

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

AIR FORCE INSTRUCTION 34-202

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Services

**PROCEDURES FOR PROTECTING
NONAPPROPRIATED FUNDS ASSETS**

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

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This instruction directs collecting and maintaining information subject to the *Privacy Act of 1974* authorized by 10 U.S.C. 8013. System of records notice F065 AF SVA A, Nonappropriated Fund Instrumentalities (NAFIs) Financial System, applies. This instruction implements Air Force Policy Directive (AFPD) 34-2, *Managing Nonappropriated Funds*. It establishes responsibilities, authorities, and procedures for controlling and protecting cash and other nonappropriated fund assets. Unless otherwise noted, these instructions apply to all Air Force NAFIs. Refer to DoD Instruction 5010.40, *Managers' Internal Control Program Procedures*, 30 May 2013, and *Change 1*; OMB Circular A-123, *Revised, Management's Responsibility for Internal Control*; and AFI 31-101, *Integrated Defense (FOUO)*. It applies to all Air Force NAFIs as described in AFI 34-201, *Use of Nonappropriated Funds (NAFs)*. It applies to civilian employees of the Regular Air Force (RegAF), Air Force Reserve (AFR), and Air National Guard (ANG). 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, Manpower, Personnel and Services (AF/A1) develops personnel policy for this program. Private organizations, authorized to operate on Air Force installations are not under the operational control of the Air Force; however, the Air Force recommends the use of the principles in this instruction as a guide when handling cash or property assets (See AFI 34-223, *Private Organizations (PO) Programs*). 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 AFI 33-360, *Publications and Forms Management*, Table 1.1. for a description of authorities associated with tier numbers. Submit requests for waivers through the chain of command to the appropriate Tier waiver approval authority or alternately, to the Publication OPR for non-tiered compliance items.

SUMMARY OF CHANGES

This instruction has been substantially revised and must be completely reviewed. Major changes include incorporating AFMAN 34-212, *Control Procedures for Protecting NAF Assets*, policy, and procedural updates for Internal Controls Training, Cash Handling, Force Support Squadron (FSS) Gift Cards, Returned Checks, and Losses and Indebtedness. This version directs users to the USAF Services website for additional guidelines on Services programs and procedures. It also refers the user to AFI 34-204, *Services Property Management*, for specifics on acquisition, management, control, and disposition of assets.

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Chapter 1

INTERNAL CONTROL INFORMATION

1.1. Introduction. AFPD 65-2, *Managers' Internal Control Program*, and AFI 65-201, *Managers' Internal Control Program Procedures*, require all Air Force (AF) organizations establish a cost-effective Internal Management Control (IMC) Program to protect resources. This instruction explains the controlling process and outlines procedures for the control, protection, and loss prevention of cash and other NAF assets according to AFPD 34-2, *Managing Nonappropriated Funds*. AF NAFIs described in AFI 34-201, *Use of Nonappropriated Funds*, must establish and adhere to the internal control procedures in this instruction. Additional guidelines for Services programs and procedures can be found under Financial Management in the Financial Training Aids section located on the AF Services website: <https://www.usafservices.com> (T-0)

1.2. Custodian Responsibilities. The custodian provides direction and assistance for the protection of NAFI assets. This instruction refers to the custodian as the resource manager (RM) unless otherwise specified. At installation-level, the RM is the single custodian for all NAF assets, unless another individual is appointed in accordance with AFI 34-201.

1.2.1. Obligation of funds. Although RMs may delegate certain responsibilities such as obligating NAFs, they remain responsible for the propriety and accountability of each action. The RM or designee must ensure present and future revenues will cover all financial obligations before authorizing funds. The AF may hold RMs liable and accountable for NAFI losses or unauthorized obligations, and for all delegated responsibilities and actions. (T-0)

1.2.2. Accounting Systems and Procedures. The RM verifies accounting procedures are according to AFI 34-209, *Nonappropriated Fund Financial Management and Accounting*.

1.2.3. Internal Control Procedures. The RM ensures managers implement internal control procedures for protection of NAFI assets.

1.3. Forms. Air Force Installation and Mission Support Center, Air Force Services Activity, Financial Management and Comptroller Directorate (AFSVA/FM), Financial Services Branch (AFSVA/FMNF), approves requests for changes to AF forms defined in this instruction. The Force Support Squadron (FSS) may automate AF and NAF forms if the form content and requirements are not changed. If any application/system has a validated Common Access Card (CAC) enabled electronic signature which takes the place of a wet signature, the application/system may be deemed a system of record. The system is then used to store the electronic and paper copies until no longer required.

1.4. Disposition of Records. Ensure all records created as a result of processes prescribed in this publication are maintained in accordance with (IAW) Air Force Manual (AFMAN) 33-363, *Management of Records*, and disposed of IAW Air Force Records Disposition Schedule (RDS) located in the Air Force Records Information Management System (AFRIMS). Dispose of Privacy Act records promptly according to AFI 33-332, *Air Force Privacy and Civil Liberties Program*.

1.5. Supplements. AFSVA/FM reviews and approves/disapproves proposed installation-level supplements.

1.6. Technical Assistance. Send requests for clarification or interpretation of this manual to AFSVA/FM.

1.7. Waivers. Activity and functional managers may request waivers to the procedures required by this instruction. Substantial justification must accompany all requests for waivers. There are two types of waivers:

1.7.1. **Local Waivers.** Local waivers are submitted through the fund custodian to the installation commander for approval as described in this publication.

1.7.2. The FSS commander or director reviews all waivers annually and when circumstances change, determine if the waiver is still required. The FSS commander or director documents waiver review and briefs NAF Council on results. It is not necessary to seek approval for waivers deemed valid in the annual review.

1.7.3. **Other Waivers.** The custodian or FSS commander or director submits waiver requests to AFSVA/FM for circumstances that do not permit local waivers. Approved waivers may be valid for a period up to 3 years.

1.7.4. Each waiver request, whether granted locally or requiring submission to AFSVA/FM must:

1.7.4.1. Outline the issue/problem.

1.7.4.2. Identify the specific policy requiring a waiver.

1.7.4.3. Identify how the waiver provides a solution, and

1.7.4.4. Provide justification why the waiver should be approved.

1.7.5. Waivers to this instruction are not valid without a control number assigned by the approving authority.

1.7.6. The RM maintains documentation on waivers, including reviews of waivers, in the life-of-the-fund (LOF) file. Requests to extend waivers may be submitted to AFSVA/FM for review via email. The approved extension must be attached to the original waiver in the life-of-the-fund file.

