

**BY ORDER OF THE SECRETARY
OF THE AIR FORCE**

AIR FORCE INSTRUCTION 34-225

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Services

**SERVICES NONAPPROPRIATED
FUND GOVERNANCE**

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

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This instruction implements Air Force Policy Directive 34-1, *Air Force Services*. It outlines Services corporate governance structure concepts of operation. It applies to Regular Air Force (RegAF), Air Force Reserve (AFR), and Air National Guard (ANG) personnel. In collaboration with the Chief of Air Force Reserve (AF/RE) and the Director of the Air National Guard (NGB/CF), the Deputy Chief of Staff for Manpower, Personnel and Services (AF/A1) develops personnel policy for military retirements and separations. Refer recommended changes and questions about this publication to the Office of Primary Responsibility using AF Form 847, *Recommendation for Change of Publication*; route Air Force Form 847 from the field through the appropriate functional chain of command. Ensure that 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 (RDS) in the Air Force Records Information Management System (AFRIMS).

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Chapter 1

OVERVIEW

1.1. Program Objective. The Air Force is required by Department of Defense Instruction 1015.15 to establish appropriate bodies of governance for the management and control of nonappropriated fund resources. Governance of Nonappropriated Fund Instrumentalities is provided by two major bodies: The Air Force Services Council, which is further supported by the Air Force Nonappropriated Fund Finance Committee (and its Investment Subcommittee); and the Air Force Services Audit Committee. **Note:** The Air Force Civilian Welfare Fund and the Air Force Fisher House Fund have separate governance structures and are not covered by this Instruction.

1.2. Operating Philosophy. The Air Force Services Council and Air Force Services Audit Committee base their recommendations on the "common cause" approach. This approach:

1.2.1. Dictates the prudent use of available resources to promote the best interests of the Air Force and Air Force Nonappropriated Fund Instrumentalities that support Morale, Welfare, and Recreation activities, events and programs, Lodging and all other Nonappropriated Fund Instrumentalities that benefit our Airmen and other authorized patrons.

1.2.2. Ensures a balanced support of Nonappropriated Fund Instrumentality programs in Air Force communities. Support is based on an evaluation of compelling program needs and recommended action to achieve program objectives using limited resources.

1.3. Participation:

1.3.1. The chairperson of each committee and subcommittee may permit participation by alternates recommended by members who will not be able to attend a meeting or who will be unable to serve as a member for a period of time. Names of recommended alternates must be provided in writing to the chairperson.

1.3.2. Members must be active component or federal civilian appropriated fund or nonappropriated fund employees. Contractors may not serve as primary or alternate members.

1.4. Meetings:

1.4.1. Meetings will be held on a regular basis or at least annually, unless otherwise specified in its respective charter. The chairperson may convene special meetings as required.

1.4.2. Notice of each meeting shall be given to each member as far in advance as possible.

1.4.3. The majority of the voting members or approved alternates present shall constitute a quorum for the transaction of business, and, if a quorum is present at a meeting, the action taken by a majority of the members or approved alternates present and voting shall be the action of the council/committee.

1.4.4. Each member or approved alternate present shall have one vote. The chairperson shall not vote except in the case of a tie.

1.4.5. Each governing body shall keep a record of its decisions and minutes of its proceedings.

1.4.6. Headquarters Air Force Services, the Deputy Assistant Secretary for Cost and Economics and the Air Force Services Activity staffs administer and conduct the daily business of any council or committee referred to in this Air Force Instruction.

1.4.7. The council and its subordinate committees are subject to the guidance in Department of Defense Instruction 5105.18, *DoD Intergovernmental and Intragovernmental Committee Management Program*.

1.5. Charters:

1.5.1. Deputy Chief of Staff, Manpower, Personnel & Services approves Charters for the Air Force Services Council and the Air Forces Services Audit Committee.

1.5.2. Deputy Assistant Secretary of the Air Force (Budget) with concurrence from the Deputy Chief of Staff, Manpower, Personnel & Services, approves the Charters for the Air Force Nonappropriated Fund Finance Committee and Nonappropriated Fund Investment Subcommittee.

Chapter 2

AIR FORCE SERVICES COUNCIL

2.1. Purpose. The Air Force Services Council is an advisory body that makes recommendations consistent with Federal law, Department of Defense policy, and sound business practices to the Deputy Chief of Staff, Manpower, Personnel and Services on Air Force nonappropriated fund matters in accordance with the Air Force Services Council Charter. The Council:

2.1.1. Suggests broad policies for the administration, control and use of Air Force nonappropriated funds.

2.1.2. Makes recommendations to Air Force Leadership for Morale, Welfare, and Recreation and other Nonappropriated Fund Instrumentality strategy, plans and programs (to include nonappropriated fund budgets, Army and Air Force Exchange Service dividends and nonappropriated fund construction).

