits this form to the Family Child Care Coordinator at the end of each month. The coordinator computes the amount of the reimbursement due to each provider and forwards the disbursement voucher to the Nonappropriated Fund Accounting Office.

10.1.3.1. The activity prepares a disbursement request for the providers in the standard Nonappropriated Fund accounting system each month using general ledger account code 2490000, Other Payables.

10.1.3.2. The Nonappropriated Fund Accounting Office then attaches the backup documentation and approves the disbursement in the Nonappropriated Fund accounting system.

10.1.3.3. Reimbursements received from a sponsor under the USDA Child and Adult Care Food Program are taxable only to the extent they exceed the expenses for food for eligible children. Refer to IRS Publication 587, *Business Use of Your Home (Including Use by Day Care Providers)* for instructions on how to report Child and Adult Care Food Program reimbursements for tax purposes.

10.2. Subsidy Payments to Family Child Care Expanded Child Care Providers. Each installation has procedures for approving individuals to provide child care services for the Expanded Child Care Program. Care can only be provided to those eligible and approved by the Air Force Services Center Programs Directorate, Child & Youth Programs Division (AFSVC/SVPY). **(T-1)** The subsidy payment is made centrally from the Shared Service Center directly to Family Child Care Expanded Child Care providers.

10.2.1. The Family Child Care Expanded Child Care provider records the time of care for children in their home on the Expanded Child Care Program website <https://affccsubsidy.afsv.net>. Timesheets must be completed no later than close of business every Tuesday. **(T-1) Note:** It is the responsibility of the Family Child Care provider to ensure all of their information on the website, to include banking, is accurate.

10.2.2. The Expanded Child Care Coordinator or Program Manager approves the timesheets for payment. The timesheet is then routed within the website to the Shared Service Center for payment.

10.2.3. Payment is made directly to the Expanded Child Care provider by the Shared Service Center no later than the 15th of each month. Issues with payment should be reported immediately using the program website.

10.2.4. Installations do not generate an IRS Form 1099-MISC, *Miscellaneous Income* and are not part of the Accounts Payable IRS Form 1099 tasking. IRS Forms 1099-MISC, *Miscellaneous Income* will be made available by the Shared Service Center to the providers on the Expanded Child Care program website. However, IRS Forms 1099 are mailed out to providers not active in the program.

10.3. Air Force Aid Society. The Air Force Aid Society typically interacts with Force Support MWR programs through the Child Care and Respite Care programs. During normal operating hours, the rate charged to Air Force Aid Society is the standard rate for Child Development Centers and School-Age-Care in accordance with AFI34-144, *Child and Youth Programs*. **(T-1)**

10.3.1. **Accounting for Air Force Aid Society.** When an installation takes part in an Air Force Aid Society sponsored program, outside of normal operating hours, a cost analysis or break-even analysis is required to ensure Air Force Aid Society is billed a standard hourly rate for care provided. This cost analysis should be reviewed every January. See Training Aid NA-12, *Break-Even Analysis*, for guidance on how to create a cost analysis/break-even analysis located on the Services Installation Support Portal. This minimizes over billing and the risk of losing Air Force Aid Society support at your installation. For non-Family Child Care providers, billing to Air Force Aid Society from installations should occur monthly by the 8th of each month following program execution.

10.3.1.1. When certificates are collected for Air Force Aid Society care provided during normal operating hours, the individual collecting the certificate should ring it up as a sale using the same standard rate as all other regular care. The certificates are then listed on the AF Form 1876 and attached to the AF Form 1876 *Nonappropriated Fund Consolidated Cost Center Report*, as backup. The Nonappropriated Fund Accounting Office will then establish a receivable in general ledger account code 1140000, along with the benefiting cost center code, with an offsetting entry to general ledger account code 5010011.

10.3.1.2. When Air Force Aid Society care is provided during non-normal operation hours, the activity will send a certified memo to the Nonappropriated Fund Accounting Office. The memo details the Air Force Aid Society program usage. Attach any certificates collected for the month to this memo. The Nonappropriated Fund Accounting Office will then invoice Air Force Aid Society for the childcare provided as determined by the hourly cost calculated in the cost analysis or break-even analysis. The Nonappropriated Fund Accounting Office will then establish a receivable using general ledger account code 1140000, along with the benefiting cost center code, with an offsetting entry to general ledger account code 5010011, using the certified memo from the activity as backup.

10.3.1.3. Once the reimbursement is received, the activity deposits the funds and posts via an AF Form 1876, *Nonappropriated Fund Consolidated Cost Center Report* to clear the receivable and record any variance to general ledger account code 5010011.

10.3.1.4. If at the end of the following month, the receivable has not cleared, the Nonappropriated Fund Accounting Office follows up with the activity for status.

10.4. Providing Child Care Services to Volunteers. The Child Development Center or authorized family day care providers may provide childcare services for volunteers who provide services to the installation in accordance with AFI36-3009, *Airman and Family Readiness Centers*.

10.4.1. If funding is available for the Air Force Aid Society's Family Care Program, this program may be offered to eligible installation volunteers.

10.4.2. Free child care for volunteers is not authorized; fees for volunteers will be assessed in the same fashion as other authorized users in accordance with AFI34-144. (T-1)

Chapter 11

REPORTS

11.1. MWR Personnel Strength and Benefit Programs Report. The Shared Service Center reports employee census as of the last pay period of the quarter to AFSVC/FM. The Nonappropriated Fund Accounting Office forwards employee reports for Foreign Nationals employees and any other employees not paid through the Shared Service Center payroll system.

11.2. Appropriated Fund Support to MWR Activities. The Resource Management Flight Chief reviews the Category A and B percentage of appropriated funds report prepared by the Nonappropriated Fund Financial Analyst (see AFI65-107, *Nonappropriated Funds Financial Management Oversight Responsibilities*, for Appropriated Fund calculation responsibilities). Footnote the financial statements quarterly with Appropriated Fund expenditures by cost center.

11.3. Tax Reports. File IRS Form 945, *Annual Return of Withheld Federal Income Tax*, to report your annual W2-G, *Certain Gambling Winnings*, bingo and gaming machines withholdings deposits. **(T-0)** File Form 945 with the Internal Revenue Service at the address for your location by January 31. Ensure your monthly federal tax payments equal the report. Reference Training Aid NA-14, *Bingo and Slot Machine Reporting*, for more information.

11.4. Certification of Financial Statements. Monthly, the Custodian of each Nonappropriated Fund Instrumentality and the Chief of the Shared Service Center certify the financial statements for all Nonappropriated Fund Instrumentalities. The signed certification is posted to the Air Force Services Financial Management System Report site (<https://ssc.afsv.net/>) no later than 15 days after each accounting period and no later than 20 days after the end of the fiscal year (i.e., September accounting period). The Resource Management Flight Chief or custodian certifies the financial statements by using and forwarding the Financial Statement Certification/Footnote to the Shared Service Center per [paragraph 1.10.1](#).

11.5. Certification of Cash Management and Investment Program Accounts. The Shared Service Center certifies the accuracy of the Cash Management and Investment Program account verification monthly on AF Form 1736, *Nonappropriated Fund Cash Management and Investment Program Verification Report*, and forwards it to each installation and Nonappropriated Fund Instrumentality according to the closing schedule. The Shared Service Center posts the AF Form 1736 Nonappropriated Fund *Cash Management and Investment Program Verification Report*, to the Air Force Services Financial Management System Report site (<https://ssc.afsv.net/>) no later than 10 days after the end of each accounting period. Prepare a separate AF Form 1736, *Nonappropriated Fund Cash Management and Investment Program Verification Report*, for each account and Nonappropriated Fund Instrumentality (i.e., cash, severance, etc.).

11.6. Nonappropriated Fund Financial Statements. The Shared Service Center generates daily balance sheets and income and expense (I &E) statements for each Nonappropriated Fund Instrumentality. Final balance sheet and I & E statements are posted no later than 10th workday after end-of-month.

Chapter 12

TRAVEL AND PCS MOVES

12.1. Travel. Defense Travel System use and the Joint Travel Regulation (JTR), will apply to and be used for travel of all Nonappropriated Fund personnel to the extent possible. **(T-1)** It is not used for the payment, only for the orders and travel authorization portion of the travel and completion of the voucher. Payment of the voucher must take place through the normal Nonappropriated Fund Disbursement Request Process. Take the documentation from Defense Travel System for the completed travel and use it as back-up documentation for the Disbursement Request. Split disbursement is mandatory and may have to be computed manually to determine the proper amount to pay the traveler and Government Travel Charge Card.

12.1.1. Travel Orders. The Force Support Commander or Director, if designated by the installation commander, approves Nonappropriated Fund official travel orders. The Resource Management Flight Chief authenticates and certifies funding availability for Nonappropriated Fund official travel. The Nonappropriated Fund Accounting Office accounts for Nonappropriated Fund official travel. The traveler or travel coordinator prepares the travel orders.

12.1.2. Reimbursable Travel. When AFSVC/FM or other entity reimburses the travel, the Resource Management Flight Chief sends a letter and all supporting documentation to AFSVC/FM (or reimbursing authority) within 30 days after the date the employee or participant completes the travel. Payments are promptly made to the traveler, unless specific instruction tells you otherwise set up reimbursement from AFSVA/FM in general ledger account code 1140019, NAFI Receivable—AF-Funded Training and Travel.

12.1.2.1. Reimbursement from AFSVC/FM. If AFSVC/FM does not receive requests for reimbursement and supporting documentation within 30 days after completion of the travel, they will not provide reimbursement without sufficient justification accompanying a late package.

12.1.2.2. Air Mobility Command Transportation. Do not hold up submission of reimbursement packages, which include documentation for Air Mobility Command travel. Place a line item in the package for the estimated amount.

12.2. Permanent Change of Station (PCS) Moves. AFSVC/FM centrally funds and pays all PCS costs for Management Trainee and Career Program selectees. Nonappropriated Fund Instrumentality funded PCS moves are calculated and paid at installation level.

12.2.1. PCS Advance. Advance travel funds are issued in the amount authorized by the JTR and recorded in general ledger account code 1280000, Receivable from Employees. At the time the travel voucher is settled, all applicable taxes will be calculated and withheld.

12.2.1.1. AFSVC/FM Funded Moves. Record employer and employee taxes in the appropriate payroll tax liability accounts. At the time the travel voucher is settled, the amount of any advance travel funds, if applicable, is deducted and recorded as a credit to general ledger account code 1280000, Receivable from Employees. A disbursement request is processed and the net of the advance and employee taxes are made payable to the employee. AFSVC/FM forwards a copy of the PCS calculation spreadsheet used to calculate the payroll tax liability to the Shared Service Center. The Shared Service Center

deposits taxes and reports the taxable wages and withheld taxes on the current quarter IRS form 941, *Employer's Quarterly Federal Tax Return*. (T-0) The PCS wages and taxes are included on the employees current year IRS form W2, *Wage and Tax Statement*. (T-0)

12.2.1.2. Nonappropriated Fund Instrumentality Funded Moves. Record employer and employee taxes into general ledger account code 2490000, Other Payables. At the time the travel voucher is settled, the amount of any advance travel funds, if applicable, is deducted and recorded as a credit to general ledger account code 1280000, Receivable from Employees. A disbursement request is processed and the net of the advance and employee taxes is made payable to the employee. Forward a copy of the PCS calculation spreadsheet used to calculate the payroll tax liability to the Shared Service Center. The Shared Service Center initiates a cash transfer to collect the employer and employee taxes. The Shared Service Center deposits taxes and reports the taxable wages and withheld taxes on the current quarter IRS form 941, *Employer's Quarterly Federal Tax Return*. (T-0) The PCS wages and taxes will be included on the employees current year IRS form W2, *Wage and Tax Statement*. (T-0)

12.2.2. Payment of Advance Wages. Requests for advance wage payments are approved by the gaining Human Resource Office and forwarded to the gaining Nonappropriated Fund Accounting Office.

12.2.2.1. Employees making a PCS move to or from a foreign area (excludes the Continental United States, Alaska, Hawaii, and all United States territories or possessions) are entitled to advance payment of wages. Advance wage payments are processed in accordance with guidance provided in the JTR and DoD Financial Management Office, 7000.14-R. (T-0) An employee may request the advance from the gaining Nonappropriated Fund Instrumentality one month prior to the estimated departure date.

12.2.2.2. The gaining Nonappropriated Fund Accounting Office requests a copy of the exiting employee's last statement of earnings and manually calculates the advance wage payment. To determine the amount of the wage advance, multiply net pay times the number of pay periods authorized (a wage advance is limited to a maximum of six pay periods). The gaining Nonappropriated Fund Accounting Office submits a disbursement request for payment to the employee. Record the wage advance as a debit to general ledger account code 1280000, Receivable from Employees.

12.2.2.3. Prior to issuing advance wages the gaining Nonappropriated Fund Accounting Office obtains an agreement from the employee, in writing, to settle the wage advance by payroll deductions not to exceed 26 pay periods beginning with the first pay period following an assignment to or from a foreign area. The employee has the option to repay the advance in partial or lump sum payments. The employee must agree to repay the full balance of the wage advance upon termination of employment. (T-1)

12.2.2.4. The gaining Nonappropriated Fund Accounting Office submits a copy of the repayment agreement signed by the Resource Management Flight Chief or Fund Custodian to Shared Service Center Payroll through MyPers. Shared Service Center payroll begins automatic payroll deductions as established in the agreement. Deductions credit general ledger account code 1280000, Receivable from Employees and continue until the debt is paid in full.

Chapter 13

PAYROLL

13.1. Basis for Entitlements. The following directives show the basis for entitlements for Nonappropriated employees: AFMAN34-302, Air Force Nonappropriated Fund (NAF) Personnel Benefits Programs, DoDI 1400.25 Volume 1405, *Nonappropriated Fund (NAF) Pay, Awards and Allowances*, DoDI 1400.25 Volume 1406, *Nonappropriated Fund (NAF) Attendance and Leave*, DoDI 1400.25 Volume 1408 *Insurance and Annuities for Nonappropriated Fund (NAF) Employees*.

13.2. Air Force Services Financial Management System. Air Force Services Financial Management System uses the Human Resource Payroll module in the Oracle Business Suites database to support payroll and benefits for United States Air Force (USAF) nonappropriated fund civilian employees. The AFSVC/FM must approve in writing, the use of any payroll system other than the Air Force Services Financial Management System payroll module used by an Air Force Nonappropriated Fund Instrumentality. **(T-1)** Approval is not needed for those systems in use at the time of this publication for the payment of Foreign National payroll.

13.2.1. Time and Attendance (T&A) Reporting. Before processing pay for an employee, an authenticated (approved) timesheet must be on file. **(T-1)** A timesheet is required for each active employee whether or not the employee is in a pay status. The Activity Manager or authorized designee certifies each timesheet with his or her signature. Digitally produced electronic signatures are authorized. Timesheets are completed using the approved AF Labor Management System. Use of this system is mandatory for all Air Force NAF employees. **(T-1)** A list of individuals authorized to sign timesheets must be forwarded to the Nonappropriated Fund Accounting Office and updated on a continued basis, as necessary. **(T-1)** The list should be made part of the Life of the Fund file.

13.2.2. Timesheets are retained for 6 years in accordance with RDS Table and Rule: T 34-14 R 39.01.

13.2.3. Overtime (OT) Approval. Overtime payments are required for hours worked that are officially ordered or approved. Non-exempt employees must also be paid for overtime suffered or permitted. **(T-0)** Generally, if management determines the need for overtime work, it must be approved, in writing, in advance. **(T-1)**

13.2.3.1. The scheduled or potential OT report generated by the Labor Management System should be used to obtain the approval. An exception to the prior approval rule are instances where overtime work is required on short notice and prior written authorization cannot be obtained.

13.2.3.2. It is the responsibility of management to ensure employees work only during their scheduled tour of duty. Approvals for scheduled OT are handled at the activity and are not forwarded to the Nonappropriated Fund Accounting Office. Overtime payment is authorized by the employee's supervisor or designee via an authenticated timesheet.

13.3. Direct Deposit. Nonappropriated Fund employees are required to receive payment by Electronic Funds Transfer (EFT). **(T-0)** Direct Deposit for payment of wages is a condition of employment. The employee may request a waiver to this requirement if he/she determines direct deposit imposes a hardship as specified in 31 Code of Federal Regulations Part 208, *Management of Federal Agency Disbursements*. Waiver requests should be rare and fully meet the criteria in the waiver request form at Services Installations Support Portal. Active employees use MyMoney at https://nafpay.afsv.net/OA_HTML/AppsLocalLogin.jsp to retrieve Leave and Earning Statements (LES). Payment of wages is available on the Friday following the end of the pay period. Pay dates in Air Force Services Financial Management System are handled programmatically. As an exception, pay dates are Thursday, the preceding day, when a federal holiday is observed on a scheduled pay day.