Chapter 2

THE CONTROLLING PROCESS

2.1. Definition of Internal Control. All AF organizations must use a cost-effective Managers' Internal Control (MIC) program to protect resources. Internal control procedures apply to all operation and mission responsibilities and are not limited to financial matters. See AFPD 65-2, *Managers' Internal Control Program*, and AFI 65-201, *Managers' Internal Control Program Procedures*. Internal control is a plan of organization and all the methods and measures used to:

- 2.1.1. Safeguard resources.
- 2.1.2. Assure accuracy and reliability of information.
- 2.1.3. Assure adherence to applicable laws, regulations and policies, instructions, and
- 2.1.4. Promote operational economy and efficiency.

2.2. Organizational Structure. Controls apply to all aspects contributing to the existence and well-being of an organization. An effective internal control plan requires each NAFI's organizational structure provide clear lines of authority and responsibility to ensure no single individual controls a transaction from beginning to end. This separation of duties protects assets and provides a cross-check promoting accuracy without duplication. By comparing recorded accountability to actual existing assets, variances can be readily identified and resolved. (In this example an asset refers to something of value to the NAFI, not simply a fixed asset). A separation of duties provides a division among:

- 2.2.1. The initiation and authorization of a transaction.
- 2.2.2. The recording of a transaction.
- 2.2.3. The custody of the asset.

2.3. The Controlling Process. To achieve effective internal control requires an understanding of the controlling process. The controlling process includes two steps; the degree of control and internal control standards.

2.3.1. The Degree of Control. The first step of the controlling process is determining the amount or degree of control required for adequate protection of assets. This step involves several factors:

- 2.3.1.1. The first factor is motivating and controlling people. People are the key to an effective internal control system. Activity and functional managers hire and retain competent personnel, and train and motivate them to understand what they have to do, appreciate why they must do it, and agree it must be done.
- 2.3.1.2. The second factor involves determining risk, error, or irregularity. One must determine risk before it can be controlled. "Control risk" is the risk of having too little or too much control as it relates to management's responsibilities to safeguard assets. Once the activity or functional manager identifies a risk, he or she determines whether it should or can be controlled. For example, cash and items readily converted into cash are more at risk and need more controls than equipment.

2.3.1.3. The third factor involves determining the probability of error or irregularity. Determining risk also considers the probability of loss rather than the possibility. Controls can reduce the probability, but rarely eliminate the possibility. A manager's responsibility to safeguard assets requires they be adequately protected and controlled. However, the manager must also weigh the controls to ensure they do not hamper the productivity by the controls implemented for any asset. Contact the Security Forces (SF) crime prevention section for a survey of physical security risks.

2.3.1.4. The fourth factor is achieving reasonable assurance of prevention or detection of errors or irregularities. The cost of control should not exceed the anticipated benefits. Activity and functional managers can usually estimate the direct cost of a specific control as it usually involves known factors such as extra equipment or additional personnel. Effectiveness is more difficult to determine. If an error or risk situation arises, managers must determine if the control being considered will actually prevent or detect the occurrence. Weighing the indirect costs and benefits is the most difficult. Before implementing the control, managers must determine if the new control restricts operations to the extent losses are greater than the assets at risk. Reasonable assurance recognizes determining these factors require estimates and judgments on the part of management.

2.3.1.5. The fifth factor recognizes inherent limitations. To fully consider the effectiveness of internal controls, managers must recognize the following inherent limitations:

2.3.1.5.1. People. People operate the system and represent the major limitation in any control system. Faulty personal performance may result from a misunderstanding of instructions, mistake in judgment, distraction, fatigue, or simple carelessness.

2.3.1.5.2. Circumvention or Collusion. Whenever internal control relies on the work of one person being checked by another, there is always a risk of circumvention or collusion which can reduce or destroy the effectiveness of those procedures.

2.3.1.5.3. Control Override. Procedures can be overridden in certain circumstances. The most notable are bypasses by higher level managers or subordinates under their orders, of controls implemented to monitor the occurrence of errors or irregularities.

2.3.1.5.4. Changing Circumstances. Factors external to the organization such as commercial and political forces are always changing, and internal factors such as changes in operations, systems, or people involved can occur without conscious or complete planning. Accordingly, the effectiveness of controls may be constantly changing and future periods are subject to the risks arising from these changes.

2.3.2. Internal Control Standards. The second step in the controlling process requires activity and functional managers implement internal control standards in AF directives. These standards define the minimum level of quality acceptable for an internal control system and comprise the criteria against which all systems are to be evaluated. There are three types of internal control standards; general, specific, and resolution standards. The following are general standards:

2.3.2.1. Reasonable Assurance. This standard recognizes the objectives of the systems are accomplished, and the cost of internal control and security does not exceed the benefits derived.

2.3.2.2. Supportive Attitude. Attitude affects the quality of internal controls. Managers must demonstrate commitment to achieving strong internal controls through their actions concerning organization, personnel practices, communication, protection, and use of resources through systematic accountability, monitoring and reporting, and general leadership. Adequate supervision, training, and motivation of employees in the area of internal controls are vital to maintaining and demonstrating a positive and supportive attitude toward internal controls at all times.

2.3.2.3. Competent Personnel. Managers and employees must possess personal and professional integrity and maintain a level of competence allowing them to accomplish their assigned duties and understand the importance of developing and implementing good internal controls.

2.3.2.4. Control Objectives. Internal control objectives (desired outcomes) should be logical, applicable, and reasonably complete. This standard requires managers tailor objectives to operations. Complying with this standard requires the manager to identify functions within the activity, or program, and analyze each in detail to ensure control objectives are met.

2.3.2.5. Control Techniques. These are used to accomplish control objectives and should be effective and efficient to continually provide a high degree of assurance the internal control objectives are being achieved. Examples are specific policies, procedures, organization plans such as separation of duties, and physical arrangements such as locks and alarms.

2.3.3. The following are specific standards:

2.3.3.1. Documentation. Internal control procedures and all transactions must be clearly documented and fully support the transaction. Documentation must be readily available and accessible for examination.

2.3.3.2. Recording Transactions and Events. Accounting for NAFIs ensures all transactions and other significant events are promptly recorded and properly classified to maintain pertinent, relevant, and valuable information used to control operations and make decisions.

2.3.3.3. Execution of Transactions and Events. Managers ensure transactions and other significant events are authorized and executed only by persons acting within the scope of their authority.

2.3.3.4. Separation of Duties. To reduce the risk of non-detection, managers ensure no one individual controls all key aspects of a transaction or event. Separate among individuals, key duties and responsibilities in authorizing, processing, recording, and reviewing transactions to ensure effective checks and balances.