2.1.3. Provides recommendations and direction in accordance with current Commander's Nonappropriated Fund Sustainment Program for funds and activities under Headquarters Air Force Review.

2.1.4. Collaborates with other Headquarters Air Force governance bodies (for example the Installation Executive Council) as warranted.

2.1.5. Implements appropriate analysis and evaluation procedures and indicators to ensure that Nonappropriated Fund Instrumentalities are meeting objectives for which they were established.

2.1.6. May establish committees to assist in carrying out its responsibilities. The Air Force Services Council ensures that any committee the council establishes performs the committee's functions in accordance with its charter.

2.2. Composition. Members are listed in [Table 2.1](#). The Deputy Chief of Staff, Manpower, Personnel & Services approves changes to the Air Force Services Council's membership.

Table 2.1. Air Force Services Council Members and Advisors.

Position	Role
Deputy Chief of Staff, Manpower, Personnel & Services	Chair
Deputy Assistant Secretary of the Air Force (Budget)	Member
Deputy Assistant Secretary of the Air Force (Cost and Economics)	Member
Deputy Director of Manpower, Organization and Resources	Member
Chief Master Sergeant of the Air Force	Member
Director of Budget Operations, Air Force	Member
Director of Services for the Air Force	Member
Chief of Construction and Engineering Division, Air Force	Member
Director of Financial Management and Comptroller - Custodian of the Air Force Central Nonappropriated Fund Instrumentalities, Air Force Services Activity	Advisor
Senior Air Staff Counsel, Judge Advocate General	Advisor

Chapter 3

AIR FORCE NONAPPROPRIATED FUND FINANCE COMMITTEE

3.1. Purpose. The Air Force Nonappropriated Fund Finance Committee is an advisory body that makes recommendations, consistent with Federal Law, Department of Defense policy, Air Force policy, and sound business practices, to the Air Force Services Council on Air Force nonappropriated fund fiscal and related matters. The Committee:

3.1.1. Reviews annual and biannual financial results of all Air Force nonappropriated fund operations and recommends to the Air Force Services Council financial plans, policies, and management information systems affecting items such as cash flow, allocations, budgets, dividend distributions, nonappropriated fund facility construction, and return on facility investments.

3.1.2. Reviews financial status of nonappropriated funds or activities under Air Force level review for the Commander's Nonappropriated Fund Sustainment Program. Provides feedback, guidance and direction to Air Force Installation Mission Support Center, Air Force Services Activity, Major Commands and installation on the installation's corrective action plan for those activities and/or nonappropriated funds under Air Force level review.

3.1.3. Has access to and reviews the nonappropriated fund database maintained by Air Force Services Activity for comparative analysis purposes to facilitate development of appropriate financial policy and practice recommendations.

3.1.4. Reviews and recommends policies and practices for financial programs such as those for banking, insurance, employee benefits, and nonappropriated fund accounting.

3.1.5. Reviews the annual Certified Public Accountant audit report on the central Air Force Nonappropriated Fund Instrumentalities and Public Accountant Contract Audit Program summary reports and recommends revised policies and practices where warranted.

3.1.6. Ensures that managerial and accounting controls are reviewed for adequacy in protection of nonappropriated fund assets, and recommends actions to be taken to reduce risk exposure, enhance internal controls, and improve practices.

3.2. Supporting Committees. The Air Force Nonappropriated Fund Finance Committee will establish an Investment Subcommittee to make recommendations to the Committee on investment processes and strategies. The Air Force Nonappropriated Fund Finance Committee may establish other subcommittees to assist in carrying out its responsibilities.

3.3. Composition . Members are listed in [Table 3.1](#). The Air Force Services Council Chair may approve changes to the Committee's membership.

Table 3.1. Air Force Nonappropriated Fund Finance Committee Members and Advisors.

Position	Role
Deputy Assistant Secretary of the Air Force (Budget)	Chair
Deputy Director of Manpower, Organization and Resources	Member
Director of Services for the Air Force	Member
Deputy Assistant Secretary of the Air Force (Cost and Economics)	Member
Chief of Facilities Management Division, Air Force Civil Engineering Center	Member
Director of Installation Support, Air Force Installation and Mission Support Center	Member
Director of Financial Management and Comptroller - Custodian of the Air Force Central Nonappropriated Fund Instrumentalities, Air Force Services Activity	Advisor
Senior Air Staff Counsel, Judge Advocate General	Advisor

Chapter 4

AIR FORCE NONAPPROPRIATED FUND INVESTMENT SUBCOMMITTEE

4.1. Purpose. The Air Force Nonappropriated Fund Investment Subcommittee is an advisory body that makes recommendations consistent with Federal Law, Department of Defense policy, Air Force policy, and sound business practices to the Air Force Nonappropriated Fund Finance Committee and the Air Force Services Activity Trustee on Air Force Nonappropriated Fund investment policy and related matters. The Subcommittee will:

4.1.1. Recommend investment policy in accordance with Department of Defense Instruction 1400.25, Volume 1408, *DoD Personnel Management System: Insurance and Annuities for Nonappropriated Fund Employees* and Department of Defense Instruction 1015.15.