13.4. Manual Pay Preparation. The Nonappropriated Fund Accounting Office will reference TA-AFSFMS-39, *Offline Payroll Processing*, located on the Services Installations Support Portal for detailed process to request an offline payment of wages when necessary due to unreported or under reported hours.

13.4.1. Central Cashier Payments. The Nonappropriated Fund Accounting Office calculates the amount due the employee and with Resource Management Flight Chief approval pays 75% of the calculated amount. Record the payment as a debit to general ledger account code 8120007, Miscellaneous Income–Payroll (Central Cashier), in the employee’s assigned cost center.

13.4.2. Offline Electronic Funds Transfer (EFT). The Base Liaison forwards the offline EFT request to The Shared Service Center Payroll Branch.

13.4.2.1. The request should include the employee’s name, social security number, copy of the time card signed by the Resource Management Flight Chief, and specific details with an explanation of why the offline EFT is necessary. The request must be approved by the Resource Management Flight Chief. **(T-1)**

13.4.2.2. The Shared Service Center Payroll Branch will run a quick pay to calculate the amount due the employee, process an off cycle EFT, and notify the base liaison of the date and amount paid. **NOTE:** Allow two business days for the payment to post to the employee’s bank account.

13.4.2.3. The Shared Service Center Payroll Branch includes the retroactive hours in the subsequent pay period and records the net pay amount as a negative miscellaneous deduction, crediting general ledger account code 8120008 in the employee’s assigned cost center.

13.4.2.4. Air Force Services Center or Financial Management Office will process a cash transfer for the net amount of the off cycle EFT, debiting general ledger account code 8120008, Miscellaneous Income–Payroll (EFT), in the employee’s assigned cost center. **NOTE:** Do not transfer amounts in this general ledger account code as the two entries will clear. If an amount does not clear, contact the Shared Service Center Payroll for assistance.

13.5. Payroll Adjustment Worksheet. A Payroll Adjustment Worksheet (PAW) is used to request manual adjustments or corrections to employees' hours.

13.5.1. The Base liaison creates and submits one Payroll Adjustment Worksheet per pay period per installation.

13.5.2. PAWs are submitted via MyPers and due to The Shared Service Center Payroll Branch no later than Tuesday of the non-payroll week, unless otherwise specified.

13.6. Final Pay. Nonappropriated Fund employees are governed by federal law; as such there are no federal requirements to issue the final paycheck any time prior to its normal issue date.

13.7. Loans to Employees. AFMAN34-201 prohibits loans to employees (such as an advance payment of wages). **Exception:** Nonappropriated Funds are authorized for cash advances against an authenticated travel order before official travel, advance payment of wages for overseas PCS moves, or the advancement of leave.

13.8. Payroll Interface to the General Ledger. The Air Force Services Financial Management System uses the payroll module to create a file for upload into the accounting system to provide automatic posting of journal entries to the general ledger. The general ledger entries required (actual, accrual, and reversal) for the individual pay periods are automatically posted to expense payroll costs and establish liabilities. All employer liabilities with the exception of general ledger account code 2170000, Accrued Payroll and general ledger account code 2150000, Accrued Annual Leave Payable are centrally recorded and disbursed.

13.9. Adjustments to Payroll Accruals. The Resource Management Flight Chief approves any adjustment to the accrual amount. The authorized adjustments to the automated payroll accrual entries are only for activities for December accrual when a significant over-accrual occurs due to the holiday schedule. The activity manager uses the detailed Employer Liability Report for month end December to verify the accrual. The activity manager provides a worksheet capturing the actual accrual, projected accrual, and variance to the Nonappropriated Fund Financial Analyst for independent certification.

13.9.1. The Resource Management Flight Chief reviews the information, assuring all accrued payroll expenses are included in the request, and authorizes the adjustment. Approvals should be rare and over-accruals determined to be material. The Resource Management Flight Chief forwards the adjustment request, Employer Liability Report, back-up worksheet, and Nonappropriated Fund Financial Analyst certification to the Nonappropriated Fund Accounting Office for processing.

13.9.2. The Nonappropriated Fund Accounting Office creates a general ledger adjustment form in NAFDIS reversing the actual accrual and to enter the projected accrual. As a reminder, the reversal of all adjusting entries made in December must be recorded in January.

13.10. Unclaimed Wages. The Shared Service Center voids all undeliverable and stale-dated (120 days from date of issue) payroll payments and initiates a cash transfer general ledger adjustment forms to record the unclaimed wages in 2250001, Unclaimed Wages of the issuing Nonappropriated Fund Instrumentality. Every 30 days, the Shared Service Center will initiate a cash transfer general ledger adjustment forms to record EFT Rejects, unresolved after 120 days, to 2250001, Unclaimed Wages of the issuing Nonappropriated Fund Instrumentality.

13.10.1. The Nonappropriated Fund Accounting Office should make every attempt to ensure employees receive wages due them. Document each attempt to contact, in writing or by phone, and make part of the subsidiary to the general ledger control account 2250001, Unclaimed Wages. If the wages are later claimed, the Nonappropriated Fund Accounting Office processes a disbursement request in NAFDIS to reissue the wages directly from general ledger account code 2250001.

13.10.2. Wages remaining unclaimed after one year are transferred to 8120000, Miscellaneous Income of the issuing cost center.

13.11. Individual Pay Record. Under the Air Force Services Financial Management System automated payroll system the integrity of individual master pay records must be maintained to meet the 56 year permanent file retention in accordance with Air Force Records Information Management System. (T-0) Refer to Records Disposition Schedule (RDS) Table and Rule: T 34-14 R 38.00.

13.11.1. For those bases with an AFSVC/FMA approved waiver to process local payroll outside of Air Force Services Financial Management System, the Nonappropriated Fund Accounting Office must maintain a permanent master record of salary payments, deductions, adjustments, and benefits affecting each employee's pay on an individual pay record for 56 years. (T-0)

13.11.2. Protect the Individual Pay Record from loss or damage by storing the forms in files with locks or by locking the room in which these records are kept. While not mandatory, use fireproof equipment when possible. Maintain Individual Pay Record and related documents for audit. AFSVC/FMA conducts an investigation if Individual Pay Record are lost or damaged beyond reconstruction. The investigation determines whether the supervisor caused the loss or damage due to negligence. Fully document all pertinent details, including the amount involved, circumstances surrounding the loss, and whether the Nonappropriated Fund Accounting Office recommends reconstructing the records. Include reasons to justify the recommendation.

13.12. Annual and Sick Leave. The Shared Service Center Payroll Branch maintains annual and sick leave records. Activity Managers use Discover Viewer to retrieve the Annual and Sick Leave Record report; see TA-AFSFMS-34, *Annual and Sick Leave Record* for guidance. Management utilizes this report to ensure adequate balances are available when approving time-off requests.

13.12.1. Employees should request annual leave, LWOP, and request or document sick leave, using OPM Form 71, *Request for Leave or Approved Absence*. Leave is not credited to employees' accounts until the end of the pay period; employees may not use leave in the pay period it is earned. (T-0). **NOTE:** An employee must serve under a regular appointment for a continuous period of ninety calendar days before crediting Annual leave to the employee's account. (T-0) Any credited Annual leave will reflect on the Leave and Earnings Statement/Statement of Earnings (SOE), the pay-period after it is earned.

13.12.2. Sick leave is earned immediately upon serving in a regular appointment and will be credited to the Leave and Earnings Statement and SOE in the pay period after it is earned.

13.12.3. The supervisor or the supervisor's designee approves leave requests. The timekeeper or supervisor records leave on the employee's timesheet.

13.13. The activity retains OPM Form 71 . *Request for Leave or Approved Absence* as the source document for employees' leave requests and to resolve any discrepancies. OPM Form 71, *Request for Leave or Approved Absence* is retained for the life of the timesheet under RDS Table and Rule: T 34-14 R 39.01.

13.14. Leave Balance Insufficient to Cover Leave Requested. Activity managers review leave balances of their employees. Inform the employee if the leave accumulated does not cover the leave requested. Document approvals of leave without pay, annual leave, or other types of leave necessary to excuse the employees' absence from duty not covered by accrued leave. The Air Force Services Financial Management System payroll module will default to Annual Leave (AL) when the balance is insufficient to cover Sick Leave hours submitted. AL hours with an insufficient balance will default to LWOP.

13.15. Advance Annual and Sick Leave. Refer to the NAF Personnel Program Management and Administration Procedures Guide, on the Services Installations Support Portal for application and approval of advance annual and sick leave. Refer to AFMAN34-202 *Protecting Nonappropriated Fund Assets*, for collection of advance annual and sick leave when an employee who owes the Nonappropriated Fund Instrumentality advance leave separates from employment for reasons other than death, disability, retirement or resignation for physical disability.

13.15.1. Nonappropriated Fund HRO forwards a copy of the approved advance leave request to the Shared Service Center Payroll Branch.

13.15.2. Advance annual leave or sick leave is recorded as Annual Leave Taken or Sick Leave Taken (SLT) on the timesheet. The Shared Service Center Payroll Branch loads the advanced hours to the employee's record in the same pay period as they are used. The advance leave balance is reduced by the current period's accrual.

13.15.3. Adjustments are discontinued once the Nonappropriated Fund Instrumentality recoups all authorized advance leave. If the employee separates for reasons other than those in [paragraph 13.15](#) before the Nonappropriated Fund Instrumentality recoups advance leave, subtract the dollar amount from any accumulated leave or final wages earned. Refer to AFMAN34-202, *Protecting Nonappropriated Fund Assets*, if funds are insufficient.

13.16. Transfer of Annual and Sick Leave. A regular employee who transfers to another AF Nonappropriated Fund Instrumentality transfers all accrued annual and sick leave hours. **(T-0)** See the NAF Personnel Program Management and Administration Procedures Guide for procedures if a regular Nonappropriated Fund employee is transferring from one DoD Nonappropriated Fund Instrumentality to another DoD Nonappropriated Fund Instrumentality.

13.16.1. **SF 1150, Record of Leave Data.** The Nonappropriated Fund HRO completes SF 1150 for all terminating regular employees including those transferring to another base, and those changing from a regular to flexible employment category. Record the balance of annual leave and sick leave hours and annotate any lump sum leave paid and the hourly rate at which it was paid. In addition, record any family medical leave taken in the past 12-month period. The benefit separation code used in Defense Civilian Personnel Data System defines how the Air Force Services Financial Management System payroll module handles the final payout or transfer of annual leave. See TA-AFSFMS-33, *Nonappropriated Fund Payroll SF-1150*.

13.16.2. Air Force Services Center Financial Management Office records the necessary adjustments to general ledger account code 2150000, Accrued Annual Leave Payable, and initiates a cash transfer for the value of accumulated AL when a regular employee transfers from one AF Nonappropriated Fund Instrumentality to another AF Nonappropriated Fund Instrumentality.

13.16.2.1. Follow guidance in the NAF Personnel Program Management and Administration Procedures Guide and TA-AFSFMS-40, *Transfer In or Out From an Outside Services Agency (Nonappropriated Fund or AAFES)*, when paying the value of accumulated Annual Leave to another DoD Nonappropriated Fund Instrumentality.

13.16.2.2. The gaining Nonappropriated Fund Instrumentality absorbs the difference should the dollar value of the transferred leave vary, as a result of a higher or lower pay rate.

13.16.3. There is no transfer of funds with Sick leave. Transferred hours are recorded in the employee's master record. Payment for unused sick leave is not made to an employee under any circumstance. **(T-0)**

13.17. Transfer of Annual Leave Under Portability. A regular employee who transfers from Appropriated Funds employment to Nonappropriated Fund or Nonappropriated Fund to Appropriated Funds must transfer all accrued annual and sick leave hours. In these instances, the gaining and losing organizations do not exchange funds. **(T-0)** See the Nonappropriated Fund Personnel Program Management and Administration Procedures Guide for additional information on this process.

13.17.1. For Nonappropriated Fund to Appropriated Funds employment transfers, the employee does not receive lump sum leave. The Air Force Services Financial Management System payroll module systematically adjusts the value of the transferred employee's annual leave to 7010001, Annual Leave Value Transferred and Taken.

13.17.2. For Appropriated Funds employment to Nonappropriated Fund transfers, the Air Force Services Financial Management System payroll module systematically debits 7010001 for the value of annual leave hours transferred in.

13.18. Military Leave. Refer to the NAF Personnel Program Management and Administration Procedures Guide to determine eligibility and the amount of military leave to grant an employee. Grant an eligible employee any military leave available to them when ordered to active duty. Do not grant annual leave or LWOP for such active duty until the employee uses all the military leave available to him or her unless this would result in a forfeiture of annual leave. Military leave request must be supported by a copy of the orders. **(T-0)** Orders to active duty are retained for the life of the timesheet on which the absence is first reported. The employee submits a certification by the appropriate military officer as evidence that the active military duty was performed. Retain the certification for the life of the timesheet on which the return to duty is reported.

13.18.1. The activity records military leave as “MLV” on the timesheet. If the timekeeping system in use does not support this pay type, process the timesheet with regular hours and annotate the days of military leave taken. Military leave is charged only for hours during which a civilian employee would otherwise have been scheduled to work and receive pay. No charge is made for non-workdays at the beginning and end of a period of absence on active military duty. Neither is there a charge for weekends and holidays that occur within the period of military service. The activity manually tracks approved, used, and the available balance of Military Leave.

13.18.2. See the NAF Personnel Program Management and Administration Procedures Guide for guidance on employees ordered into active duty for the purpose of performing military duties in support of civil authorities in the protection of life and property. If an employee is called to active duty under this guidance, the Nonappropriated Fund Instrumentality is entitled to reduce the employee’s Nonappropriated Fund pay by the amount of military pay received during the leave period. Compensation (other than for travel, transportation, or per diem allowance) received while on active duty is turned in to the Nonappropriated Fund Instrumentality to be credited toward the pay received from the employee’s Nonappropriated Fund position. This leave is granted only for scheduled workdays, and the employee’s Nonappropriated Fund pay is reduced only by the amount received for military service performed on a workday. Do not consider military pay received for non-workdays.

13.19. Military Furlough. Lump Sum Leave is paid out when Nonappropriated Fund HRO processes AF Form 2545, *Nonappropriated Fund Instrumentality Notification of Personnel Action*, to place an employee on Military Furlough. The time spent in a military furlough status counts toward creditable service for leave accrual and the retirement program.

13.19.1. Nonappropriated Fund HRO submits AF Form 2545 *Nonappropriated Fund Instrumentality Notification of Personnel Action*, to The Shared Service Center Payroll Branch as a directive to pay Lump Sum Leave

13.20. Court Leave. Refer to the NAF Personnel Program Management and Administration Procedures Guide to determine the amount of court leave to grant an employee.

13.20.1. Process the timesheet with court leave hours and annotate the days absent for jury duty. The summons is retained for the life of the timesheet showing the first absence.

13.20.2. Regular employees on court leave receive their regular pay for such time off, or retain court fees received from the court, whichever is the greater amount. If court fees are the lesser amount, the employee pays such fees to the Nonappropriated Fund Instrumentality. Transportation fees, when separately identified, or identifiable, are not surrendered by the employee; transportation costs include parking fees. Deposit court fees to the employee’s cost center in general ledger account code 8120000, Miscellaneous Income.

13.20.3. The employee submits a statement showing the amount of court fees received and transportation costs incurred. The statement is retained for the life of the timesheet in which the return to duty is reported. When a state statute provides for reimbursement of expense or an expense allowance rather than a jury fee, employees receive regular pay and the money paid by the court.

13.21. Discounted Meals Furnished to Employees. Discounted meals furnished to employees on the activities' premises for the convenience of the Nonappropriated Fund Instrumentality are considered non-compensatory and therefore not taxable. **(T-0)** Refer to the appropriate Force Support Activity instruction and IRS Publication 15-B, *Employee's Tax Guide to Fringe Benefits*.

13.21.1. The IRS defines "meals furnished for the convenience of the employer" as when:

13.21.1.1. The employer provides a meal on workdays and during working hours.

13.21.1.2. The employer requires employees to be available for emergency calls during the meal period.

13.21.1.3. The nature of the business requires employees to have a short meal period (such as 30 to 45 minutes) and employees could not be expected to eat elsewhere in the allotted time.

13.21.1.4. Employees cannot otherwise secure proper meals within a reasonable time in the vicinity of the employer.

13.21.2. The activity will absorb the expense of the discounted employee meals in the cost of goods as a reduction to sales. **(T-0)**

13.22. Employee Awards. Nonappropriated Fund employees' cash incentive awards include performance awards, special act or service awards, and on-the-spot awards. The supervisor initiates the award using AF Form 1001, *Award Recommendation Transmittal*, and forwards the request to the appropriate approval authority. The supervisor then submits the approved form in the Defense Civilian Personnel Data System for Nonappropriated Fund HRO action.