2.3.3.5. Supervision. Supervision requires supervisors continuously review and approve their staffs' assigned work to assure achievement of internal control objectives; and

provide guidance and training to their staffs to minimize errors, waste, and/or wrongful acts.

2.3.3.6. Access to and Accountability for Resources. Managers limit access to resources and records to authorized individuals. Managers assign and maintain accountability for the custody and use of resources to reduce the risk of unauthorized use or loss.

2.3.4. The resolution standard requires activity and functional managers take prompt, responsive action on all identified internal control findings and recommendations. Activity and functional managers must correct deficiencies, produce improvements, demonstrate the findings and recommendations are either invalid, or do not warrant further action.

2.3.4.1. Evaluate and test performance against standards. Activity and functional managers perform and document a self-inspection/assessment of their activity or function at least annually to determine if required internal control procedures have been implemented and are functioning effectively. This review consists of two parts: evaluation and testing.

2.3.4.1.1. Evaluation determines whether a control exists, what established it, if it is adequate, and if any controls are excessive and uneconomical for the function's inherent risk exposure.

2.3.4.1.2. Testing determines whether the control is functioning as intended and ensures it is effective in minimizing the risk exposure it was designed to control.

2.3.4.2. Activity and functional managers document the results of the managers' internal control reviews (MICR). This documentation contains information which includes whether the internal control standards are met, identifies any weaknesses, identifies excessive controls contributing to a lack of economy or efficiency, and states the corrective action taken or pending to resolve any discovered internal control weakness. Following an MICR, inspection, or audit report, activity and functional managers:

2.3.4.2.1. Immediately correct any regulatory compliance deficiencies and resolve all noted internal control deficiencies identified.

2.3.4.2.2. Provide appropriate feedback. Advise the MICR program focal point (refer to paragraph 2.6), RM, FSS commander or director, and any other installation NAFI activities of the results of the self-inspection/assessment; include common findings, weaknesses and any unfavorable trends. As appropriate, provide information to the applicable NAF oversight office.

2.4. Internal Control Objectives. Internal controls must provide reasonable assurance the following internal control objectives are achieved:

2.4.1. Obligations and costs comply with applicable directives.

2.4.2. All assets are safeguarded against mismanagement, waste, loss, unauthorized use, and misappropriation.

2.4.3. Revenues and expenditures of operations are recorded and accounted for properly to prepare reliable financial and statistical reports, and maintain accountability of assets.

2.4.4. Resources are effectively and efficiently managed.

2.5. Internal Control Training. The RM ensures managers implement internal control procedures for protection of NAFI assets.

2.5.1. Activity managers must include the web-based NAF Internal Controls Training requirement in their self-inspection checklist and local operating instructions. The web-based training module is available via the Force Support Knowledge Center, <https://fskc.csd.disa.mil> for all military and civilian employees directly involved in the handling of NAF funds or control of specific NAF assets, and those who have oversight of these employees. They must complete the web-based NAF Internal Controls Training within 30 days of hire or assignment and subsequent annual refresher training. (T-0)

2.5.2. FSS unit training managers will document the training, and ensure the training module is available to employees not able to access the Force Support Knowledge Center on-line training.

2.5.3. Activity managers include the training requirement in the activity self-inspection checklist and local operating instructions.

2.6. Managers' Internal Control Review (MICR) Program. The FSS commander or director appoints a focal point to administer the MICR Program. Commanders and managers at every level of the AF must establish, evaluate, improve, and report on internal controls. The AFSVA Commander, installation commander, FSS commander or director may direct a local internal control review in any NAF area (T-0).

2.6.1. The FSS commander or director also ensures managers and NAF Accounting Office (NAF AO) personnel are familiar with the conduct and ethical standards prescribed by the *Joint Ethics Regulation (JER) DOD 5500.7-R*.

2.6.2. Activity and functional managers implement internal controls specified in Air Force directives. Activity and functional managers perform and document a self-inspection/assessment of their activity or function at least annually to determine if required internal control procedures have been implemented and are functioning effectively. If required, implement additional internal controls. Activity and functional managers immediately correct any regulatory compliance deficiencies identified in internal review reports (MICRs, inspections and audits, etc.).

2.6.3. The focal point ensures all activity managers and functional managers of unit-level NAFI operations and functions conducts MICRs of their assessable units and functions. Manager MICRs are in addition to any AF directed MICRs or any other MICRs conducted by the NAF Financial Analyst (NAFFA). Each assessable unit uses these MICRs, audits, and inspections as the basis for preparing the Annual Statement of Assurance for their activity or function.

2.6.4. The RM as custodian (and as MICR Program focal point, if appointed) prepares, directs, and reviews MICRs.

2.6.5. The FSS focal point reviews all MICRs, including those conducted by the NAFFA in accordance with AFI 65-107, *Nonappropriated Funds Financial Management Oversight Responsibilities*.

2.6.6. The FSS focal point reviews other AF directed agency audits and reviews.

2.6.7. The FSS focal point evaluates internal control programs to ensure they provide for an effective organization, operation, and protection against fraud by:

2.6.7.1. Allocating responsibility so no single individual has exclusive control over all phases of a transaction.

2.6.7.2. The RM may permit small operations (an activity with total revenue of less than \$12,000 a year and relatively few personnel) to operate under these circumstances. The RM identifies these activities in writing and retains the appropriate documentation in the NAFI LOF file. The RM conducts a review, at least annually, to determine if conditions have changed and the authorization is no longer required.

2.6.7.3. Documenting the review.

2.6.7.4. Providing continuous managerial review at all echelons of responsibility.

2.6.7.5. Establishing a clear functional line of responsibility and authority.

2.6.7.6. Ensuring a clearly defined position descriptions exist for all NAFI employees.

2.7. MICR Program Responsibilities. Deputy Assistant Secretary of the Air Force Financial Management for Financial Operations (SAF/FMF) is the focal point for the AF Internal Management Program. SAF/FMF designates primary reporting elements and internal control officials according to AFI 65-201, *Managers' Internal Control Program Procedures*. Annually, SAF/FMF tasks all MAJCOM, Field Operating Agency (FOA), and Direct Reporting Unit (DRU) Commanders to prepare and submit the Annual Statement of Assurance.

2.7.1. MAJCOM/Commanders (CCs) identify the assessable units within their command (i.e., MAJCOM divisions and installations) to evaluate for the Annual Statement of Assurance, and appoint a focal point to administer the MICR Program. The MAJCOM/CCs, through the focal points, ensure all MAJCOM-level division chiefs and field installation commanders, including FSS operations, implement the AF MICR Program.

2.7.2. If the annual report identifies an FSS related weakness, the MAJCOM/CC forwards a copy to AFSVA/SV and Headquarters United States Air Force, Director of Services (HQ USAF/A1S).