4.1.1.1. Follow an investment philosophy set forth in the Employee Retirement Income Security Act of 1974, 29 United States Code; Chapter 18, as amended.

4.1.1.2. Recommend only investment mediums authorized in Department of Defense Instruction 1400.25, Volume 1408 for nonappropriated fund retirement funds and those authorized in Department of Defense Instruction 1015.15 for all other nonappropriated funds.

4.1.2. Review investment portfolios for yield, risk (safety), liquidity, and adequacy of funds for intended purposes and make investment recommendations to the Air Force Nonappropriated Fund Finance Committee and the Air Force Services Activity Trustee.

4.1.3. Review performance of funds managers and recommend the hiring and firing of outside consulting and evaluation services.

4.1.4. Recommend the hiring and replacement of outside fund managers, if advantageous to the investment fund, and make recommendations on the selection of outside funds manager.

4.1.5. Recommend the use of third-party custodial arrangements for safekeeping of equity and fixed-income securities.

4.1.6. Review investment regulations and control procedures for adequacy and recommend needed changes.

4.2. Oversight. The Air Force Nonappropriated Fund Finance Committee ensures the Subcommittee performs its functions in accordance with its Charter.

4.3. Composition . Members are listed in [Table 4.1](#). The Air Force Finance Committee Chair may approve changes to the Subcommittee's membership.

Table 4.1. Air Force Nonappropriated Fund Investment Subcommittee.

Position	Role
Deputy Assistant Secretary of the Air Force (Cost & Economics)	Chair
Chief, Requirements Division (Services Directorate)	Member
Appointee from US Treasury Financial Services	Member
USAFA Professor of Accounting, Finance, or Economics	Member
Government employee (GS-13 or above) member-at-large with investment expertise	Member
Director of Financial Management and Comptroller, Air Force Services Activity	Advisor
Senior Air Staff Counsel, Judge Advocate General	Advisor
Investment Officer, Air Force Services Activity	Advisor

Chapter 5

AIR FORCE SERVICES AUDIT COMMITTEE

5.1. Purpose . The Air Force Services Audit Committee is the Air Force body that ensures adequate audit coverage of Air Force Nonappropriated Fund Instrumentalities. The Committee:

5.1.1. Establishes audit frequency and scope requirements for Nonappropriated Fund Instrumentalities.

5.1.2. Identifies audit contract deliverables.

5.1.3. Monitors performance of audit contractors and identifies sources to be solicited.

5.1.4. Monitors management actions taken in response to audit findings and recommendations and recommends additional corrective action to the Deputy Chief of Staff, Manpower, Personnel and Services.

5.1.5. Reviews trend reports and recommends improvements in internal controls and operations to the Deputy Chief of Staff, Manpower, Personnel and Services.

5.2. Committee Composition. Members are listed in [Table 5.1](#). The Deputy Chief of Staff, Manpower, Personnel & Services may approve changes to the Air Force Services Audit Committee's membership.

Table 5.1. Air Force Services Audit Committee Members and Advisors.

Position	Role
Director of Budget Operations, Air Force	Chair
Chief Master Sergeant of the Air Force or Designated Representative	Member
Deputy Assistant Secretary of the Air Force for Reserve Affairs and Airman Readiness	Member
Resource Management Director for the Air Force Installation and Mission Support Center	Member
Air Force Auditor General or their representative	Advisor
Senior Air Staff Counsel, Judge Advocate General	Advisor

SHON J. MANASCO
Principal Deputy Assistant Secretary
(Manpower and Reserve Affairs)

Attachment 1**GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION*****References***

Air Force Policy Directive 34-1, *Air Force Services*, (date)

Air Force Manual 33-363, *Management of Records*, 1 March 2008

Program Action Directive 07-11, *A1 Transformation*, 15 February 2008

Program Action Directive 14-04, *Implementation of the Air Force Installation and Mission Support Center*, 25 February 2015

Department of Defense Instruction 1400.25, Volume 1408, *Department of Defense Civilian Personnel Management System: Insurance and Annuities for Nonappropriated Fund (NAF) Employees*, 11 July 2016

Department of Defense Instruction 5105.18, *DoD Intergovernmental and Intragovernmental Committee Management Program*, 10 July 2009

Department of Defense Instruction 1015.15, *Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources*, 20 March 2008

Title 29, Labor, Chapter 18, *Employee Retirement Income Security Program*, current edition

Prescribed Forms

None

Adopted Forms

AF Form 847, *Recommendation for Change of Publication*