13.22.1. All awards, regardless of the type, are processed through the Air Force Services Financial Management System payroll module.

13.22.2. Awards are taxable and must be included in wages on Form W-2, *Wage and Tax Statement*.

13.23. Severance Benefits. Severance benefits are payments to employees who are separated from employment through a business based action; guidance is found in the NAF Personnel Program Management and Administration Procedures Guide. Both US citizens and Foreign Nationals employees are eligible for severance pay. Severance benefits are also referred to as "notice pay" in some Status of Forces Agreements for Foreign Nationals employees. The Nonappropriated Fund Instrumentality treats severance benefits as a contingent liability. The Nonappropriated Fund Instrumentality does not accrue for contingent liabilities until the liability can be estimated and it is probable that the contingent event will occur. Do not confuse severance benefits with separation allowances which are addressed in [paragraph 13.24](#). **Note:** Severance and separation allowances are tracked and accounted for separately. Adhere to host nation customs and practices and comply with any applicable international, implementing, and subsidiary agreements and arrangements regarding severance benefits of foreign nationals.

13.23.1. The Resource Management Flight Chief, working with Nonappropriated Fund HRO, computes estimated severance liability and establishes an accrual by debiting general ledger account code 711000X, Severance Benefits, to recognize the severance expense. Bases scheduled for closure will use general ledger account code 964000X, Loss Due to Severance Expense for Discontinued Operations. The offset credit is made to general ledger account code 209000X, Severance Benefits Payable (if the amount is considered current) or general ledger account code 2590000 (if the amount is considered long-term) to recognize the severance liability. Ensure you record the expense in the cost center where the employee is assigned. Shred the expense general ledger account code (711 or 964) between severance benefits accrued for Foreign Nationals employees and US employees. The Nonappropriated Fund Accounting Office adjusts fluctuations in foreign currency ratio on a monthly basis to coincide with financial statement reporting. Monthly adjustments ensure the accuracy and validity of the severance liability accounts.

13.23.2. AFSVC/FM determines the level of funding required for each Nonappropriated Fund Instrumentality, expressed as a percentage of the estimated total liability. Compute percentages by country, installation, or Nonappropriated Fund Instrumentality. Do not establish funding levels at less than 25%. Revalidate funding levels at least annually. Increase funding to 100% when the severance is payable in one year (or less). For closing installations, increase the funding level to 100% when the base is placed on the definite closure list.

13.23.2.1. The Nonappropriated Fund Accounting Office sets aside funds to pay severance liabilities in the Severance Benefits Investment Program. General ledger account codes 1080000, Investment Severance Benefits, and 1950001, Long Term Investments-Severance Benefits, are used to record the amount of funding set aside for severance benefits. The Nonappropriated Fund Accounting Office contacts AFSVC/FMA to establish a Severance Benefits Investment Account. The amounts for current and long-term investments are included in the request. AFSVC/FMA establishes the account and initiates the Cash Management and Investment Program transfer of funds.

13.23.2.2. The Nonappropriated Fund Accounting Office notifies AFSVC/FMA of the amount of the total payment due when the severance allowance becomes payable. AFSVC/FMA initiates the Cash Management and Investment Program transfer of funds, and notifies Shared Service Center, Cash Reconciliation Branch to process the general ledger adjustment forms to reclassify the funds from the appropriate investment general ledger account code to general ledger account code 1010000.

13.23.3. Severance benefits are paid to employees in accordance with the NAF Personnel Program Management and Administration Procedures Guide. The Nonappropriated Fund HRO records on the AF Form 2545, *Nonappropriated Fund Instrumentality Notification of Personnel Action*, a remark that includes the total severance pay entitlement, the bi-weekly payment and the number of weeks the entitlement is paid. Nonappropriated Fund HRO forwards the AF Form 2545, *Nonappropriated Fund Instrumentality Notification of Personnel Action*, via MyPers to the Shared Service Center Payroll Branch.

13.23.3.1. Severance pay is payable to an employee at the same pay period intervals that salary would be paid if the employee were still employed.

13.23.3.2. If the total severance pay entitlement would otherwise be distributed in four biweekly payments or less, a lump sum payment of the total severance pay entitlement is made.

13.23.3.3. Severance payments are subject to income tax, Social Security tax, and Medicare tax deductions. **(T-0)**

13.23.4. If a business based action occurs and the affected employee worked less than one year in an activity of a Nonappropriated Fund Instrumentality after a transfer from another activity of the Nonappropriated Fund Instrumentality, the activity where the employee was employed initially bears the severance expense.

13.24. Separation Allowances. Separation allowances may be due to Foreign National employees in those countries where the Status of Force Agreement (SOFA) provides for such a benefit. These allowances, also referred to as "end of employment pay", are due to the Foreign Nationals employee regardless of the reason for terminating Nonappropriated Fund employment. A separation allowance is an estimable liability and is accrued, on a monthly basis, over the period of the employee's Nonappropriated Fund employment. The Resource Management Flight Chief reviews the SOFA to determine the separation allowance provided to Foreign Nationals employees in order to determine the amount of liability to accrue. **Note:** The Resource Management Flight Chief must ensure the separation allowance is accounted for and tracked separately from severance benefits provided to Foreign Nationals employees (refer to [paragraph 13.23](#)). **(T-0)**

13.24.1. The Resource Management Flight Chief, working with Nonappropriated Fund HRO, computes the necessary separation allowance to accrue for each Foreign Nationals employee. Each month the Resource Management Flight Chief establishes an accrual by debiting general ledger account code 707000X, Foreign National Benefits, in the assigned cost center, to recognize the separation allowance the employee earned for the current month. The offset credit is made to 2580000, Separation Allowance Payable, to recognize the separation allowance liability. Shred general ledger account code 707 to separately recognize the Foreign Nationals benefits that are for separation allowances. The Nonappropriated Fund Accounting Office adjusts fluctuations in foreign currency ratio on a quarterly basis to coincide with financial statement reporting. Quarterly adjustments ensure the accuracy and validity of the separation allowance liability accounts. When the separation allowance is payable within the next 12 months, reclassify the current portion into general ledger account code 2220000, Separation Allowance Payable.

13.24.2. AFSVC/SVI determines the level of funding required for each Nonappropriated Fund Instrumentality, expressed as a percentage of the estimated total liability. Compute percentages by country, base or Nonappropriated Fund Instrumentality. Do not establish funding levels at less than 25%. **(T-0)**. Revalidate funding levels at least annually. Increase funding to 100% when the severance is payable in one year (or less). For closing bases, increase the funding level to 100% when the base is placed on the definite closure list. **(T-0)**

13.24.2.1. The Nonappropriated Fund Accounting Office sets aside funds to pay separation liabilities in the Severance Benefits Investment Program. General ledger account codes 1080001, Investment Separation Allowances, and 1950002, Long Term Investments-Separation Allowance, are used to record the amount of funding set aside for separation benefits. The Nonappropriated Fund Accounting Office contacts AFSVC/FMA to establish a Severance Benefits Investment account (Use the same Severance Benefits Investment account established in [paragraph 13.23.2.1](#) above). The amounts for current and long-term investments are included in the request. AFSVC/FMA establishes the account, initiates the Cash Management and Investment Program transfer of funds and notifies Shared Service Center Cash Reconciliation Branch to process the general ledger adjustment forms to reclassify the funds from general ledger account code 1010000, Cash In Bank, to the appropriate investment general ledger account code.

13.24.2.2. The Nonappropriated Fund Accounting Office notifies AFSVC/FMA of the amount of the total payment due when the severance allowance becomes payable. Air Force Services Center Financial Services Branch initiates the Cash Management and Investment Program transfer of funds, and notifies Shared Service Center Cash Reconciliation Branch to process the general ledger adjustment forms to reclassify the funds from the appropriate investment general ledger account code to general ledger account code 1010000.

13.25. Labor Transfers. The activity manager completes a Transfer between Cost Centers form when employees work outside of their assigned cost center. The Transfer Between Cost Centers is used to support the general ledger adjustment forms to transfer labor between activities by increasing or decreasing the respective payroll accounts (70100XX, 7030000, 7080000, 7100000) for the activities involved. Transfer the amount of the expense to cover the hourly rate of pay, differential, premium, overtime, Federal Insurance Contributions Act (FICA), workers' compensations and unemployment compensation. **(T-1)**

13.26. Tip Reporting. Tips are not the same as service charges as described in [paragraph 13.28](#). Tips are discretionary (optional or extra) payments determined by a customer that employees receive from customers. Employees who receive \$20.00 or more in tips in any one month must report all tips received to their employer. **(T-0)** The \$20.00 tip amount is further prorated to \$9.23 in tips per pay period. Tips include cash left by customers, tips customers add to debit or credit card charges, and tips you receive from other employees. Employees must keep sufficient proof to show the amount of tip income for the year; a daily record of tip income is considered sufficient proof. **(T-0)** Employees should record all tips (cash and charge) on a daily basis using IRS Form 4070A, *Employees Daily Record of Tips*, or a similar form. At the end of the pay period, employees consolidate cash and charge tips received, as documented on their copies of IRS Form 4070A, *Employees Daily Record of Tips*, and complete IRS Form 4070, *Employees Report of Tips to Employer*. The employee signs IRS Form 4070, *Employee's Report of Tips to Employer* and turns in the completed form to the timekeeper at the end of the each period. The timekeeper verifies all reported tips are captured on the current period's timesheet(s). The activity requires negative reports from tipped employees. A tipped employee means any employee engaged in an occupation in which he or she customarily and regularly receives more than \$30 a month in tips. Review Training Aid NA-43, *Tip Reporting Requirements and Tip Processing Procedures*, for detailed instructions.

13.26.1. Tips are subject to all Federal and state payroll taxes; the employee must report tips received to the employer each pay period. **(T-1)** Refer to the current IRS Publication 15 (Circular E), *Employer's Tax Guide* and Training Aid NA-43, *Tip Reporting Requirements and Tip Processing Procedures*, for treatment of employee tips.

13.26.2. Reported tips are accumulated in the payroll system and recorded on IRS Form W2 *Wage and Tax Statement* in box 7, Social Security Tips. Social Security Tips are considered in the maximum wage base limit for Social Security tax as described in [paragraph 13.39.4](#).

13.26.3. Employers should inform tipped employees that the Social Security Administration (SSA) will use the tips they report when computing future social security benefits.

13.27. Tip Allocation. The Tax Equity and Fiscal Responsibility Act of 1982, Public Law 97-248, *Tax Equity and Fiscal Responsibility Act of 1982*, contains a provision on tip reporting compliance. The law requires large food or beverage establishments to keep records on allocable gross food or beverage sales served in a tipped environment where tipping employees is customary. **(T-0)** This law does not apply to food or beverage operations outside the United States.

13.27.1. A food or beverage operation is any business activity which provides food or beverages for consumption on the premises, other than fast food operations. A large food or beverage operation is defined as one that is located in the 50 states or in the District of Columbia, where tipping of food or beverage employees by customers is customary (such as fine dining or sports bar food service), and employed more than 10 employees on a typical business day during the preceding calendar year. Generally, tipping is not considered customary in a cafeteria-style operation or if at least 95% of total sales (other than carryout) had a service charge of 10% or more. If tipping is not considered customary, the food or beverage operation is not a large food or beverage establishment. **(T-0)**

13.27.2. *The Tax Equity and Fiscal Responsibility Act*, Public Law 97-248, *Tax Equity and Fiscal Responsibility Act of 1982*, further requires an employer issue tip allocations to employees whose reported tips amount to less than 8 percent of the allocable gross receipts within one reporting period. **(T-0)** For AF Nonappropriated Fund tip allocations the reporting period begins with the first day of pay period "Z" of the previous calendar year and ends with the last day of pay period "Y" of the current calendar year. **(T-0)** All report data must coincide with the reporting period. The Nonappropriated Fund Accounting Office forwards the "Tip Allocation Spreadsheet" by the published deadline to AFSVC/FMA. Forward only those reports requiring tips be allocated to employees. AFSVC/FMA reports allocated tips in box 8, Allocate Tips on individual Forms W-2.

13.27.3. The Nonappropriated Fund Accounting Office is responsible for preparing IRS Form 8027, *Employer's Annual Information Return of Tip Income and Allocated Tips*, for each establishment subject to an allocation. **(T-0)**

13.27.3.1. File the IRS Form 8027, *Employer's Annual Information Return of Tip Income and Allocated Tips* on or before 31 March of the year following the reporting period. **(T-0)** Review Training Aid NA-45, *Tip Allocation Procedures and IRS Instructions for Form 8027*, for detailed instructions.

13.27.3.2. The law provides for a penalty if you do not file IRS Form 8027, *Employer's Annual Information Return of Tip Income and Allocated Tips* on time unless you can show reasonable cause for the delay. IRS Form must be filed for all establishments determined to be large food or beverage operations even when tips are not allocated for the reporting period. (T-0)

13.27.4. **Reducing Tip Allocation.** Employers can apply to the IRS District Director of the district in which the employer's food and beverage establishment is located to have the required 8% allocation of gross receipts reduced (not below 2%). The District Director determines the best estimate to be applied against gross receipts.

13.28. Service Charges. Service charges represent amounts shown on party contracts as the additional fee a customer is required to pay for services provided by management and employees at a special function. The Community Services Flight Chief must write a local Operating Instructions on the treatment of special function service charges in Services Nonappropriated Fund activities. (T-1) The Operating Instructions establishes the percentage of the special function service charge employees working the function receive, if any. Ensure this percentage is consistent for all Nonappropriated Fund activities. Service charges are not tips, as described in [paragraph 13.26](#), and are reported differently than tips. If service charges are distributed to employees, report service charges as gratuities on the employee's timesheet.. Service charges paid to employees are treated as supplemental wage payments and processed as earnings in the payroll system.

13.29. Other Authorized Deductions. In addition to the deductions for which procedures have been previously prescribed, deductions are authorized for:

13.29.1. Federal tax levies (refer to the note in [paragraph 13.29.4](#)).

13.29.2. Garnishment for child support or alimony or other court ordered indebtedness (refer to the note in [paragraph 13.29.4](#)).

13.29.3. As ordered by a Federal bankruptcy court to pay all or any part of income due the employee to a trustee under Public Law 95-598, *Bankruptcy* (refer to the note in [paragraph 13.29.4](#)).

13.29.4. Judgments levied by United States Federal Court under Section 124 of Public Law 97-276, *Collection of Indebtedness of Employees of Federal Government Resulting from Action or Suit Brought Against Employee by United States*. **NOTE:** Forward all originals of court ordered deductions to Air Force Services Center Judge Advocate Office (AFSVC/JA). Service of process shall not be accomplished until AFSVC/JA has been properly served. Mail to: 2261 Hughes Ave Suite 156, JBSA Lackland, TX 78236-9854.

13.29.5. Collection of indebtedness to Nonappropriated Fund Instrumentalities (refer to AFMAN34-202, *Protecting Nonappropriated Fund Assets*, including:

13.29.5.1. Quarters and utility charges.

13.29.5.2. Travel advance refunds.

13.29.5.3. Collection of hospital charges incurred in relation to employment.

13.29.5.4. Charges for use of childcare facilities.

13.29.5.5. Miscellaneous authorized deductions, including indebtedness to the employing Nonappropriated Fund Instrumentality and indebtedness administratively determined under AFMAN34-202, *Protecting Nonappropriated Fund Assets*, .

13.29.6. Union dues as requested by the employee.

13.29.7. Contributions to Combined Federal Campaign as requested by the employee.

13.29.8. Allotments to financial organizations (banks, credit unions, etc.) as requested by the employee.

13.29.9. Voluntary allotment for alimony and child support as requested by the employee.

13.29.10. Voluntary allotment to the IRS as requested by the employee.

13.30. Supporting Statement for Voluntary Deductions. The employee must sign a statement authorizing the deduction, when a voluntary payroll deduction is to be taken. **(T-0)** The Nonappropriated Fund HRO forwards a copy to Shared Service Center Payroll Branch and retains the original.

13.31. Priority of Deductions. If the gross salary of an employee is not sufficient to permit all deductions to be made, then deductions will be made in the order of precedence established by the OPM Memorandum PPM-2008-01; *Order of Precedence*. **(T-0)**

13.32. Withholding Allowance Certificate. At the start of employment, an employee completes Form W-4, *Employee's Withholding Allowances Certificate*, and any other forms required for withholding state or local tax. The number of allowances claimed and the employee's marital status provide the basis to compute federal income tax withholding. Form W-4 serves as a source document for the New Hire Template and entry into the Air Force Services Financial Management System payroll module. If a new employee does not submit a completed Form W-4, withhold income tax as if he or she is single, with no withholding allowances. Once filed, a Form W-4 remains in effect until the employee elects a change. Subsequent changes to Form W-4 are made by the employee in MyMoney. All original Forms W-4 are to remain on file with Nonappropriated Fund HRO for as long as the employee is in an active status.