2.7.3. Installation commanders identify the assessable units within their command (normally squadrons), and appoint an installation focal point (normally the Financial Manager (FM)) to administer the MICR Program. Installation commanders, through their focal point, comply with all requirements of AFI 65-201 and MAJCOM MICR Program initiatives.

2.7.4. The installation focal point tasks assessable units including the FSS/CC or Civilian Leader (CL) to identify their assessable units (e.g., flight, unit, branch, activity, etc.) and appoint a focal point (this may be the RM) to administer the MICR Program. The FSS commander also ensures managers and NAF AO personnel are familiar with the conduct and ethical standards prescribed in DOD 5500.7-R, *Joint Ethics Regulation (JER)*.

2.7.5. The FSS focal point ensures all activity managers and functional managers of unit-level NAFI operations and functions conduct MICRs of their assessable units and functions.

2.7.6. Quarterly, the FSS focal point evaluates the number and type (directed, special, and recurring) of evaluations and reviews performed for the assessable units according to the MICR Program plan.

2.7.7. Each assessable unit uses these MICRs, audits, inspections, and other reviews as the basis for preparing the Annual Statement of Assurance for their activity or function. Managers may use a comprehensive self-inspection/assessment checklist as an alternative to MICRs if not Air Force directed. See AFI 65-201.

2.8. Internal Management Control Reviews of Off-Base NAF Operations. The RM obtains appropriated funds Temporary Duty (TDY) support for the FSS focal point to conduct reviews of off-base NAF operations the local FSS supports under a host-tenant agreement. The reviewing team normally includes the FSS focal point and any other personnel from within FSS operations or the NAF AO to augment the team. Authorized IAW AFI 65-106 as part of Executive Control and Command Supervision (ECCS).

Chapter 3

PHYSICAL SAFEGUARDS

3.1. Protection of Cash. Everyone responsible for or directly concerned with the security of NAF resources must use instruction, AFI 31-101, *Integrated Defense*, and the installation Integrated Defense Plan (IDP). The Defense Force Commander (DFC) may provide guidance for funds storage limits and general resource protection information. The Integrated Defense Council (IDC), SF and other responsible agencies may provide staff and operational assistance if the funds stored in applicable activities meet current thresholds for their coordination. The current threshold for an annual site survey by the installation SF, SF Resource Protection Program (RPP), RPP Manager is \$100,000. For funds facilities storing \$100,000 or more, the owning unit will conduct surveys annually. Funds facilities storing or maintaining less than \$100,000 are exempt from survey requirements. Survey reports may be completed on a single building, facility, room, site, Geographically Separated Unit (GSU), or an entire installation. As a minimum, survey reports must include compliance with physical security standards, administrative records (e.g., inventories key and lock custodians), assessment of non-duty hour and/or nighttime security standards, circulation control assessment, operating instructions, personnel initial and re-occurring training. For facilities maintaining less than \$100,000, while not subject to an annual survey by AFI 31-101, care and consideration needs to be given to proper funds storage. Contact your local SF squadron or DFC to obtain the pertinent guidance (T-0).

3.1.1. The RM approves adequate safeguards for the protection of cash and ensures:

3.1.1.1. There are written operating instructions (OI) used for handling and safeguarding cash. OIs must also include procedures to follow when installed duress alarm systems fail.

3.1.1.2. Only authorized personnel are permitted access to cash or cash equivalents, including those in locked containers or stored in safes.

3.1.1.3. Individuals sign receipts to establish accountability for cash and property transferred to their custody.

3.1.1.4. Individuals do not store or commingle personal funds with NAF cash, even if separate containers are used.

3.1.1.5. Cash is not stored in a safe designated for classified material.

3.2. Funds Storage Limits. The installation commander approves fund storage limits based on the advice and guidance of the DFC and local IDP guidelines. Facilities storing \$100,000 or more will comply with AFI 31-101. The NAF AO and activity keep a record of all fund storage limits in the LOF.

3.3. Funds Containers. Activities use General Services Administration (GSA) approved safes for temporary unattended storage of cash assets awaiting bank deposit, or for overnight storage of change funds for the next day's activities. Funds custodians must ensure containers used to store government funds are certified as to their capability to protect funds. These containers must be GSA approved for funds storage. If the container does not meet GSA specifications, ensure it has an Underwriters Laboratory (UL) label (or foreign equivalent) designating it as a

burglar-resistant safe. If necessary, seek advice from the local SF squadron. The activity manager or designee must be present, in a position of effective safeguard, when a safe is left open for temporary access to cash assets. (T-0)

3.3.1. Standard Form 702, *Security Container Check sheet* is available on-line via <http://www.gsa.gov/portal/forms/download/115582> to document access of the safe. Record access (opening/closure) each time the safe is accessed or locked throughout the business day, and not just at start and end of shift or business day. The form is secured to the exterior of the safe.

3.3.2. Funds Container and Safe Combinations. Control the funds' container combination and restrict it to the minimum number of persons. As a minimum, change the combination at least annually, when transferring, discharging, separating, or reassigning an individual who has access to the container, and when directed by the installation's IDC.

3.3.2.1. Use a locally devised form, in two parts to store the safe combination, document the combination change, and list the individuals with access to the safe. Prepare a new form each time the combination is changed. Attach one part of the form to the inside of the container. Maintain a sealed envelope with the other part in a locked container in a different secure location (usually the NAF AO, but it doesn't have to be).

3.4. Funds Storage Rooms. A funds storage room is a space specially selected for containing a funds storage container during non-operating hours. For dollar thresholds see paragraph 3.1. Per AFI 31-101, paragraph 8.4.4.9, the following criteria are considered minimum requirements: Doors will be constructed of 1 ¾ inch solid or laminated wood with U.S. 12-gauge steel plate on the outside face; or standard 1 ¾ inch hollow metal, industrial type construction with minimum U.S. 14-gauge skin plate thickness, internally reinforced vertically with continuous steel stiffeners spaced 6 inches maximum on center. Door bucks, frames, and keepers will be rigidly anchored and provided with anti-spread space filler reinforcement to prevent disengagement of the lock bolt by prying or jacking the door frame. Also, the frames and locks for both interior and exterior doors will be designed and installed to prevent removal of the frame which faces the built-in locking mechanism. Frames must also be designed to prevent spreading sufficiently to disengage the lock bolt from outside the protected room when the door is closed and locked. Construction requirements for doorframes and thresholds must be exacting as those for the door. For example, where metal doors are used, the frame and thresholds must also be metal. A Class 5 steel vault door with a changeable combination may be used instead of other doors and locks. When choosing the proper type of hinge for secure area doors, apply the following criteria: The hinge must be strong enough to withstand the rigors of constant use and the unusual weight of the door. Hinges will have fixed pins. Exposed hinges will be peened, or spot welded, or otherwise protected to prevent removal.