13.32.1. Changes to state withholdings can be made through MyMoney at https://nafpay.afsv.net/OA_HTML/AppsLocalLogin.jsp.

13.32.2. **Allowances Claimed.** Instructions for determining the number of allowances are found on the Form W-4.

13.32.3. Exemption from Federal Income Tax Withholding or 10 or More Exemptions. An employee may claim to be exempt from income tax withholding because he or she was not liable for income tax last year and does not expect to have a liability for the current year.

13.32.3.1. Any Form W-4 to include electronic elections made in MyMoney claiming exemption from withholding for the previous year expires on 15 February. Notify employees who claimed exemption from income tax withholding in the previous year to update their elections in MyMoney no later than 15 February of the current tax year. Employees who make amendments in MyMoney to claim Federal Tax exemption are required to electronically certify they are entitled to the exemption.

13.32.3.2. Begin withholding for any employee who previously claimed exemption from withholding but has not submitted a new Form W-4 for the current year. If the employee does not submit a new Form W-4, withhold tax based on the last valid Form W-4 you have for the employee that does not claim exemption from withholding or, if one does not exist, as if he or she is single with zero withholding allowances.

13.32.3.3. If the employee claiming exemption from withholding updates MyMoney after February 15, you may apply the exemption to future wages, but do not refund taxes withheld while the exempt status was not in place. Employers must be able to show that Forms IRS Form W4, *Employee's Withholding Allowances Certificate* are on file as supporting documents. (T-0)

13.32.4. **Additional Withholding.** An employee who wants to increase the amount of tax withheld may reduce or eliminate the number of allowances to which he or she is entitled, or authorize an amount of additional tax to be withheld on Form W-4. Additionally, a married employee can request to withhold taxes at the single rate. Employees make all changes in MyMoney. Additional withholding remains in effect until the employee changes it. Do not refund any additional tax withheld prior to the change.

13.33. Earned Income Credit. The Shared Service Center through the installation Resource Management Flight Chief, must notify employees who have no federal income tax withheld that they may be able to claim a tax refund because of the Earned Income Credit. (T-0) This notification requirement may be satisfied by issuing the employee IRS Form W-2 with the Earned Income Credit notice on the back of Copy B, or a substitute IRS Form W-2 with the same statement.

13.34. Tax Tables and Tax Periods. Vertex, a component of the Air Force Services Financial Management System payroll module computes federal, state and local tax withholdings. Withholdings are based on processed pay data on a bi-weekly basis.

13.35. Methods of Withholding. The Internal Revenue Code provides two methods of withholding tax: the "percentage" method and the "wage-bracket" method. Graduated withholding rates are prescribed so withholding will approximate total tax liability. Separate schedules are provided for filing married or single. IRS Form W-4 gives special formulas for computing additional exemptions required when filing as head of household, widow, or widower. Vertex computes Federal Income Tax Withholding using the percentage method based on a bi-weekly payroll cycle and the employee's marital status as shown on IRS Form W-4. For manual tax computation on regular salary payments, use either of the following methods:

13.35.1. **Percentage Method.** Under this method, compute as instructed in the current edition of IRS Publication 15 (Circular E), *Employer's Tax Guide*, using the biweekly tables for either single or married.

13.35.2. **Wage-Bracket Tables.** The IRS prescribes Federal Income Tax Withholding Tables for employees paid on a monthly, semi-monthly, bi-weekly, weekly and daily basis. Withhold tax on the basis of the bi-weekly payroll period.

13.35.3. If an employee is paid for less than a full pay period, compute tax under the normal tax schedules used for the payroll period.

13.35.4. If an employee receives regular wages covering two payroll periods, compute tax on each period separately. This allows the employee personal exemptions for each pay period.

13.35.5. **Supplemental Salary Payments.** For tax purposes, supplemental wages are wage payments to an employee that are not considered regular wages. The term includes but is not limited to such things as dismissal pay, retroactive wage increases or other status changes, overtime pay, cash awards, lump sum leave, severance pay, service charges paid out to employees and similar payments. Refer to IRS Publication 15 (Circular E) for detailed tax computations on supplemental wages.

13.35.5.1. The employer has the option to tax supplemental wages identified separately from regular wages at a flat 25% (No other percentage is allowed).

13.35.5.2. Regardless of the method used to withhold income tax on supplemental wages, they are subject to Social Security and Medicare taxes. **(T-0)**

13.36. Adjustments to Withheld Income Taxes:

13.36.1. **Under Collection.** If no Federal Income Tax or less than the correct amount of Federal Income Tax is withheld because of a computation error, deduct the amount from the next wage payment. If the next payroll cycle is in a new calendar year or the employee is separated, make no attempt to collect. The employer owes the tax. Reimbursement is a matter for settlement between the employer and the employee. Under withheld income tax must be recovered from the employee on or before the last day of the calendar year. **(T-0)**

13.36.2. **Over Collection.** If more than the correct amount of Federal Income Tax is deducted because of a computation error, refund the amount with the next wage payment. Excess income tax withheld must be repaid or reimbursed to the employee before the end of the calendar year in which it was withheld. Keep for your records the employee's written receipt showing the date and amount of the repayment or record of reimbursement. If you did not repay or reimburse the employee, you must report and pay each excess amount when filing IRS Form 941, *Employer's Quarterly Federal Tax Return* for the quarter the tax was withheld. **(T-0)**

13.37. Tax Payments and Returns. AFSVC/FM makes consolidated employment tax payments and files IRS Form 941, *Employers Quarterly Federal Tax Return*, for all AF Nonappropriated Fund Instrumentalities. **(T-0)**

13.37.1. Federal tax payments must be made by EFT using the Electronic Federal Tax Payment System. **(T-0)** As a semi-weekly depositor with bi-weekly payroll taxes exceeding \$100,000.00, a deposit of withheld taxes must be made the next business day. **(T-0)** Refer to Circular E for detailed procedures. If a deposit is required to be made on a day that is not a business day, the deposit is considered timely if it is made by the close of the next business day. A business day is any day other than a Saturday, Sunday or legal holiday.

13.37.2. Each quarter, all employers who pay wages subject to income tax withholding or Social Security and Medicare taxes must file IRS Form 941, *Employer's Quarterly Federal Tax Return*. The IRS Form 941 *Employer's Quarterly Federal Tax Return* must be filed by the last day of the month that follows the end of the quarter. Refer to circular E and Instructions for IRS Form 941 *Employer's Quarterly Federal Tax Return* for detailed procedures. If any due date for filing falls on a Saturday, Sunday, or legal holiday, IRS Form 941, *Employer's Quarterly Federal Tax Return* is due on the next business day.

13.38. Federal Payroll Taxes. The law requires employers to withhold Federal Income Tax from employees' pay and to withhold taxes to fund the Social Security and Medicare programs. Social Security and Medicare taxes are called Federal Insurance Contributions Act (FICA) taxes. **(T-0)**

13.38.1. In addition, employers must contribute an amount equal to employees' FICA deductions unless IRS Publication 15 (Circular E), *Employee's Tax Guide* provides for a different rate. **(T-0)**

13.38.2. Employees Subject to Federal Payroll Taxes. All AF Nonappropriated Fund employees are liable for federal taxes except for nonresident aliens and third country nationals working outside the United States. Nonappropriated Fund Instrumentality employees who are US citizens in areas outside the US are subject to all Federal taxes the same as those employed in the United States. **(T-0)**

13.38.2.1. Nonappropriated Fund HRO verifies employment eligibility for all AF Nonappropriated Fund employees. **(T-0)** A valid Social Security Number (SSN) must be obtained for all employees other than those excluded under [paragraph 13.38.2](#).

13.38.2.2. Do not accept a social security card that says "Not valid for employment." A social security number issued with this legend does not permit employment. **(T-0)**

13.38.2.3. Do not accept an Individual Tax Payer Identification Number (ITIN) in place of an SSN for employee identification or for work. **(T-0)** An ITIN is only available to resident and nonresident aliens who are not eligible for U.S. employment and need identification for other tax purposes.

13.38.3. Withholding From Resident Aliens. Permanent resident aliens are subject to withholding under the same rules that apply to United States citizens whether they perform their services in the United States or outside the United States. **(T-0)**

13.38.4. Withholding From Nonresident Aliens in the United States. IRS Publication 519, *US Tax Guide for Aliens*, prescribes the applicable tax rate for nonresident alien employees in the United States and its possessions. Nonappropriated Fund HRO obtains written statements or other proof from the employee to determine their tax withholding status. **(T-0)** File these documents separately using the same filing system as for the Form W-4 for other employees.

13.39. Compensation Subject to Federal Taxes. For employees covered under the Social Security Act, compensation subject to Federal income tax is subject to Federal Insurance Contributions Act (FICA) and Medicare deductions.

13.39.1. Federal and State Taxable Wages. The Federal and State Income Tax Withholding wage bases are equal to gross pay plus taxable tips less the sum of pretax health insurance, 401(k) deductions and non-foreign cost of living allowance (if any).

13.39.2. Federal Insurance Contributions Act (FICA) and Medicare Taxable Wages. Federal Insurance Contributions Act (FICA) and Medicare taxes are computed on gross pay plus taxable tips less the sum of pretax health insurance.

13.39.3. Tax Withholding on Foreign Allowances and Differentials. In areas outside the United States, the gross amount on which federal payroll taxes are computed includes foreign post and hardship differentials. Federal taxes are not withheld on foreign area allowances such as living quarters allowance, temporary lodging allowance, post allowance, supplemental post allowance, separate maintenance allowance, official residence expenses and non-foreign cost-of-living allowance. AFSVC/FMA must ensure foreign allowances are not processed as taxable wages. **(T-0)**

13.39.4. Federal Insurance Contributions Act (FICA) Wage Maximums. Social Security and Medicare wages are taxed at different rates and a wage base limit is applied to Social Security taxes only. The wage base limit is the maximum wage subject to Social Security tax for the year.

13.39.4.1. New legislation normally increases the Social Security taxable wage base each year. Employee deductions and employer contributions are discontinued when the employee's cumulative Social Security taxable wages for the year equals the maximum amount. The new maximum is highlighted in IRS Publication 15, (Circular E), *Employer's Tax Guide*, each year.

13.39.4.2. Where an individual is employed by more than one employer during the calendar year and combined cumulative wages and taxes exceed the maximums established for that year, a refund of excess Social Security tax can be claimed by the employee when filing their tax return with the IRS. No refund is provided for an employer's contributions.

13.39.5. Federal Insurance Contributions Act (FICA) Adjustments. The Shared Services Center processes over or under collection of employee and employer Social Security and Medicare taxes through the Air Force Services Financial Management System payroll module.

13.39.5.1. Over or under collections processed in a subsequent quarter during the same calendar year are also adjusted on IRS Form 941, *Employer's Quarterly Federal Tax Return*. Do not process over or under collections from a prior calendar year through the automated pay system. Prepare a Form W2-C, Corrected Wage and Tax Statement. Provide the employee their copy and file Copy A with the Social Security Administration. Report the adjustment on IRS Form 941-X, *Adjusted Employer's Quarterly Federal Tax Return or Claim*, for refund in the quarter the correction is made.

13.39.5.2. When an employee's salary is included erroneously after maximum Federal Insurance Contributions Act (FICA) wages have been reached, and the error is not discovered until after the IRS Form 941, *Employer's Quarterly Federal Tax Return* has been submitted for the quarter, refund the amount of FICA over collected from the employee. Include an adjustment on IRS Form 941, *Employer's Quarterly Federal Tax Return* for the quarter in which the adjustment is made.

13.40. Quarterly and Annual Reports. IRS Publication 15, (Circular) *Employer's Tax Guide* provides the reporting requirements for Federal Insurance Contributions Act (FICA) tax and Federal income tax.

13.40.1. Quarterly Reports. Each quarter, employers who pay wages subject to income tax withholding (including withholding on sick pay and supplemental unemployment benefits) or social security and Medicare taxes must file IRS Form 941 *Employer's Quarterly Federal Tax Return*. IRS Form 941, *Employer's Quarterly Federal Tax Return* must be filed by the last day of the month that follows the end of the quarter. **(T-0)**

13.40.2. Annual Wage and Tax Reconciliations. Prior to filing IRS Form 941, *Employer's Quarterly Federal Tax Return* for the 4th quarter, reconcile the Forms W-2 summary report with your four quarterly IRS Forms 941, *Employer's Quarterly Federal Tax Return* by comparing amounts reported for Income tax withholding, Social security wages, social security tips, and Medicare wages. Ensure cumulative wages and taxes are balanced.

13.40.3. IRS Form W-2, Wage and Tax Statement. The Shared Service Center produces and distributes informational Forms W-2 for all AF Nonappropriated Fund employees.

13.40.3.1. Forms W-2 for current employees are available in MyMoney at https://nafpay.afsv.net/OA_HTML/AppsLocalLogin.jsp. The IRS requires employers to make Forms W-2 available to employees on or before 31 January. If the due date falls on a Saturday, Sunday or legal holiday, Forms W-2 must be made available no later than the next business day.

13.40.3.2. Employees separated from employment in the current year will receive Forms W-2, which will be post marked in accordance with IRS regulations by U.S. Mail. W-2s distributed by mail must be post marked on or before 31 January. **(T-0)** If the due date falls on a Saturday, Sunday or legal holiday, Forms W-2 must be post marked no later than the next business day.

13.40.3.3. The Shared Service Center retains Forms W-2 returned as undeliverable for 4 years in accordance with IRS Publication 15, Circular E, *Employer's Tax Guide*. However, if the undelivered Form W-2 can be produced electronically through April 15th of the fourth year after the year of issue, you do not need to keep undeliverable employee copies.

13.40.3.4. The Shared Service Center files Forms W-2 with the Social Security Administration (SSA). The due date to e-file Forms W-2 with the SSA is 31 March. If the due date falls on a Saturday, Sunday or legal holiday, Forms W-2 must be e-filed no later than the next business date.

13.40.3.5. The Nonappropriated Fund HRO informs active employees of the necessity of updating current mailing addresses in MyMoney at to ensure individual Forms W-2 are received in a timely manner. The Nonappropriated Fund HRO advises separating employees to forward change of addresses no later than 1 December to ensure timely receipt of Forms W-2.

13.40.3.6. **Amended or Duplicate Statements.** If it is necessary to correct a Form W-2 after delivery to the employee but before filing with the SSA, clearly mark the new Form W-2 "Corrected by Employer". Distribute copies as in [paragraph 13.40.3.1](#) and [paragraph 13.40.3.2](#) above.

13.41. Group Health and Life Insurance Arrearages. When an employee's pay is insufficient to cover insurance contributions or the employee is in a leave without pay (LWOP) status, the Air Force Services Financial Management System payroll module automatically charges the insufficient or unpaid amount to the employing Nonappropriated Fund Instrumentality. It is the employing Nonappropriated Fund Instrumentality responsibility to collect reimbursement from the employee. The guidance is found in AFMAN34-302, *Nonappropriated Funds (NAF) Personnel Benefit Programs*.

13.41.1. Deposit reimbursements into general ledger account code 7050001 of the employee's assigned cost center.

13.41.2. The Nonappropriated Fund HRO will review any available arrearage reports generated by the Air Force Services Financial Management System payroll module and initiate some method of contact or notice when an employee's pay is insufficient to cover his or her share of group health and dental premiums.

13.41.2.1. If the employee pays the shortage no later than the pay period following the one in which the shortage occurred, coverage continues without interruption.

13.41.2.2. If the employee fails to pay the shortage by the pay period following the one in which the shortage occurred the Nonappropriated Fund HRO contacts the employee to determine payment status. If no resolution occurs, the Nonappropriated Fund HRO must immediately cancel coverage due to nonpayment and notifies the Nonappropriated Fund Accounting Office. **(T-1)** Nonappropriated Fund Accounting Office collects any unreimbursed employee contributions from the employee; see 13.45 below.

13.42. Workers' Compensation Program. Upon receipt of notification of an injury, Nonappropriated Fund HRO inputs all required information into the Workers' Compensation Claims Management System and forwards all documentation to the Air Force Services Center Plans and Force Management Directorate, Human Resources and Benefits Division, Workers' Compensation Branch (AFSVC/SVXHW). Refer to AFMAN34-302, *Nonappropriated Funds (NAF) Personnel Benefit Programs* for detailed instructions.

13.42.1. The Nonappropriated Fund Accounting Office, upon request, forwards employees' timesheets to AFSVC/SVXH.

13.42.2. All payments related to Workers' Compensation claims are made by AFSVC/SVXH.

13.42.2.1. Workers' Compensation benefits are not subject to withholding tax and are not processed through the payroll system.

13.42.2.2. The timesheet should show LWOP for scheduled hours during the period covered by Workers' Compensation.

13.42.3. The Nonappropriated Fund Accounting Office notifies Shared Service Center Payroll Branch to reverse wages and taxes from an employee's master record for any period in which leave was taken and, due to the duration or subsequent classification of the injury, the period was deemed covered and payable under the Workers' Compensation Program.

13.42.4. **Supplemental Leave.** An injured employee entitled to Workers' Compensation benefits may choose to take supplemental leave while receiving these benefits. Total combined compensation received cannot exceed average weekly wages (refer to AFMAN34-302, *Nonappropriated Funds (NAF) Personnel Benefit Programs*). The supplemental leave payment is subject to tax withholdings and as such is paid through the normal payroll process and is included in wages on IRS Form W-2.

13.43. Unemployment Compensation. The appropriate state employment agency administers the unemployment insurance program for federal civilian employees. The state determines an employee's entitlement to compensation after reviewing information provided by the employer. Air Force's Personnel Center Unemployment Compensation and Appeals Office (AFPC/DP1TC), receives, completes and returns Form ES 931, *Request for Wage and Separation Information*, to the requesting agency. AFMAN34-302, *Nonappropriated Funds (NAF) Personnel Benefit Programs*, contains procedures for processing unemployment compensation claims and records.

13.44. Payroll Processing After a Natural Disaster. Each Nonappropriated Fund Instrumentality should have in place a contingency plan to address timesheet submission following a natural disaster.

13.44.1. If, following a disaster, the Nonappropriated Fund Instrumentality is unable to approve current time and attendance sheets, the Resource Management Flight Chief will refer to TA-AFSFMS-39, *Offline Payroll Processing*, for detailed instructions and contact AFSVA.

13.45. Employee Debt. The Resource Management Flight Chief may deduct money from the pay of Nonappropriated Fund employees without their consent to satisfy debts to their employing Nonappropriated Fund Instrumentalities arising out of erroneous or excessive payments of wages, allowances, differentials, or benefits.

13.45.1. The Nonappropriated Fund Accounting Office notifies the employee, in writing, of the overpayment, the amount of overpayment, the conditions that caused the overpayment, that repayment is required, and the options available for making repayment. Also, advise the employee they have 15 days from receipt of the letter advising of the overpayment, to request a review to waive the indebtedness or negotiate a grievance.

13.45.2. The Nonappropriated Fund Accounting Office includes in the letter to the employee that failure to agree to reasonable repayment procedures or request a waiver will result in an automatic deduction of an established amount from each pay period not to exceed one-fourth of gross pay. **Exception:** This limitation on the amount deducted does not apply when the employee involved is expected to terminate (voluntarily or involuntarily) his or her employment nor limit the number of pay cycles of pay that can be withheld to ensure the Nonappropriated Fund Instrumentality recoups the overpayment.

13.45.3. Refer to AFMAN34-202, *Protecting Nonappropriated Fund Assets*, for specific details on collections and waiver approval.

Chapter 14

CASH MANAGEMENT AND INVESTMENT PROGRAM (CMIP)

14.1. Applicability. This chapter prescribes relationships of Nonappropriated Fund Instrumentalities (NAFI) in the CMIP with the Air Force Financial Management Fund (AFFMF) and with banks associated with the CMIP.

14.2. CMIP System Overview:

14.2.1. Background. The CMIP provides for consolidation of cash resources among AF NAIs. Air Force Services Center, Financial Management & Comptroller Directorate, Treasury Branch, Bank Products and Services Branch (AFSVC/FMTB) is the central manager of the program for the AFFMF. The AFFMF is the custodial fund for AF NAIs and serves as the central processor for all participating NAIs. The AFFMF presently uses a principal concentration bank, and maintains accounts in financial institutions on or near AF bases worldwide. The CMIP system uses electronic fund transfers (EFTs) to accomplish cash consolidation so that AFFMF cash managers can provide a more efficient use of funds belonging to the participating NAIs. Air Force Services Center, Financial Management & Comptroller Directorate, Treasury Branch, Portfolio and Working Capital Section (AFSVC/FMTP) invests excess funds in securities authorized by (DoD) until such time as needed for operational or capital expenditures. The Air Force Services Financial Management System (AFSFS) automatically generates the cash transactions reported on CMIP except for the Automated Clearing House (ACH) transactions received directly by Air Force Services Center, Financial Management & Comptroller Directorate, Treasury Branch, Cash Operations and Integration Section (AFSVC/FMTC).

14.2.2. Cash and Savings. A professional staff centrally manages the program to ensure that optimum rates of return are received on a national basis, that federal and DoD guidelines are followed, and proper safeguards and internal controls are established for negotiable instruments. Only AFSVC/FMTP can make investments. Other offices administering NAIs will not engage in any investment activity. **(T-0)**

14.2.3. Deposits. NAIs (FSS activities) perform their business functions, prepare deposits, and take the deposits to the central cashier for consolidation. The central cashier deposits the consolidated deposit in the field bank, and the deposit slip is returned to the Nonappropriated Fund Accounting Office (NAF AO). The individual activity at off-base sites without a central cashier deposit their funds directly with their local bank and notifies their host NAF AO central cashier of the deposit amount. The central cashier records the deposits on an AF Form 1877, *Nonappropriated Fund Central Cashier Control Log*.

14.2.3.1. The completed form is then processed through the Shared Service Center and flows directly to the depositing NAI's general ledger and CMIP. Individual deposits are identified by base and NAI. AFSVC/FMTC will monitor the funds deposited into the field banks and process entries to consolidate the excess funds into the principal concentration account.

14.2.3.2. Bases located outside the Continental United States (CONUS) make deposits to their designated banks, normally the Military Banking Facility (MBF), in foreign currency or United States (US) dollars. AFSVC/FMTC routinely transfers funds from these designated banks to the principal concentration bank or establishes a process whereby the MBF initiates a transfer to the principal stateside concentration bank. AFSVC/FMTC centrally purchases all foreign currencies or has a pre-arranged agreement with the DoD MBF to purchase funds and deposits the currency into designated foreign currency accounts, to meet base-level requirements.

14.2.4. **Disbursements.** The Shared Service Center issues checks or EFTs as required and notifies AFSVC/FMTB of such check issues (and related transactions) daily. The transactions update the CMIP system, and reduce the issuing NAFIs cash-in-bank CMIP balance at the time the checks are reported to AFFMF. AFFMF maintains an account at the principal concentration bank for clearing of US dollar check issues. At the beginning of each business day, the principal concentration bank transmits a file of checks cleared to AFFMF. AFSVC/FMTB uses this data to match against the file of outstanding check issues and posts any variances to the CMIP statement for that Date of Business (DOB) being processed.

14.2.4.1. The Shared Service Center makes all US dollar and foreign currency payments on behalf of the bases and generates the entries to post to CMIP (a few exceptions exist for overseas Value Added Tax (VAT) and other programs). The AFFMF maintains foreign currency bank accounts used to support the requirements in four currencies (Euro, Sterling, Won and Yen).

14.2.5. **Transfers.** The CMIP system processes transfers of funds between NAFIs serviced by the same NAF Accounting Office. Transfers are primarily used when entries are initially posted to a wrong NAFI/CMIP account, and must be transferred to the correct account. For example, CMIP remittance posts to base's Morale, Welfare, and Recreation (MWR) CMIP account and the funds belong to Lodging. In addition, the Shared Services Center uses Cash Transfers (CTs) exclusively to move funds between bases CMIPs and central fund CMIP.

14.2.6. **Remittances.** Remittances are transactions that are generally posted by AFSVC/FMTB for base level NAFIs. Examples include P-Card transactions, deposit validations/adjustments, US Department of Agriculture, Defense Finance Accounting Service, dividends and other miscellaneous receipts.

14.2.7. **Related Systems.** The Shared Service Center sends transactions to AFSVC/FMTB representing vendor, payroll, Workers' Compensation, Unemployment Compensation, Property/Liability, Aero Club, Temporary Lodging Facility (TLF) assessment, deposits to a Severance Account (SEV) (accumulation of cash to fund future severance of foreign national and nonappropriated fund employees), and so forth. Monthly, AFSVC/FMTB sends SEV statements only to those NAF Accounting Offices having accounts. These statements are usually sent by the third business day of each month.

14.3. Participation In CMIP. Participation is mandatory for all NAFIs serviced by the Shared Service Center and under the jurisdiction of the AFSVC. **(T-1)**

14.4. Overdraft CMIP Accounts. AFSVC/FMTB takes the following actions when a NAFI goes into an overdraft status:

14.4.1. Adds a special announcement to the daily CMIP message to notify the base and AFSVC/FM that a NAFI is in an overdraft status.

14.4.2. Contacts the Shared Services Center on the same day.

14.4.3. Monitors the NAFI for 5 workdays to ensure that corrective action is taken.

14.4.4. If no action is taken to correct the overdraft, AFSVC/FMNT will transfer any savings account balance to cover the overdraft. AFSVC/FM will transfer funds from the respective Air Force Central Fund CMIP account to the base CMIP account. Air Force Lodging Fund (AFLF) manages all lodging funds and overdrafts will be transferred from the AFLF to the base-level lodging fund.

14.5. AFSVC/FM or Installation Resource Management Flight Chief will send a message to AFSVC/FMTB and the Shared Service Center informing them of the corrective action taken for the overdraft NAFI's account.

14.6. AFSVC/FM determines whether an assessment of pecuniary liability is appropriate according to AFMAN34-202, *Protecting Nonappropriated Fund Assets*.

14.7. Any Cash Transfer reported through the CMIP system which would cause a NAFI to go into an overdraft status will be identified during processing and rejected. An error message explaining the reason for rejecting the transaction will be included on the daily CMIP statement. The Shared Service Center will coordinate rejects and corrective action with the installation and AFSVC/FMTB.

14.8. Field Banks. All field banks are designated by AFSVC/FMTC and are generally located on base, but can be off base if an on base bank is not available. The central cashier makes all deposits to their designated field bank unless the base has a waiver to allow the activities to make deposits. A base may have more than one field bank if the base has an off base site. NAFIs are not authorized to open field bank accounts without a waiver from AFSVC/FMTC. **(T-1)**

14.9. Field Bank Account Ownership. The field bank account and monies deposited belong to Air Force Financial Management Fund (AFFMF). NAFI claims are against the AFFMF (as their bank) rather than the field bank or other CMIP affiliated banks. Only AFFMF may request bank statements or copies of bank statements from the field bank. These statements are the property of AFFMF and not the individual NAFI or servicing NAF Accounting Office. If a field bank attempts to deliver such documents, they should be refused, and the bank instructed to mail them to AFFMF, 2261 Hughes Avenue, Suite 156, JBSA Lackland AFB, TX 78236-9854. The AFFMF pays the majority of the bank service fees for the maintenance and usage of the field bank accounts through a combination of compensating balances and fees. However, fees associated with deposit slips, night depository bags, and other special services, if any, are to be paid by the NAFI concerned. If a field bank official should inquire about compensation, notify AFSVC/FMTC immediately. AFSVC/FMTC, in turn, will contact the bank.

14.10. Cash Back Arrangements. Any arrangement with a field bank to obtain cash for deposited checks is entirely at the risk of the NAFIs involved and must be supported by a deposit ticket which shows the total deposit, less cash received, and net amount deposited. The Resource Management Flight Chief makes all cash back arrangements. CMIP participation does not prevent such arrangements, but they should be undertaken only with assurance of proper internal controls. The internal controls should identify all personnel authorized to obtain cash for deposited checks and should require that an individual other than the one receiving the cash validates the deposit ticket received from the bank. Debit advices cannot be used for cash back arrangements. **(T-1)**

14.11. Concentration Banks. Concentration banks are primary banks to which monies are consolidated in order to optimize the AFFMF's cash management techniques. Concentration banks are not the final depository of all CMIP monies, but are simply agents hired to perform a check clearing and staging function. AFSVC/FMNTF temporarily invests excess funds in many institutions throughout the US pending disbursement. NAF Accounting Offices or NAFIs are not to contact a concentration bank. **(T-1)** All contact and interactions with a concentration bank are made by AFSVC/FMTC.

14.12. Merchant Agreements. All Merchant Agreements must be approved by AFSVC/FMNTF. **(T-1)** A Merchant Agreement is a contract with a bank to allow the NAFI to accept Visa or MasterCard, other credit card type or the FSS Gift Card as payment for merchandise or services rendered. Base NAFIs pay all transaction fees associated with these types of accounts.

14.13. NAFI Account Numbers. Each NAFI is assigned a 10-digit CMIP account number. The Shared Service Center and NAF Accounting Office use this number for reporting all banking transactions. The account number is broken down into four segments as follows:

14.13.1. Digits 1-2 = Branch or Service (i.e., Air Force = 57 not included on daily CMIP statements).

14.13.2. Digits 3-5= Base ID.

14.13.3. Digits 6-7= NAFI.

14.13.4. Digits 8-9= Site.

14.13.5. Digit 10= Check Digit (ensures authenticity).

14.13.6. AFSVC/FMTB provides the Shared Service Center, base, and AFSVC/FM new CMIP account numbers.

14.14. Daily Statements. The CMIP system generates a daily banking statements that represent the NAFIs cash-in-bank. The statements are forwarded to the Shared Service Center and distributed to the NAF base liaison e-mail addresses provided by the installation.

14.15. Payment of Interest. The interest rate paid to participating NAFIs is set by AFSVC/FM and is based upon the net return of the Air Force Financial Management Fund (AFFMF) investment portfolio. NAFIs earn interest based upon the month-to-date average balance, compounded monthly.

14.16. Posting of CMIP Interest Earned. The interest earned for the prior month is posted to the CMIP statement on the first business day of the current month. The Shared Service Center prepares General Ledger Adjustment Form (GLAF) to record accruals.

14.17. Consolidation or Establishment of NAFIs. AFSVC/CC coordinates on all requests for consolidation of NAFIs or establishment of a new NAFI in accordance with AFMAN34-201. The requesting NAFI provides AFSVC/FMTB five workdays advance notice to allow time to establish CMIP account numbers and provide conversion instructions. If the NAFI requires a new field bank account, at least 30 workdays advance notice to AFSVC/FMTC is required.

14.18. Dissolution of a NAFI. AFSVC/CC coordinates requests for dissolution of a NAFI in accordance with AFMAN34-201. The requesting NAFI gives AFSVC/FMTB four workdays advance notice. AFSVC/FMTB provides dissolution instructions. After the official dissolution date, AFSVC/FMTB officially closes the NAFI CMIP account when all outstanding checks have cleared the bank and a final deposit validation is performed.

14.19. MBF Closures/Changes. Contact AFSVC/FMTC immediately when notified that your depository bank will close or merge with another bank. NAF Accounting Offices will not enter into any agreements to close or open any bank accounts (See [paragraph 14.21](#) for bank account closures). (T-1)

14.20. Opening Field Bank Accounts. AFSVC/FMTC opens all field bank accounts. The NAF Accounting Office notifies AFSVC/FMTC of the requirement a minimum of 30 days prior to needing the account. Pertinent account information, provided by AFSVC/FMTC, is exchanged with the field bank official, i.e., account number, bank's routing number, initial deposit slip order, etc. AFSVC/FMTC provides the field bank with a letter of instruction and all other documentation required by the bank to establish the account. The bank official may request certain information that can only be furnished by the NAFIs, such as change fund requirements. NAF Accounting Office personnel may relay this information to the bank.

14.21. Closing Field Bank Accounts. AFSVC/FMTC closes all field bank accounts. The NAF Accounting Office notifies AFSVC/FMTC when an account is no longer required. AFSVC/FMTC officially informs the field bank of the closure by letter and transfers any remaining funds to the concentration bank. Upon completion of the final deposit validation, AFSVC/FMTC deletes the account from the Cash Subsidiary database.

14.21.1. General Information Concerning Deposits. The central cashier makes deposits to designated AFFMF field bank accounts. Deposits are made within one business day of receipt unless written approval to make deposits less often has been granted according to AFMAN34-202, *Protecting Nonappropriated Fund Assets*. Bases making check deposits to the local MBF should include an adding machine tape of all checks in their deposit to support the correct amount and count on the deposit ticket.

14.21.2. Depositing Checks using the Desktop Deposits Program. When using the Desktop Deposits Program check conversion program provided by the AFSVC/FMTC, the central cashier scans each check online via specialized check scanning hardware. These checks are converted into electronic transactions and automatically transmitted to the Federal Reserve Bank for collection. The collections from all NAFIs are deposited directly into the US dollar concentration bank account.