3.5. Funds Escort Procedures. Funds escort procedures are determined by the IDC and published in the IDP. When needed, FSS facilities are encouraged to contract with security escort providers, when it is cost effective and warranted by the risk presented.

3.6. Intrusion Detection Systems (IDS). Refer to paragraph 3.1.

3.7. Cashier Area. The cashier area serves two purposes: identification and security. It is designed to tell customers where to get service, protect funds and related documents and forms while in the care of the general cashier, and reduce interference by other personnel. To ensure

the area is secure and unauthorized individuals do not have access to the activity's general cashier and other cashier check-cashing areas (for example, club cashier cages), the activity manager:

- 3.7.1. Posts signs outside of the area reading, "Authorized Personnel Only."
- 3.7.2. Posts a list of individuals authorized access to the area inside the cashier area. This requirement is in addition to signs required by AFI 31-101, for controlled areas in facilities maintaining \$100,000 or more, or other controlled areas as designated by the IDC.
- 3.7.3. Ensures the entrance is locked at all times using a key or an electronically controlled lock entry.
- 3.7.4. Ensures the cashier's area contains one or more locking cash drawers with one or more authorized safes.
- 3.7.5. Ensures the cashier area has at least one cashier window.
- 3.7.6. Ensures use of the work area exclusively for cashier activities. Ensures the work area is large enough to segregate general cashier funds from check-cashing cashier funds.
- 3.7.7. Equips cashier work areas with emergency lighting.
- 3.7.8. Ensures a secure place is available where other cashiers pick up their change funds, turn in their receipts, and complete AF Form 1875, *NAF Individual Cashier's Report*.
- 3.7.9. Conducts a security check of the cashier area upon closing and ensures all funds are properly deposited or stored and all documents and forms are properly secured. The manager may designate another individual to perform this function.

3.8. Cashiers' Responsibilities. Before leaving the work area, cashiers:

- 3.8.1. Secure documents and forms in a locked safe or drawer and secure the entrance to the cashier's cage if leaving the general cashier area. If the cashier is being relieved or departing the area, he or she must pass on or secure the funds, documents, forms, and cashier's cage according to local cash control OIs. The transfer (pass on) of funds must be documented with the amount being transferred and written signatures from the transferring and receiving individuals (T-0).

3.9. Cash Registers. Use cash registers in activities where the volume of regular cash receipts is \$1,000 or more per month. Activities with cash receipts less than \$1,000 per month may use a locking cashbox. Do not use cash registers to store cash during non-operating hours. Store cash during non-operating hours in a locked safe or other secure storage area according to AFI 31-101. (T-0)

- 3.9.1. Managers must observe cash registers and cashboxes to be sure they are secure and unauthorized people cannot gain access to them when they contain cash.
- 3.9.2. Cash register drawers will be left open and empty when the register is not in use. This is to prevent unnecessary damage in the event of attempted theft or burglary.
- 3.9.3. Managers ensure cashiers receive training on required internal control procedures and perform their duties according to established OIs.

3.9.3.1. All cashiers as well as all oversight and supervisory individuals complete the mandatory initial and annual refresher internal control training module through the FSS training manager. (See Chapter 2.)

3.9.4. Cashiers ring up each sale in view of the customer and give the customer a register receipt. The receipt may be a register "kick-out" tape, guest check, or other customer receipt media.

3.9.4.1. The requirement to provide the customer with a receipt (kick-out tape) may be waived locally according to AFI 34-201. Before requesting a local waiver, managers must consider the following factors:

3.9.4.1.1. Location of the cash register; it must permit a visual display to the customer.

3.9.4.1.2. Descriptive or visual display features of the equipment.

3.9.4.1.3. Provide an alternate means of satisfying customers' receipt requests.

3.9.4.1.4. Opportunity for cash register manipulation; over, short and no sale rings.

3.9.4.2. No receipt at point-of-sale for credit card sales \$25 or less. Activities interested in speeding up check-out and facilitating customer service should consider this option. Ensure customers are asked whether they would like a receipt or not. Remember to contact AFSVA/FM for the proper re-programming of your swipe terminal before beginning this procedure.

3.9.5. Cashiers must not adjust an incorrectly rung sale on a subsequent sale. Managers instruct cashiers to account for an error using AF Form 645, *NAF Cash Register Adjustment*; annotate the cash register tape to flag the error; and attach the AF Form 645 to AF Form 1875.

3.9.5.1. Point-of-Sale (POS) systems require managers or designees use a restricted passcode to authorize system voids for completed sales transactions (or over rings). Cashiers must complete AF Form 645 for POS voids and over rings in the absence of a manager or designee assigned the restricted pass code. The RM ensures void procedures are clearly stated in local operating instructions.

3.9.6. In most instances, no more than one cashier must work out of a single cash register drawer. However, this is permitted in small activities (total annual revenue under \$12,000, with relatively few personnel), or on an exceptional case-by-case basis in larger activities when necessary in the interest of customer service. Blanket designations are not authorized. (T-3)

3.9.6.1. The RM designates, in writing, those activities authorized to operate with more than one cashier per drawer with adequate controls to safeguard funds and provide a satisfactory audit trail of accountability.

3.9.6.2. The RM approves an activity-specific OI to ensure internal control of cash when more than one cashier operates from a single drawer. Keep written authorization at the activity and file a copy in the NAF AO maintained LOF file.

3.9.6.3. Conduct a review, at least annually, in each authorized activity to determine if conditions have changed and the authorization is no longer required. Document the review.

3.9.7. The activity manager controls cash register reset and read keys.

3.9.7.1. The activity manager ensures operators do not reset registers. Resetting of period cumulative totals (e.g., daily, weekly) is permitted if the register is so equipped and if the cumulative journal register is not reset.

3.9.7.2. The activity manager limits access to reset ("Z") keys or reset function (e.g., passcodes used with password-protected software for Point-of-Sale systems) to supervisory personnel responsible for preparing registers for the next day's business.

3.9.7.3. The activity manager tags reset keys not needed to read or lock the register, and then forwards to the custodian for safekeeping.

3.9.7.4. The manager or designee controls the read keys or passcodes and limits access to read ("X") keys and passcodes to supervisors, head cashiers, and other staff performing cashier shift changes during a business day.