14.22. Ordering Deposit Slips. The initial order of deposit slips is made by AFSVC/FMTC when the new account is opened. Thereafter, the NAF Accounting Office orders deposit slips directly from the field bank or by contacting AFSVC/FMTC. The NAF Accounting Office is responsible for the payment of their deposit slips. The account title on the deposit slip has "Air Force Financial Management Fund" printed on the front.

14.23. US Dollar Deposit Reporting. The Central Cashier records the deposits on the AF Form 1877, Nonappropriated Fund *Central Cashier Control Log* with the bank code of "DP". The form is then processed through the Shared Service Center and updates general ledger and CMIP.

14.23.1. Reporting Check Deposit under Desktop Deposits. When checks are scanned using the Desktop Deposits Program, the bank code of "OT" is used on AF Form 1877, Nonappropriated Fund *Central Cashier Control Log*.

14.24. US Dollar Checks Drawn on Foreign Banks. On occasion, a customer may present a US dollar check drawn on a foreign bank to an activity for payment of services or goods. These checks are easily identifiable by the bank name printed on the check, and normally the check will not contain the US standard Magnetic Ink Character Recognition (MICR) encoding on the bottom of a check. While the check is written in US dollars, it is considered a "foreign item" since the funds cannot be collected within the Federal Reserve Bank check collection system. Field banks may either process these checks or return them to the NAFI as an "uncollectible item." If the field bank returns the check as an "uncollectible item," the NAFI can forward the check to AFSVC/FMTB for collection assistance. If the field bank processes the check, the item will be posted as a part of the deposit and then debited back against the account. The field bank will not give credit until the funds have actually been collected from the foreign bank. The collection process can take from several weeks to several months. There is normally a substantial service fee associated with these transactions. AFSVC/FMTB will pass these charges (when identifiable) to the MWR fund at the base making the deposit. If local commanders direct the acceptance of these checks as a customer service, the NAF Accounting Office should implement a charge to offset some or all of the cost of providing this service.

14.25. AF Form 1877, Nonappropriated Fund Central Cashier Control Log. The AF Form 1877 is used to report the consolidated daily deposits to the Shared Services Center. An accurate AF Form 1877 is critical to the reconciliation process and used to match the actual base deposit to the activity revenue reported on the daily AF Form 1876, *Nonappropriated Fund Consolidated Cost Center Report*. The Central Cashier consolidates activity deposit information on an AF Form 1877 using the AFSFMS for processing input of 1877. For further instructions, please refer to program TA-AFSFMS-09, *Creating the NAF Central Cashier Control Log 1877*.

14.25.1. Requesting Approval. After all deposits are entered on the AF Form 1877 the central cashier must verify the AF Form 1877, the central cashier must verify the AF Form 1877 to ensure the 1877 total cash and checks equal the total amount from the validated field bank deposit slips. Once completed, the central cashier requests approval from the Resource Management Flight Chief or designee.

14.25.2. What to do if AFSFMS is down. Bases have up to five days to transmit AF Form 1877. In the event the system is down after five days, bases will initiate manual submission of all field bank deposit slips via cr.ssc@afsv.net or MyPers Incident. A notice will be sent to the base's mailbox to notify them when system is operational. The base can then resume with the submission of AF Form 1877.

14.26. Foreign Currency (FC) Deposit Reporting. NAFIs are authorized to deposit local currency into the existing Air Force Financial Management Fund (AFFMF) foreign currency accounts. Personal foreign currency checks are not authorized for deposit. If a vendor check issued in foreign currency is returned, contact AFSVC/FMTB for corrective action. If the local field bank will not accept foreign currency cash deposits, NAFIs should attempt to exchange the currency for dollars at another MWR activity authorized to sell foreign currency to customers. The exchange eliminates a currency exchange loss at the field bank due to reconversion. Currency that NAFIs are unable to deposit or exchange internally is converted to dollars, deposited into the AFFMF dollar account, and reported via CMIP in accordance with [paragraph 14.23](#). If a FC is deposited to an existing foreign bank account, report deposit using the “FC” on AF Form 1877. The NAF Accounting Office will notify AFSVC/FMNT by message of all anticipated foreign currency deposits in excess of \$100,000.00, such as those generated by an open house, at least 10 working days prior to the event. **(T-0)**

14.27. Credit Card Deposit Reporting. The NAF Accounting Office or activity settles each credit card terminal or Point of Sale (POS) system equipment daily and transmits the credit card activity detail to the central credit card processor. The processor releases daily online credit card reports for users to view an electronic bank file which interfaces with AFSFMS. The processor also submits the transactions for payment and two days later provides an electronic settlement file to AFSVC/FMTB which interfaces with AFSFMS and CMIP. The credit card settlement file in turn updates CMIP and general ledger.

14.28. Off-Base Deposit Reporting. One or more NAFIs may make deposits to more than one bank. An example is a recreation area operating at a remote site and not near the on-base bank. Deposits are made to a bank near the recreation area. In this instance, report deposits as outlined in [paragraph 14.23](#), except use the bank code “BA”, “OB” or “OT”, designated by AFSVC/FMTB, on the AF Form 1877, Nonappropriated Fund *Central Cashier Control Log*.

14.29. Returned Checks. All returned checks are returned to AFSVC/FMTB by the US Treasury or Air Force Concentration Bank. The checks are then re-presented electronically for collection on paydays (1st and 15th) by the Shared Services Center and if unsuccessful the base is then charged for the return check and it is submitted for collection through the Treasury Offset Program (TOP). In the event a returned check is returned to NAF Accounting Office by the local bank, the check is to be forwarded to AFSVC/FMTB who will in turn initiate collection efforts.

14.30. Debit/Credit Memo Corrections. All debit and credit memos posted by the field bank are posted to CMIP by AFSVC/FMTB during the monthly deposit validation process

14.31. General Information Concerning Checks. There are two types of check stock:

14.31.1. General Purpose (vendor and payroll).

14.31.2. Foreign Currency (overseas only).

14.32. All check types have an 8-digit check number for CMIP reporting purposes. The first three digits identify the base and the last five digits are the actual check number. Not all foreign currency checks have the complete 8-digit check number printed on the check due to the different banking regulations in each country. If the check number imprinted is less than five positions, zero fill to the left when reporting the foreign currency check issue.

14.32.1. Ordering Check Stocks. Shared Services Center orders all laser check stock paper and AFSVC/FMTC orders all pre-printed check stock (Value Added Tax (VAT), remote site, and foreign currency). OCONUS budgets and pays for designated check stock. Check stocks should be inventoried on a regular basis to ensure accountability, an adequate supply, and accomplishment of reorders in a timely manner. Shared Services Center records check numbers in the Air Force Services Financial Management System (AFSFMS).

14.32.1.1. NAF Accounting Offices send check stock reorders by encrypted email to AFSVC/FMTC using and includes the following information:

14.32.1.1.1. Check Type Required.

14.32.1.1.2. Quantity.

14.32.1.1.3. Last check number on hand.

14.32.1.1.4. Mailing Address:

14.32.1.1.5. Continental United States (CONUS)—United Parcel Service (UPS) Physical Street address.

14.32.1.1.6. Outside the Continental United States (OCONUS—Air Post Office [APO]) addresses.

14.32.1.1.7. Point of Contact (POC).

14.32.1.1.8. Commercial Telephone Number (CONUS Only).

14.32.1.1.9. Defense Switched Network (DSN) Number.

14.32.1.1.10. Scanned copy of a current, blank check for formatting purposes.

14.32.1.2. After a check order is processed, AFSVC/FMTC provides the NAF Accounting Office a confirmation e-mail. The confirmation contains.

14.32.1.2.1. Check Order Date.

14.32.1.2.2. Check Number Sequence Ordered.

14.32.1.2.3. Approximate Delivery Date.

14.32.1.2.4. New Check Order Verification Instruction.

14.32.1.3. NAF Accounting Office should contact AFSVC/FMTC if check order confirmation is not received within 15 days of the check order date. This is to ensure check orders are received and processed in a timely manner.

14.33. Signature Requirements on Checks. All bank authorized signatory changes must be processed by AFSVC/FMTC. (T-1) The maximum number of authorized signatories for each check writing location is five. An additional two signatories is authorized for OCONUS locations for VAT offices located outside of the NAF Accounting Office.

14.34. Signature Changes. Signature cards for all field banks worldwide are maintained and signatory changes are processed by AFSVC/FMTC. Requests for bank account signatory changes are submitted by e-mail to AFSVC/FMTC advising of a signatory change. Requests for changes on the OCONUS Department of Defense Military Banking Facilities (MBF) are also sent to AFSVC/FMTC. AFSVC/FMTC completes the account holder information on the applicable bank's electronic signature card and forwards the signature card to the check writing location who adds the names of the authorized signers as indicated in [paragraph 14.34.1.](#) and [paragraph 14.34.2.](#)

14.34.1. US Dollar Check Stock Authorized Check Signers. Check writing installations receive new electronic signature card from AFSVC/FMTC. The installation types in the name of the new check signer in the authorized check signer block and prints out three copies for each new check signer. Check signer signs all three copies. A cover letter is prepared using the following format:

14.34.1.1. SUBJECT: Change of Authorized Check Signer.

14.34.1.2. Please add/delete/retain the following personnel as authorized signers on the U.S. Dollar Concentration Account.

14.34.1.3. ADD: (Name of new check signer).

14.34.1.4. DELETE: (Name of check signer being removed).

14.34.1.5. RETAIN: (List each authorized check signer, include new check signer, exclude deleted check signer).

14.34.1.6. Email letter and the signature card with the check signer's original signature to AFSVC/FMTC. Retain the signature card in the Life of the Fund File.

14.34.2. Foreign Currency Authorized Check Signers. Installations must contact AFSVC/FMTC and AFSVC/FMTB for instructions on establishing authorized check signers for foreign currency. (T-1)

14.34.3. AFSVC/FMTC prepares the new signature card and provides the information to the MBF for update. Once the signature card is ready, AFSVC/FMTC will notify the installation to have all (new and current) authorized signers visit the MBF to sign the new signature card. Once all signers have signed, the authorized signers are valid.

14.35. Check Numbering. Issue all checks in numerical order.

14.36. Reporting US Dollar General Checks. Check issue disbursement requests flow from the base to the Shared Services Center who in turn issues the check and updates general ledger and decreases the base CMIP account.

14.37. Reporting US Dollar Void Checks. If a check is spoiled during preparation or voided prior to issue, the Shared Services Center generates a Check Void (CV) in AFSFMS and sends an email to AFSVC/FMTB for validation and ensure CV to flow to CMIP using the banking system.

14.38. Stop Payment Action, US Dollar Checks. AFSVC/FM or Shared Services Center submits a stop payment request and submits a Stop Payment Request form to AFSVC/FMTB.

14.38.1. Stop payment request are submitted in the following format:

14.38.1.1. Request Date.

- 14.38.1.2. Requested By.
- 14.38.1.3. Check Number.
- 14.38.1.4. Date of Check Issue.
- 14.38.1.5. Payee Name.
- 14.38.1.6. Check Amount.
- 14.38.1.7. Reason for Stop Payment.

14.38.2. AFSVC/FMTB makes the inquiry to see if the check is paid or outstanding. If the check is paid, the paid check information is provided and no action is taken. If the check is outstanding, a stop payment is initiated. On the following business day, another check inquiry is initiated to make sure the check did not pay overnight. Once the stop payment process is complete, AFSVC/FMTB notifies Shared Services Center to generate a Check Void (CV). The CV flows through CMIP and credits the check amount back to the check issuing CMIP account and removes the check from the outstanding check file.

14.39. Foreign Currency. Foreign currency checks pay against foreign currency disbursement accounts for employee payroll, vendor and construction payments. AFSVC/FMTB purchases all foreign currency to meet daily usage. Unusually large requirements such as employee bonuses, fixed asset purchases, and construction payments require additional foreign currency. Ten days prior to disbursing unusually large disbursements, the NAF Accounting Office notifies AFSVC/FMTB of the forthcoming payment to ensure adequate funds are available to preclude a bank overdraft. Overdrawn accounts incur additional expense and are not an acceptable banking practice.

14.40. Reporting Foreign Currency Checks. Foreign currency check issue requests flow from the base to the Shared Services Center who updates the general ledger and decreases the base CMIP account.

14.41. Reporting Foreign Currency Void Checks. If a check is spoiled during preparation or void prior to issue, Shared Services Center generates a CV that flows to CMIP.

14.42. Stop Payment Action, Foreign Currency Checks. Authorized NAF Accounting Office personnel may initiate stop payment actions through the local MBF or bank, or provide the following information in email to AFSVC/FMTB.

14.42.1. After placing the stop payment, provide the stop payment information to Shared Services Center and AFSVC/FMTB in the following format:

- 14.42.1.1. Stop payment Date.
- 14.42.1.2. Check issue Date.
- 14.42.1.3. Payee Name.
- 14.42.1.4. FC check amount.
- 14.42.1.5. Stop payment Reason.
- 14.42.1.6. Full 8-digit check number.

14.42.2. The Shared Services Center places a CV in Air Force Services Financial Management System (AFSFMS). After the void is completed the Shared Services Center sends an email to AFSVC/FMTB to void the check which will credit the check dollar value back to the check issuing CMIP account and remove the foreign currency check from the outstanding check file.

14.43. Corrections to Check Issue and Void Transactions Reported. AFSVC/FMTB makes all corrective actions on check issues or check voids. Corrective actions relating to dollar amounts appear as remittances on the daily CMIP statements. The Shared Services Center or NAF Accounting Office requests corrective action by sending a message containing the following information to AFSVC/FMTB:

14.43.1. Date of CMIP statement on which the error occurred.

14.43.2. Full 8-digit check number.

14.43.3. Correct check information.

14.43.4. Net adjustment to check, when increase or decrease is correcting dollar value of check. When correcting FC checks, net adjustment to dollar equivalent amount and foreign currency amount is required.

14.44. Foreign Currency Accommodation Sales. The NAFIs will make accommodation sales of foreign currency at a rate no more favorable than the rate of accommodation exchanges currently charged by the MBF for individual customers. **(T-1)** The purchase of foreign currencies will be made using US dollars. **(T-1)**

14.45. Dollar Transfers. A base will only transfer funds between NAFIs within their same base. **(T-1)** AFSVC/FM may transfer funds between bases.

14.45.1. Transferring Funds between NAFIs within the same base. The NAF Accounting Office enters the dollar amount, the accounting string, and the FROM/TO CMIP account numbers in electronic cash transfer form. The entry generates a “TR” bank code, updates general ledger and flows directly to CMIP to transfer the funds between CMIP account numbers.

14.45.2. Transferring Funds between Bases. A NAF Accounting Office may request transfers from their base to another base through AFSVC/FMTB. The base may request the form by email. AFSVC/FMTB enters the dollar amount, the accounting string, and the FROM/TO CMIP account numbers in AFSFMS. The entry generates a funds transfer, updates general ledger and flows directly to CMIP and transfers the funds between the base’s CMIP accounts. The remitting base (not the receiving base) sends an e-mail transfer request to AFSVC/FMTB with a copy to Shared Services Center using the following format:

14.45.2.1. SUBJECT: Dollar Transfer

14.45.2.2. TRANSFER AMOUNT.

14.45.2.3. TRANSFER FROM: (CMIP Account Number)

14.45.2.4. TRANSFER TO: (Base and NAFI)

14.45.2.5. TRANSFER DESCRIPTION.

14.45.2.6. REMITTING BASE TRANSFER ACCOUNTING STRING.

14.45.2.7. RECEIVING BASE TRANSFER ACCOUNTING STRING.

14.45.3. AFSVC/FMTB will manually transfer the funds between CMIP accounts on the Date of Business requested.

14.46. Air Force Lodging Fund (AFLF). AFLFs withdraw and allocate funds to and from a base's lodging fund.

14.47. General Information on Remittances. Remittances are CMIP transactions between a base NAFI, Central Fund NAFI, or the Air Force Financial Management Fund. Examples of remittances are retirement or group insurance contributions, insurance payments, loan repayments, DP validations, assessments, Automated Clearing House (ACH) debits/credits posted to the main concentration bank account, check and deposit corrections, and automated reimbursement for approved capital expenditure projects.

14.48. Recording Remittances. Remittances initiated from base-level NAF Accounting Offices, MAJCOMs, Shared Services Center or AFSVC/FM appear in the remittance column of paragraph 1 of the daily CMIP Statement. Paragraph 2 of the daily CMIP Statement provides a remittance description. Upon receipt of the statement, Shared Services Center will increase or decrease General Ledger Account Code 1010000, Cash in Bank, as indicated, unless it has already been recorded in the general ledger. If already recorded, verify that the amount and other details are correct. Reverse accruals before recording the actual remittance. In some instances, do not record the DP validation remittance to General Ledger Account Code 1010000. See Section 14J.