3.9.7.5. The activity manager or designee ensures cashiers, including window or specially designated cashiers, never possess read keys or passcodes unless necessary to operate the register. Operations in which management is not always available (e.g., 24-hour lodging operations) may want to apply for a local waiver to permit the incoming cashier use of the read key to ring out the outgoing cashier and subsequently pass the key to each succeeding incoming cashier. Before requesting a local waiver, be sure to consider the following important factors:

3.9.7.5.1. The size of the operation and volume of business receipts involved.

3.9.7.5.2. Potential risks involved in permitting cashiers to verify receipts and determine cash over or short before turn-in.

3.9.7.5.3. Other duties of cashiers.

3.9.7.5.4. Requirement for an alternative internal control procedure.

3.9.8. At the end of each shift, the activity manager or designee reads cash registers, writes the register identification and date on the tape, records the register readings, and removes the tape. For POS systems, the activity manager or designee runs the appropriate shift closeout or summary reports. Cashiers complete AF Form 1875, (or systems generated form providing individual cashier accountability), and turn-in or deposit receipts. If impractical to turn-in or deposit cash receipts (e.g., 24-hour lodging operation), receipts may be stored overnight in an approved storage area and container.

3.10. Use of Marked Money. AFI 31-101, outlines the specific procedures for using "marked money" when storing \$100,000 or more. For facilities storing less than \$100,000, the following procedures apply:

3.10.1. If more than \$7,500 cash is stored in a container, safe or vault, or used at a cashier cage or register:

3.10.1.1. Include at least three \$20 bills in an unmarked packet. This also applies to foreign currency, where applicable.

3.10.1.2. Record the denomination, serial number, and series year (including letter suffix) of each bill.

3.10.1.3. Store the information in a locked container separate from the funds.

3.10.2. The manager ensures cashiers place marked money in cash drawers and safes in such a way as to avoid suspicion or alert unauthorized persons of its presence. Never staple marked money together, paperclip, or store separately from other funds.

3.10.3. Cashiers may inadvertently use marked money during the normal course of business to make change. If used, the cashier marks different currency repeating the procedures above.

3.11. Using AF Form 2555, NAF Cash Collection Record. Activities or functions without cash registers use AF Form 2555 to record sales and services. Customers sign the form after each transaction. The form is not required if using a cash register. However, managers may elect its use for additional control. Use in conjunction with a cash register does not require the customer's signature. *EXCEPTION:* Some concessionaire operations require customer signatures to record and verify sales. Attach the completed AF Form 2555 to the AF Form 1875 as supporting documentation. In concessionaire operations using NAFI-owned Point-of-Sale (POS) registers with kick-out tapes, AF Form 2555 is not required.

3.12. Controls for Special Events. When AF Form 2555 or a cash register is not practical for special events such as carnivals, ball games, installation open house days, etc., use AF Form 2045, Bingo Perpetual Inventory. The activity manager, RM, FSS commander or director instructs the individual or individuals they designate as responsible for controlling sales and merchandise to use AF Form 2045 (Requires original and two copies for both issue and return). The designated individual ensures all items are issued and turned in at their retail price, and enters the total retail price for each item on the AF Form 2045 on issue and turn-in.

3.12.1. On issue, the designated individual gives the original to the person receiving the merchandise; retains a copy, and sends a copy to the NAF AO.

3.12.2. On turn-in, the designated individual gives the original to the person returning the merchandise; retains a copy for the cashier, and sends the other copy to the NAF AO.

3.12.3. The cashier computes the cash accountability; compares the retail value of the issues less the retail values of the returns, and attaches copies of all AF Forms 2045 to AF Form 1875. The cashier reports all overages and shortages to the activity manager who takes appropriate action according to Chapter 8.

3.13. Employee Conduct During and After a Robbery. The primary consideration during a robbery is always the safeguarding of human life. Managers provide employees training on procedures to follow in the event of a robbery, including avoiding any actions potentially posing increase danger to customers or employees. The RPP Manager will conduct an anti-robbery exercise in all facilities storing over \$100,000 at least annually. All funds storage facilities, regardless of amount, conduct anti-robbery training for their personnel as determined by the IDC (See AFI 31-101.). Train employees to:

- 3.13.1. Activate the robbery alarm system and surveillance system during the robbery if it can be accomplished safely for locations with an alarm and/or surveillance system.
- 3.13.2. Follow the robber's special instructions or note.
- 3.13.3. Give the robber the amount demanded and if possible, include marked money.
- 3.13.4. Observe the robber's physical features, voice, accent, mannerisms, dress, and if applicable, identify the type of weapon displayed, and any other characteristics useful for identification purposes.
- 3.13.5. Observe the direction of the robber's escape, and description, license plate number and state of issue of the escape vehicle used.
- 3.13.6. Telephone SF when it is safe, and inform them a robbery has been committed.
- 3.13.7. Secure the scene of the robbery to avoid disturbing any fingerprints left by the robber; avoid unnecessary handling of any evidence; and safeguard evidence for SF personnel.
- 3.13.8. Designate an individual, when safe, to wait outside the office for SF personnel.
- 3.13.9. Determine and record the names and addresses of persons witnessing the robbery or escape.
- 3.13.10. Avoid discussing details of the robbery with others before reporting observations to the SF personnel.
- 3.13.11. Notify the activity manager, RM, and FSS commander or director and comply with additional instructions as locally determined.

3.14. Fire Prevention. Activity managers must support the Air Force Fire Emergency Services (FES) Program and comply with procedures outlined in AFI 32-2001, *Fire Emergency Services Program*. (T-0)

3.15. General Building Security. Activity managers must perform regular inspections of facilities under their control.

3.16. Forms and Records. The NAF AO and operating activities must provide adequate storage facilities to secure pre-numbered and controlled forms, automated inventories, accounts receivable records (where authorized), membership applications, and all Privacy Act protected information. A locked room with limited access satisfies this requirement. See Chapter 4 for pre-numbered forms controls. (T-0)

Chapter 4

CONTROLLING CASH & CASH EQUIVALENTS

4.1. Definition of Cash. Cash refers to coin, currency, traveler's checks, and all other negotiable instruments such as blank checks, money orders, and gift certificates. Properly endorsed checks (refer to paragraph 4.18) are not considered negotiable instruments. Minimum physical safeguards and other cash protection requirements are specified in Chapter 3 and AFI 31-101.

4.1.1. Document and control checks at all times. Store blank check stock (if used at your location), coupons, gift certificates, and any other items easily converted to cash in a locked room, locked container, or safe. For normal minimum physical safeguards and other cash protection requirements (see AFI 31-101).

4.1.2. The USAF NAF Property and Liability program provides coverage for losses caused by dishonest acts involving NAF assets for all NAFIs. See AFI 34-208, *Nonappropriated Fund Property and Liability Program*, for coverage limits for money, securities, inventories, furniture, fixtures, and equipment.