14.49. Remittance Processing. The Shared Services Center Payroll is responsible for processing and calculating the following expenses: (1) Group Insurance, (2) Retirement, (3) Workers Compensation and Unemployment, (4) 401K Savings, (5) Payroll. The file is processed and submitted to General Ledger. General Ledger then creates the CMIP entry to charge the base for their share of the expenses. If an error is made in reporting remittances, do not attempt to make any corrections. Notify Shared Services Center via MyPers.

14.50. Automated Reimbursements. The Automated Reimbursement Account module is designed to assist the flow of funds through CMIP for those projects or programs that receive AF support. Each base has a designated ARA number associated with the project type (standard, capital improvement, and small projects). Each ARA number is linked to the installation CMIP number and supporting central fund CMIP number. Initiating a "CT" transaction with the applicable NAFI, correct ARA, and project number generates reimbursement on the DOB following the date of entry into the system. Supporting documentation remains at the base-level NAF Accounting Office.

14.50.1. AFSFMS automatically generates the Cash Transfer for reimbursement when a vendor payment is processed; therefore, both payment and reimbursement Cash Transfers should reflect the CMIP posted at the same time. If an error occurs and a Cash Transfer reimbursement rejects in the system, AFSVC/FMTC researches the cause, advises, and resolves the issue through a manual Cash Transfer reimbursement action.

14.50.2. Automated reimbursement remittances appear in paragraphs 1 and 2 of the daily CMIP Statement. The Shared Services Center will record and reflect appropriate general ledger entries in accordance with AFSVC/FM instructions and in coordination with the installation.

14.51. Property and Liability. AFSVC/FM processes the premiums for asset and liability insurance as of 31 December, 31 March, 30 June, and 30 September of each Fiscal Year using data from the NAF financial statements. The assessments create negative remittances which appear on the CMIP statement as a decrease to the NAFI CMIP balance.

14.52. Aircraft Hull Insurance Assessments. Aero clubs report aircraft status via RCS: HAF-SV (Q) 9495, Aero Club Operations Report. AFSVC/FM uses information from the report and process aircraft hull insurance assessments as of 31 December, 31 March, 30 June, and 30 September of each FY.

14.52.1. Assessments are charged as a remittance to the CMIP account on or about the end of the second month following the end of each fiscal quarter.

14.53. Aircraft Liability Insurance Assessments. AFSVC/FM also uses information from the Aero Club Operations Report and calculates and processes aircraft liability assessments.

14.54. Temporary Lodging Facility (TLF) Assessment. Installation TLF assessments on occupied units. At End of Month, Shared Services Center automatically receives the assessment file from Defense Lodging System. Shared Services Center will process and post a Cash Transfer GLAF to AFSFMS and CMIP. Bases not on automated computation will email the General Ledger Account Code 111 Lodging Daily Reconciliation spreadsheet by the 15th of each month to the Shared Services Center. Shared Services Center will create the Cash Transfer GLAF to post assessments to general ledger and CMIP.

14.55. General Information on Reporting. The Shared Services Center transmits CMIP banking transactions to AFSVC/FMTB six times weekly, Sunday through Friday except for holidays and other non-business days.

14.56. Timing of Transmissions. Transmit CMIP files no earlier than 0800 CST and no later than 2300 CST on the first business day after DOB being reported.

14.56.1. When reviewing the CMIP statement, if a day's transmission is not updated, immediately contact AFSVC/FMTB for further instructions.

14.57. Dating of Transactions. The Date of Business (DOB) is the day the sale was made, the check was dated, the transfer was made, etc. For deposits, the DOB is the date of the cashier's report. All transactions to cash made or to be made in the general ledger for a given date are reported to CMIP. Saturday's and Sunday's transactions are reported on Monday using Saturday and Sunday DOBs. When a month ends on a weekend, or when a holiday falls on a weekday, follow reporting instructions in [paragraph 14.56](#). Activities with authorized waivers from daily bank deposits, use the DOB the deposits were made when reporting transactions. The activity must make a deposit at the close of business, the last business day of each month; regardless of dollar amount (see AFMAN34-202, *Protecting Nonappropriated Fund Assets*).

14.58. End-of-Month and Holiday Reporting. When the last day of the month falls on a weekend or a holiday falls on a weekday follow the procedures outlined below:

14.58.1. When End-of-Month falls on Saturday. Transmit Friday's and Saturday's DOB on Monday using Friday and Saturday DOBs. For CMIP purposes the End-of-Month transactions are dated the last day of month.

14.58.2. When End-of-Month falls on Sunday. Transmit Friday's, Saturday's, and Sunday's DOB on Monday using Friday, Saturday, and Sunday DOBs. For CMIP purposes the End-of-Month transactions are dated the last day of month.

14.58.3. Holiday Reporting Procedures for CMIP Transactions. When a holiday falls on a weekday, report deposits and cash transfer the following business day using the transaction DOB.

14.58.4. The procedures above will prevent adjustments to General Ledger Account Code 7920001 if multiple DOBs are combined into one. The end-of-month General Ledger Account Code 1010000 balances and financial statements will still match with the CMIP Statements.

14.59. Banking Files. The Shared Services Center receives all banking transactions from base level daily. The banking file updates the CMIP and other related systems.

14.60. Deposit Validations. The purpose of a deposit validation is to ensure that all deposits, debit and credit memos, and adjustments reported and accepted by AFSVC/FMTB agree with those posted by the field bank for the same period of time. Upon receipt of the field bank statement, AFSVC/FMTB compares the deposits, debit and credit memos, and adjustments reported at base level to the entries posted on the field bank statement. Any differences become a net deposit validation variance, which AFSVC/FMTB will post to the depositing location's account. The deposit validation variances will appear on the depositing locations CMIP statement in the "Remit" column in paragraph 1 and also in paragraph 2 as a line item detail entry with the description, deposit validation (DP VAL) and date.

14.61. Deposit Validation Products and Their Use. AFSVC/FMTB assembles a deposit validation package for each bank account and emails the NAF Liaison Org Box and Shared Services Center. This package contains the following documents:

14.61.1. Bank versus Base Variance Report. See [Attachment 4](#) for an explanation of the data which appears on the report.

14.61.2. Deposit Validation and Recon Process. The AFSVC/FMTB Cash Subsidiary (Cash Sub) report recaps all deposits reported at base level from the first DOB to the last DOB for the month. Any discrepancies between Cash Sub and the bank statement are reported on the bank deposit validation report. The supporting documentation (bank statements, cash sub report) shows the individual transactions which make up the totals on the cover sheet of the bank deposit validation report. Deposits reported on the last day of the month not posted by the bank until the following month are carried in-transit for the next month's reconciliation.

14.61.3. Probable Variance. If there is a difference in the ending total (line 5) on the Bank Versus Base Variance Report, AFSVC/FMTB researches the difference and makes a list of the items creating the variance. Upon receipt of the DP validation package, the NAF Accounting Office reviews the list created by AFSVC/FMTB and takes appropriate action. The following are common entries that create a variance and the actions necessary to correct the variance.

14.61.3.1. A base reports an entry in one month and the bank posts the entry in a different month, a variance occurs. For example: A base reported a deposit on 28 September but the bank did not post the deposit to the bank statement until 1 October. The deposit becomes a negative variance in September as a deposit reported by the base and not posted by the bank. In October, the bank posts the deposit and creates a positive variance as a deposit posted by the bank and not reported by the base. These entries are called "wash" items. For this variance, no corrective action is needed. However, the Shared Services Center annotates the September variance on AF Form 1736, *Nonappropriated Fund Cash Management and Investment Program Verification Report* until cleared the following month. Wash items should never appear on AF Form 1736, *Nonappropriated Fund Cash Management and Investment Program Verification Report* for more than one month. If research shows a bank error and additional month may pass before the bank makes the correction, the base should set up either a payable or receivable while research is being conducted. Debit and credit memos can also be wash items.

14.61.3.2. A deposit posted by the bank in an amount different than the base reported causes a deposit validation variance. If the difference applies to a NAFI other than the MWRF, the NAF Accounting Office notifies the Shared Services Center for Fund transfer processing. This will move (increase or decrease, as applicable) the variance from the MWRF of the NAFI affected. If no prior entry has been made, the Shared Services Center processes a General Ledger Adjustment Form (GLAF) to update the general ledger cash-in-bank account for the proper NAFI. Follow the same procedures for debit and credit memo variances. If AFSVC/FMTB research indicates a bank error, it becomes a wash item. The NAF Accounting Office shows the field bank the documentation (validated deposit ticket, copy of the bank debt or credit memo) and requests a correction. When the bank makes the correction, it is a part of that month's variance and reverses the original variance. Fund Transfer eliminates extra transactions. If Funds Transfer is not processed, Shared Services Center will record initial CMIP posting to MWRF. The base should not submit another electronic cash transfer which creates more transactions. If the bank posts a deposit and research shows it is a valid deposit that has not been reported, follow the instructions outlined in [paragraph 14.61.3.2](#).

14.62. Foreign Currency (FC) Deposit Validation (Overseas Only). Foreign currency deposit validations are performed in the local currency using the same procedures as outlined in [paragraph 14.60](#) and [paragraph 14.61](#) above. A foreign currency deposit validation variance is posted to CMIP in US dollars using the local currency exchange rate for the DOB the variance is posted to CMIP.

14.63. Deposit Validation Reconciliation. Shared Services Center reviews and coordinates the deposit validation variances with the depositing NAFI and enters a General Ledger Adjustment Form to update the depositing NAFI's general ledger, or submits Fund Transfer, if necessary.

14.64. Transfer between NAFIs. If a line item variance appearing on the deposit validation belongs to another NAFI (for example, Lodging), follow [paragraph 14.61.3.2](#).

14.65. Cash Control Summary Report. The Shared Services Center uses an automated Cash Control Summary (CCS) in Air Force Services Financial Management System (AFSFMS) for daily reconciliations of the CMIP balances and the General Ledger cash accounts. When the daily CMIP message is released, AFSFMS extracts the CMIP information and populates the CCS report.

14.66. Outstanding Check Reports. Reports for general and foreign currency checks are produced separately. All checks that have not been paid or processed as paid by the CMIP system and as of the last business day of a given month, are listed in numerical order on the monthly Outstanding Check Report. Monthly, AFSVC/FMTB reviews the outstanding check report to ensure which checks must be voided via AFSFMS. AFSVC/FMTB will coordinate with Shared Services Center, AFSVC/SVX and AFSVC/FM to void via AFSFMS and banking system.

14.67. Verification of Outstanding Check Reports. AFSVC/FMTB takes corrective action. Checks will be voided after 120 days if all attempts to contact the payee have been unsuccessful. It is not necessary to place a stop payment on the checks written-off unless a replacement check is to be issued. AFSVC/FMTB sends a report of Outstanding Checks to AFSVC/FM, the Shared Services Center, and the installation NAF Accounting Office monthly. At the expiration date of the check the Shared Services Center will send an email to the bases with the outstanding check numbers and payees to see if the Shared Services Center needs to repay the check to the payee or void the check. Once the information is received from the bases, the Shared Services Center will contact AFSVC/FMTB. Once the checks are voided in AFSFMS they will send the banking an email confirming which checks were voided and AFSVC/FMTB will ensure posting to CMIP has been accomplished.

14.68. End-of-Month CMIP Account Verification. The Shared Services Center must reconcile each NAFI CMIP account at end of month. Use AF Form 1736, *Nonappropriated Fund Cash Management and Investment Program Verification Report* to certify CMIP balances reconciled with General Ledger and Cash Control Summary report. Provide justification for any reconciling items. If a Cash Transfer (CT) General Ledger Adjustment Form is required, annotate the transaction date entered into the General Ledger and the date correction will post to CMIP. See [Attachment 5](#) for additional information.

14.69. Adjustments of CMIP Accounts Due to Unreconciled Variances. While the Shared Services Center reconciles the CMIP accounts to the General Ledger daily, variances can occur that cannot be identified. When an unidentified variance occurs, the Shared Services Center will take appropriate action to resolve the variance in coordination with AFSVC/FMTB and other branches affected. Shared Services Center will identify the discrepancy and will process a General Ledger Adjustment Form, Funds Transfer, DP, or OT action.

14.70. Programs. The Severance (SEV) program is another pooling of resources concept. SEV accounts are similar to CMIP accounts. Although participation in SEV programs is entirely separate from CMIP participation, nearly all SEV deposits and withdrawals are made from and to CMIP accounts.

14.71. Severance (SEV) Participation. SEV participation is mandatory for overseas installations which employ foreign nationals if there is a severance liability. AFSVC/SV may also request that SEV participation be established for other installations as a part of base closure proceedings. The installation will email request the accounts by message to AFSVC/FMTB.

14.72. Severance Account Numbers. SEV account numbers are the same as those used for CMIP.

14.73. Severance Statements. AFSVC/FMTB sends the Shared Services Center and NAF Accounting Office SEV statements at End-of-Month by message.

14.74. Severance End-of-Month Products. AFSVC/FMTB includes a SEV Recap Summary in the End-of-Month message sent to each NAF Accounting Office and Shared Services Center. These summaries are further breakdowns of the monthly activity by NAFI, DOB, and type of transaction.

14.75. Severance Payment of Interest. The AFFMF calculates and pays interest on SEV accounts monthly in the same manner and at the same rate as used for the CMIP. The interest earned for the prior month is posted to the SEV accounts on the first business day of the current month.

14.76. Severance Deposits. CMIP participants who wish to deposit funds into a SEV account must send an e-mail to AFSVC/FMTB requesting funds be transferred from CMIP to SEV. The email is to include, the dollar amount to be transferred, the NAFI the funds are to be transferred from, the DOB of the transfer and the accounting string.

14.77. Severance Withdrawals. To withdraw funds from a SEV account send an e-mail request to AFSVC/FM.

14.78. Severance Account Minimum Balances. The balances of SEV accounts are periodically reviewed by AFSVC/FMTB and all remaining balances of less than \$10.00 are withdrawn and moved to the CMIP account.

14.79. Emergency Notifications. The Resource Management Flight Chief shall notify AFSVC/FM, and AFSVC/SVT, by the most expedient means, of the nature of the emergency conditions. AFSVC/FM shall designate a support accounting office (and notify AFSVC/FM, AFSVC/SVI and Shared Service Center) to ensure the survival and recovery of essential data files, the capability to provide essential support during the emergency conditions, and the re-establishment of operations.

14.80. Disposition of Currency and Coin. If conditions require evacuation, disposal or destruction of currencies or coins, or emergency turn-in of funds, overseas field commanders shall follow procedures as specified in AFPAM65-110, *Deployed Agent Operations*, [paragraph 5.5](#). Transfer US currency and coins to the nearest disbursing officer in exchange for a check drawn on US Treasury or to be held in protective custody using a safekeeping receipt. The check is to be made payable to the Air Force Financial Management Fund and sent to AFSVC/FM for deposit; a brief explanation of the nature of the emergency will accompany the check. However, disbursing officers will not be held accountable should the local currencies or coins be lost or destroyed as a result of the existing emergency.

14.81. Blank Check Stocks. If conditions require evacuation, destroy blank check stocks using a locally devised inventory list. Send the list and a memorandum attesting to the destruction of the checks to AFSVC/FM.

SHON J. MANASCO
Assistant Secretary of the Air Force
Manpower and Reserve Affairs

Attachment 1

GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION

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AFI33-360, *Publications and Forms Management*, 01 December 2015

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IRS Form 15-B, *Employer's Tax Guide to Fringe Benefits*, 18 December 2018

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Nonappropriated Fund Personnel Program Management and Administration Procedures Guide, June 2019

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TA-AFSFMS-14, *NAF Property Disposals and Transfers*

TA-AFSFMS-15, *Fixed Asset Template*

TA-AFSFMS-23, *Construction Payment and Reimbursements*

TA-AFSFMS-33, *Nonappropriated Fund Payroll SF-1150*

TA-AFSFMS-34, *Annual and Sick Leave Record*

TA-AFSFMS-39, *Offline and Payroll Processing*

TA-AFSFMS-40, *Transfer In or Out From an Outside Services Agency (Nonappropriated Fund or AAFES)*

TA-AFSFMS-59, *Attaching Financial Statement Footnotes to 6i Report*,
Training Aid NA-12, *Break-Even Analysis*
Training Aid NA-14, *Bingo and Slot Machine Reporting*
Training Aid NA-14A- *Prizewinner's 1099-MISC*
Training Aid NA-18, *Separation of Duties within the Nonappropriated Fund Accounting Office and Activities*
Training Aid NA-31, *Accounting for New Facility Start-up Costs*
Training Aid NA-43, *Tip Reporting Requirements and Tip Processing Procedures*
Training Aid NA-45, *Tip Allocation Procedures and IRS Instructions for Form 8027*
Training Aid NA-54, *Calculating Lodging Assessment and Surcharge*
31 Code of Federal Regulations Part 208, *Management of Federal Agency Disbursements*

Prescribed Forms

AF Form 1736, *Nonappropriated Fund Cash Management and Investment Program Account Verification*
AF Form 1875A, *Nonappropriated Fund Individual Cashier's Report*
AF Form 1876, *Nonappropriated Fund Consolidated Cost Center Report*
AF Form 1877, *Nonappropriated Fund Central Cashier Control Log*
AF Form 2533, *Nonappropriated Fund Transfer Between Cost Centers*

Adopted Forms

AF Form 9, *Request for Purchase*
AF Form 1001, *Award Recommendation Transmittal*
AF Form 1408, *Nonappropriated Fund Call Register*
AF Form 270, *Aero Club Operations*
AF Form 332, *Base Civil Engineer Work Request*
AF Form 1401, *AF Petty/Refund Voucher*
AF Form 2209, *Nonappropriated Fund Order for Supplies or Services*
AF Form 2534, *Nonappropriated Fund Property Disposal/Transfer Receipt*
AF Form 2545, *Nonappropriated Fund Instrumentality Notification of Personnel Action*
AF Form 2557, *Nonappropriated Fund Cash Receipt Voucher*
DD Form 2661, *Spoiled/Canceled Check Record*
Form ES 931, *Request for Wage and Separation Information*
IRS Form 587, *Business Use of Your Home (Including Use by Day Care Providers)*

IRS Form 941, *Employer's Quarterly Federal Tax Return*

IRS Form 945, *Annual Return of Withheld Federal Income Tax*

IRS Form 1099-MISC, *Miscellaneous Income*

IRS Form 4070, *Employee's Report of Tips to Employer*

IRS Form 4070A, *Employees Daily Record of Tips*

IRS Form 8027, *Employer's Annual Information Return of Tip Income and Allocated Tips*

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Abbreviations and Acronyms

AAFES—Army and Air Force Exchange Service

ACH—Automated Clearing House

AF—Air Force

AFFMF—Air Force Financial Management Fund

AFI—Air Force Instruction

AFIMSC—Air Force Installation and Mission Support Center

AFLF—Air Force Lodging Fund

AFMAN—Air Force Manual

AFPD—Air Force Policy Directive

AFRIMS—Air Force Records Information Management System

AFSFMS—Air Force Services Financial Management System

AFSVC—Air Force Services Center

ANG—Air National Guard

APO—Air Post Office

CCS—Cash Control Summary

CMIP—Cash Management and Investment Program

CV—Check Void

DOB—Date of Business

DoD—Department of Defense
DoDI—Department of Defense Instruction
DSN—Defense Switched Network
EFT—Electronic Fund Transfer
FSS—Force Support Squadron
G/L—General Ledger
GLAF—General Ledger Adjustment Form
IBPS—Internet Based Purchasing System
I&E—Income and Expense
ITIN—Individual Tax Payer Identification Number
IUF—Isolated Unit Funds
JTR—Joint Travel Regulations
LES—Leave and Earning Statement
LOF—Life-of-the-Fund
LWOP—Leave Without Pay
MAJCOM—Major Command
MBF—Military Banking Facility
MICR—Magnetic Ink Character Recognition
MOA—Memorandum of Agreement
MPO—Military Pay Order
MWR—Morale, Welfare, and Recreation
MWRF—Morale, Welfare, and Recreation Fund
NAF—Nonappropriated Fund
NAF AO—Nonappropriated Fund Accounting Office
NAFDIS—Nonappropriated Fund Data Interface System
NAFFA—Nonappropriated Fund Financial Analyst
NAFI—Nonappropriated Fund Instrumentality
NAFRIS—Nonappropriated Fund Resale Inventory System
NIAD—Net Income Adjusted for Depreciation
NPA—Nonappropriated Fund Purchase Agreement
NRB—NAF Requirements Budget
NTE—Not to Exceed

OI—Operating Instruction
OCONUS—Outside the Continental United States
OPR—Office of Primary Responsibility
OT—Overtime
PAW—Payroll Adjustment Worksheet
P-CARD—Purchase Card
PCI—Purchase Card Industry
PCS—Permanent Change of Station
PL—Public Law
PO—Purchase Order
POC—Point of Contact
POS—Point of Sale
PPEA—Prior-Period Equity Adjustment
PTA—Program Training Aid
RCK—Returned Check
RDS—Records Disposition Schedule
RMFC—Resource Management Flight Chief
SEV—Severance Account
SITW—State Income Tax Withholding
SLT—Sick Leave Taken
SOA—Statement of Account
SOFA—Status of Forces Agreement
SOE—Statement of Earnings
SPP—Small Projects Program
SSA—Social Security Administration
SSC—Shared Service Center
SSN—Social Security Number
TA—Training Aid
T&A—Time and Attendance
TDY—Temporary Duty
TLA—Temporary Lodging Allowance
TLF—Temporary Lodging Facility

TOP—Treasury Offset Program

UPS—United Parcel Service

US—United States

USC—United States Code

USAF—United States Air Force

USAFE—USAF Europe

USDA—United States Department of Agriculture

VA—Veterans Administration

VAQ—Visiting Airmen's Quarters

VAT—Value Added Tax

YP—Youth Program

Terms

Accounting Period—An accounting period is from the first day of a given month through the last day of the same month.

Accounting System—The Nonappropriated Fund accounting system is based on commercial accounting practices modified to meet the needs of the Air Force. The principles underlying this system are based on experience, the needs within the Air Force Nonappropriated Fund Instrumentality environment and generally accepted accounting principles.

Accounting Year—The accounting year is from 1 October of a given year through 30 September of the following year.

Activity—This term describes operational organizations within the Force Support Squadron structure, such as bowling center, officers' club. An activity is made up of several sub-activities. These sub-activities refer to the specific functions within each operational organization, or activity, such as, lanes operation, snack bar, bar, dining room, gaming machines, ticket operations, etc. Do not confuse the operational functions of the activity with the accounting term cost center, which determines the level of accountability for financial transactions.

Accumulated Depreciation—The total depreciation taken on an asset since its acquisition.

Balance Sheet—The balance sheet shows the financial position of a Nonappropriated Fund Instrumentality at a point in time. It lists the assets and claims against the Nonappropriated Fund Instrumentality. The balance sheet lists separate columns for current period (FY) and prior period data. This report also includes current and acid test ratios.

Budget Working Committee—Individuals selected by the Force Support Squadron Commander or director to review and prioritize items on Nonappropriated Fund requirements budgets.

Capital Requirements Budget—A formal five-year financial plan which shows the estimated cost and time for buying new equipment, furnishings, renovating facilities, replacing and repairing fixed assets, buying bulk purchases of expendable equipment and buying bulk purchases of high cost supply items.

Cash Flow Budget—A formal financial plan which shows the beginning cash balance, the cash inflows and outflows, and the ending cash balance expected for a period of time. The purpose of the cash flow budget is to anticipate changes in the level of cash. A cash flow budget is prepared for each Nonappropriated Fund Instrumentality.

Consignment—A business arrangement in which a business (i.e. FSS Activity), also referred to as a consignee, agrees to pay a seller, or consignor, for merchandise after the item sells.

Cost Center—Term used to identify the accounting subdivision of a Nonappropriated Fund Instrumentality. This term is used for accounting purposes and should not be confused with the operational term activity. A standard 4-digit identity code is assigned by Air Force for each cost center.

Current Assets—Cash and other assets that should be turned into cash (accounts receivable and inventory) during the next 12 months.

Current Liabilities—Debts that should be paid within the next 12 months; includes accounts payable, accrued payroll, taxes and current portion of loans payable.

Custodian—The Resource Management Flight Chief is the primary custodian for all Nonappropriated Fund Instrumentalities supporting an installation. This does not include exchanges and in some instances Nonappropriated Fund Instrumentalities at remote or isolated units.

Depreciation—The method used to expense the acquisition cost of a fixed asset over the life expectancy of that asset.

Financial Analysis—Analysis is a continuing review and evaluation process throughout the normal course of operations, with the manager as the focal point. The objective is to spot potential problems, identify root causes and obtain solutions.

Fixed Assets—Tangible items with an individual cost of \$1,000 or more, and with a life expectancy of two years or more, which do not lose their identity through use (includes items such as, furniture, equipment, tools, machinery, facilities, major repairs and improvements, etc.).

Gaming Machines—Games of chance or slot machines, paying cash or prizes to the player upon redemption of winnings.

General Ledger—The general ledger is the core of the Nonappropriated Fund accounting system and provides details of all accounting entries for the current period. The system consists of control accounts for assets, liabilities, equity, income and expenses.

Income and Expense Operating Budget—A formal financial plan which reflects monthly and quarterly projected income and expenses for a fiscal year. It reflects the expected outcome of management's plans and decisions in financial terms. It shows the revenue and associated expenses an activity expects to generate over a given period. This budget gives the activity manager an estimate of the profit to be realized from the operation. For this reason, the Income and Expense budget is sometimes referred to as the operating budget.

In-Use Inventory—In-use inventory consists of merchandise maintained by operating activities for resale or consumption in sales outlets such as bars, pro shops, restaurants and snack bars.

Liabilities—Liabilities are obligations to transfer assets, provide services, or otherwise expense assets to satisfy responsibilities resulting from past or current transactions. They are classified on the financial statements as either current or noncurrent liabilities.

Minimum Cash Balance—The minimum amount of cash that should be kept in cash-in-bank for efficient operations and sound cash management.

Net Book Value—The cost of an asset less the accumulated depreciation on the asset.

Small Operations—Those with limited programs and gross revenues of less than \$36,500 per year. Small operations may not require all of the detailed accounting records and procedures outlined for Nonappropriated Fund Instrumentalities at installations or stations.

Statement of Cash Flows—The Statement of Cash Flows is a formal statement of cash received and cash paid out during the reporting period. It shows the sources and uses of cash and prepared by the Nonappropriated Fund Instrumentality.

Unprogrammed Nonappropriated Fund Expenditures—Expenditures for costly capital assets (equipment and facilities) which are not included in the CRB of the Nonappropriated Fund Instrumentality (called **unprogrammed or out-of-cycle**) can cause serious cash flow problems.

Attachment 2

MEMORANDUM RECEIPT CUSTODIAN REPLACEMENT OR ALTERNATE CUSTODIAN CHANGE

Figure A2.1. Memorandum Receipt Custodian Replacement or Alternate Custodian Change.

DATE: _____		
<p>This is to certify that I, (name), having been designated by the Force Support Squadron commander or director, to replace (name), as Custodian at (base) AFB, effective (date) do hereby acknowledge custodianship of the assets of the Nonappropriated Fund Instrumentalities listed below. My acceptance is based on the Financial Statements as of (Date): (Note: Financial Statements consist of Balance Sheet and Statement of Income and Expense)</p> <p>Nonappropriated Fund Instrumentality: _____</p>		
In addition to reviewing the Financial Statements, I have reviewed the following:		
Daily Cash Management and Investment Program statement for the funds listed below:		
As-of-Date	Fund ID	Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____
Schedules of Accounts Receivable (last statement date may be used):		
As-of-Date	Fund ID	Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____
Outstanding Obligations (last statement date may be used):		
As-of-Date	Fund ID	Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____
<p>I accept the following documents:</p> <p>The perpetual files for each Nonappropriated Fund Instrumentality listed above.</p> <p>Assets receipts for each Nonappropriated Fund Instrumentality listed above.</p>		
<p>I accept control of the following assets based on physical inventory or other means by which I have satisfied myself.</p>		
<p>Account Payable Fund equipment assigned to the Resource Management Flight Chief as of (date).</p>		

Nonappropriated Fund fixed assets within the Resource Management Flight Chief as of (date).

Incoming Custodian (Signature)

The requirements for change of Custodian have been met.

Force Support Squadron commander or director

Attachment 3

MEMORANDUM RECEIPT/ASSUMPTION OF DUTIES – ACTIVITY MANAGER

Figure A3.1. Memorandum Receipt/Assumption Of Duties – Activity Manager.

(Date)

Effective (date), I certify that I, (name), having been designated by the Force Support Squadron commander or director to replace (name) as activity manager of the (Cost Center/Nonappropriated Fund Instrumentality), (Base) AFB for (a stated period of time) (NTE 30 days; 31 - 60 days; over 60 days; permanently) and will assume the duties and responsibilities of the position.

(Note: When duties are resumed by the activity manager, replace the above paragraph with:)

Effective (date), I, (name) resume duties as (activity manager/custodian) of (cost center/Nonappropriated Fund Instrumentality), (base) from (name), who has replaced me since (date).

(Note: Include the below when duties are both assumed and reassumed):

I do hereby acknowledge receipt of the following assets as detailed in the financial statements.

Change Funds	\$ _____
Imprest Funds	\$ _____
Accounts Receivable (lodging funds only)	\$ _____
Inventory (in use)	\$ _____
Inventory (warehouse)	\$ _____
Property Valued at (attach listing)	\$ _____

I have reviewed the Financial Statements (refer to note), inventory listing, or otherwise satisfied myself as to the accuracy of the above.

Activity Manager/Interim Activity Manager (signature)

The requirements for change of activity managers have been met.

Force Support Squadron commander or director (signature)

Note: Financial Statements consist of balance sheet, statement of income and expense accounts.

Attachment 4**EXPLANATION OF AMOUNTS ENTERED ON BANK VERSUS BASE VARIANCE
REPORT ISSUED BY AFSVC/FMTB****A4.1. Section labeled Bank Statement:**

A4.1.1. Line 1 shows total of deposits and credits posted by the field bank, current month.

A4.1.2. Line 2 shows total debit memos (this includes returned checks) posted by the field bank, current month, except for the last day's debit memos. **Note:** If the field bank posts any debit memos on the last business day of the month (last 2 business days for overseas bases) and AFSVC/FMTB cannot identify that they have been reported, these debit memos are carried forward to be included with the debit memos on line 2 in the following month.

A4.1.3. Line 3 allows space to record any bank adjustments or corrections.

A4.1.4. Line 4 is the net total of deposits and other bank credits, less debit memos and dishonored checks posted by the bank and considered in the current reconciliation, plus or minus any bank adjustments on line 3.

A4.2. Section labeled Base Reported:

A4.2.1. Line 1 shows the total (adjusted, if necessary, to account for in transit items) deposits reported and accepted as shown on the monthly deposit report.

A4.2.2. Line 2 shows the total (adjusted, if necessary, to account for in transit items) dishonored checks and bank debit memos reported and accepted as shown on the monthly deposit report.

A4.2.3. Line 3 is for any AFSVC/FMTB adjustments (if applicable) requested by the base during the month.

A4.2.4. Line 4 is the net total of deposits, less debit memos and dishonored checks, reported and accepted, plus or minus any adjustments on line 3.

A4.3. Net Variance. The net variance is the difference between what the bank posted and what the base reported. If the amount on line 4 of the Base Reported section (i.e., Total Net Deposits Accepted) is greater than the amount on line 4 of the Bank Statement section (i.e., Total Net Deposits Posted to Your Bank Statement), the net result is a negative variance. However, if the amount on line 4 of the Bank Statement section is greater than the amount on line 4 of the Base Reported section, the net result is a positive variance.

Attachment 5**EXPLANATION OF DATA TO BE REPORTED ON AF FORM 1736**

A5.1. Line 1. Enter the balance shown on the CMIP statement as of the last day of the month.

A5.2. Line 2. Enter the net of 2a, 2b, 2c, 2d, 2e, and 2f. These are transactions posted to the General Ledger, but not yet recorded in CMIP. These reconciling items are used when a daily transmission during the month is received after the last DOB for the month.

A5.3. Line 3. Enter the net of 3a, 3b, and 3c. These lines are to record items which require AFSVC/FMTB correction. This includes check variances to be reversed and deposit validation items which will "wash" in the following month.

A5.4. Line 4. Enter the net of 4a, 4b, 4c, and 4d. These lines are to record rejected transactions by type. Use these lines for entries recorded to cash in bank in the General Ledger and reported, but rejected and not updated on CMIP.

A5.5. Line 5. Enter the total of line 1, plus or minus the total of lines 2, 3, and 4. This will be the adjusted CMIP balance.

A5.6. Line 6. Enter cash control summary balance.

A5.7. Line 7. Enter general ledger account code 1010000 balance.

A5.8. Lines 5, 6, and 7 must agree. All reconciling items are shown as an attachment to the Form and are identified by amount, document number, date, cause, and the method and date of correction.