4.2. Controlling Cash. Managers ensure cashiers have no accounting duties other than preparing reports and data associated with cash handling functions. Cashiers may not have access to accounts receivable records or other data used to update the general ledger or subsidiaries. The activity manager submits a formal request to the RM for approval to operate under varying conditions on a case-by-case basis when compliance is not cost effective, operationally practical, or physically possible. If approved, the RM instructs the activity manager to review the cash handling requirement once a year. All requesting and review documentation is maintained in the LOF file. **EXCEPTION:** Activities using a POS system enabled to update accounts receivable may permit cashiers access to these records.

4.3. Bank Deposits. The FSS commander or director and RM ensure operating managers avoid accumulating cash in excess of operating needs. Activity managers keep cash on hand to a minimum by making daily deposits to the central cashier or financial institution.

4.4. Central Cashier Depository. Each installation establishes a central cashier operation, to include a night depository as required designed to provide a one-stop service for installation activities to make deposits, turn in deposit forms, and obtain change funds, unless local circumstances justify a waiver of this requirement. Submit waiver requests to AFSVA/FM (T-0).

4.5. Central Cashier Responsibilities. The RM designates central cashier responsibilities, including receipting for funds and AF Form 1878, *Central Cashier Deposit Receipt*, from all NAF revenue producing activities. The central cashier consolidates all activity receipts into one deposit for all NAFIs, and makes one daily cash and/or check deposit to the financial institution. Installations using the electronic over the counter check processing function will continue to process checks daily through the Treasury Department for electronic check deposits. (T-0) Daily, the central cashier will:

4.5.1. Counts all cash and negotiable instruments physically present in the central cashier depository using AF Form 2556, *NAF Surprise of General Cashier's Cash Count*.

4.5.2. Records receipts turned in by activities, change funds issued or turned in, and the amount of transfers to NAFIs to AF Form 1877, NAF Central Cashier Control Log. The approved AF Form 1877 is electronically transmitted to the Shared Service Center (SSC) Cash Reconciliation Branch for processing and posting to the general ledger. NOTE: Internal control requires the presence of two individuals in the central cashier depository to open locked activity deposit bags containing receipts left in a designated night depository or with another activity overnight for turn in to the central cashier.

4.5.3. Consolidates all funds received, and prepares a bank deposit slip in triplicate for all checks and excess cash. Retains one copy of the deposit slip and sends the original and one copy to the servicing financial institution with the deposit. An authorized individual may hand-carry daily deposits or they may be picked up by an armored car service, if warranted. If funds are hand-carried, advise the security forces control center prior to leaving the secure area and follow the guidance of AFI 31-101.

4.5.4. Reconciles AF Form 1877, establishing accountability for the central cashier funds and submits to the RM or designee for approval.

4.6. Functions of the Central Cashier. Each installation establishes a central cashier unless local circumstances justify a waiver of this requirement. AFSVA/FM approves waivers. The RM ensures the central cashier operation provides banking services for installation activities and NAFIs to make deposits, obtain change funds, and a separate location to turn in daily paperwork (T-3).

4.6.1. Use the central cashier operation to:

4.6.1.1. Centralize control to increase efficiency.

4.6.1.2. Save valuable time.

4.6.1.3. Decrease the amount of banking transactions.

4.6.1.4. Increase internal control by ensuring receipts from all activities are deposited in a timely manner.

4.6.1.5. Consolidate receipts into one deposit for each NAFI for deposit at the banking facility.

4.6.1.6. Supply foreign currency for activities authorized accommodation sales.

4.6.2. The central cashier is not a check cashing facility for individuals.

4.6.3. The RM notifies AFSVA/FM prior to implementing a central cashier operation.

4.6.4. The RM prepares operating instructions to establish internal control procedures ensuring required separation of duties and responsibilities according to generally accepted accounting principles.

4.6.5. With the cooperation of the IDC and security forces, develops anti-robbery training procedures.

4.6.6. The RM, with the activity managers, establishes a schedule of activity central cashier deposits. The schedule should consider the work load of the activity and NAF AO, and the hours of operation of the local financial institution.

- 4.6.7. Ensures central cashier hours correspond to the normal work hours for the installation, and are responsive to the needs of the activities.
- 4.6.8. Gives consideration to re-circulating cash when establishing a schedule. For example, FSS cash producing activities should turn in their receipts first; clubs, as cash users, should turn in their receipts last.
- 4.6.9. The RM, or designee, conducts quarterly surprise cash counts and periodic reviews of the central cashier operations.
- 4.6.10. The RM, or designee, ensures the level of funds the central cashier maintains meets the needs of the activities and at the same time retains a minimum balance in the central cashier fund.
- 4.6.11. The RM or designee approves purchases of cash from outside sources to replenish the central cashier.
- 4.6.12. NAF Accounting Office (personnel other than the central cashier) verifies the deposit and change fund amount daily and attaches the bank validated copy of the deposit slip to the original AF Form 1877. Performs various reconciliation and validation functions associated with revenue processing.

4.7. Activity or General Change Fund Cashier Responsibilities. The activity or general change fund cashier balances daily receipts on AF Form 1875 or POS generated cashier reports.

- 4.7.1. Prepare AF Form 1876, *NAF Consolidated Cost Center Report*. The activity manager or designee approves and submits completed AF Form 1876 electronically to the SSC along with documentation required to support the deposit. Print two copies keeping original signature with original supporting documents and turn into the NAF AO. Retain a copy in the activity.
- 4.7.2. If any application/system has a validated CAC enabled electronic signature taking the place of a wet signature, it may be deemed a system of record. The system is then used to store the electronic and paper copies until no longer required.
- 4.7.3. Prepare AF Form 1878, *Central Cashier Deposit Receipt*. Turn in all cash receipts and AF Form 1878 to the central cashier or designated night depository according to the established schedule.
 - 4.7.3.1. The central cashier returns the original AF Form 1878 and a second copy to the activity, and retains a third copy to use in preparing the daily consolidated deposit. The activity manager or designee forwards the original AF Form 1878 to the NAF AO with AF Form 1876.
 - 4.7.3.2. The activity or general change fund cashier also maintains and balances the activity change funds. The activity cashier may request change fund replenishment or increase from the central cashier to meet activity check cashing requirements. This is done by exchanging customer's checks for cash at the central cashier depository. This exchange of funds requires no accounting entry; the cashier completes AF Form 1878 indicating the total amount of checks turned in less the cash received.
 - 4.7.3.3. Temporary increases to activity change funds for paydays, weekends, holidays, and special events are approved by the RM. Temporary increases must be within

approved fund storage limitations as stated in the LOF. The activity manager gives the central cashier a minimum of two business days advance notice for the temporary fund increase to ensure availability of funds. (T-3)

4.7.3.3.1. The activity completes an AF Form 2539, *NAF Disbursement Request*, receives RM approval prior to obtaining the funds from the central cashier. This transaction does not require a check or processing through accounts payable. The NAF AO prepares and processes an AF Form 1876 to record the change fund increase entered on AF Form 1877 with supporting documentation. The activity manager signs for the temporary increase using AF Form 2557, *NAF Cash Receipt Voucher*. Attach the AF Form 2557 with the original receipt and file in the LOF file in the NAF AO.

4.7.3.3.2. The activity cashier includes turn-in of any temporary increases to change funds in the normal deposit of cash receipts on AF Form 1876 on the first workday after completion of the special event. Point-of-Sale systems which process the individual cashier reports and consolidated cashier reports will need to be printed out and filed. If the system cannot properly retain/store the report, then reproduce the form in a readable format as needed for accounting and audit work.

4.8. Night Depositories. Use night depositories when your cash supply at closing time exceeds the overnight fund storage limits.

4.8.1. The FSS commander, director, or RM requests installation banking facilities install a night depository when required. Do not use NAFs to establish a depository within the installation banking facility.

4.8.2. The RM may prescribe a consolidated change fund storage depository to supplement the bank's night depository. The RM may require some activities to deposit receipts in the night depository while placing change funds in a consolidated depository (for example, a club or bowling center) when the activity does not have adequate security available.

4.8.3. The RMs on installations without night depositories must provide activities with a suitable safe and all other required security measures for storing cash during non-banking hours.

4.9. Cashiers' Deposits. Most activities deposit all cash receipts daily, including checks cashed from the check-cashing change fund. With approval of the RM, small activities which take in minimal amounts of cash (i.e., fitness centers and libraries) may make deposits weekly, monthly, or when receipts exceed \$200. Individual cashiers maintain daily cash and receipt accountability using AF Form 1875. Report credit card charges daily using AF Form 1876.

4.9.1. The RM designates, in writing, activities authorized to operate under this policy. The RM establishes a regular deposit schedule for these activities, reviews their fund storage authorizations, and verifies overnight storage authorization for an amount equal to the amount of their change funds plus \$200. These activities must deposit all receipts by the close of business on the last day of each month. The central cashier monitors the deposits and reports missing deposits to the RM (T-3).

4.9.2. If the FSS commander or director or site commander, upon the recommendation of the RM, determines the distance to the depository, or other circumstances preclude making daily

deposits, they may permit activities to hold receipts until the last banking day of the month if fund storage limits are not exceeded. Do not carry receipts from one accounting period to another.

4.9.3. The activity cashier prepares a bank deposit slip in an original and two copies when a central cashier operation does not exist and for night deposits to the installation banking facility. The cashier submits the original and one copy to the bank for validation and attaches one copy to the AF Form 1876 submitted to the NAF AO.

4.9.3.1. The NAF AO receives the validated deposit slip from the bank and compares it to the suspense copy of the deposit slip for accuracy. The NAF AO advises the RM and activity manager if differences exist, or if there is an unreasonable delay in receiving the validated copy. The RM and activity manager immediately resolve any problems identified.

4.9.3.2. If the distance to the depository is too great to permit making cash deposits in person, they may be mailed using postal money orders. Do not deduct the cost of money orders from receipts to be deposited. Use petty cash funds to purchase money orders.

4.9.3.3. Overseas remote locations may exchange daily cash receipts or excess cash at the local Financial Services Office (FSO), when permitted, for a United States (U.S.) Treasury check.

4.9.3.4. The NAF AO maintains a list of all checks or postal money orders mailed to off station depositories until deposit validations are received. Make the list in sufficient detail to aid in recovering of funds in the event checks are lost, stolen, or destroyed.

4.9.4. Overseas areas should exchange cash for U.S. Treasury checks when transmitting funds to the U.S. Use the same procedures for deposits mailed to an overseas military banking facility or financial institution designated as an authorized depository by the US Treasury. The US Treasury Department authorizes all overseas military banking facilities to charge a fee for all uncollectible checks deposited. The RM and NAF AO ensure this charge is passed on to the maker or endorser of the check when collection is made.

4.10. Surprise Cash Counts. All FSS activities and functions are subject to surprise cash counts.

4.10.1. The activity manager, or designated representative, who has no involvement with the cash function, makes a surprise cash count of all change funds, imprest funds, and receipts on hand in the activity at least quarterly. In small activities where the activity manager usually performs cashier duties, the flight chief appoints an individual to conduct the surprise cash count. The cash count of the funds controlled by a general change fund cashier includes all "banks" which have not been issued to other cashiers. The individual performing the cash count determines whether to count banks already issued (in operation). While it is not necessary to count these banks each time when performing a surprise cash count, they must be counted at least annually. When these banks are not counted, the individual conducting the cash count verifies the general change fund contains a receipt for each bank issued from the fund (T-0).

4.10.2. The RM, or designee, performs a quarterly surprise cash count of the central cashier at least quarterly.

4.10.3. At least once during the fiscal year, the NAFFA or designated representative, conducts a surprise cash count of all change and imprest funds at each activity within a NAFI.

4.10.4. When it is not practical or economical to travel to satellite or off-base activities to conduct surprise cash counts, the NAFFA requests the Financial Manager (FM) or site commander (as appropriate) appoint an independent individual on site to conduct the surprise cash count at least once during the fiscal year at each off-base activity. File the AF Form 2556, or locally devised form documenting the annual cash count in the activity, and forward a copy to the NAFFA requesting the count.

4.11. Performing Surprise Cash Counts. All activities use AF Form 2556 (or similar locally devised form) for surprise cash counts. The individual performing the surprise cash count reviews the source document and verifies the amount of the change or imprest fund being counted, and the name of the person who signed for the funds. Change funds are subject to fund storage limitations. Report any funds identified exceeding established limits to the activity manager or RM. The individual conducting the cash count:

4.11.1. Counts like items or denominations of currency and coins together and enters individually on AF Form 2556, or similar form. When counting funds for a general cashier, consider the change funds transferred out to cashiers and deposits transferred in from a shift's receipts.

4.11.2. Reviews expenditures and advances from petty cash to ensure they were approved and are supported by AF Form 2557 or AF Form 1401, *NAF Petty Cash/Refund Voucher*. Ensure, when added to the cash on hand, the balance equals the amount of funds signed for and recorded in general ledger account code (GLAC) 105XXXX.

4.11.3. Determines accountability of cashiers' banks including payments for dues, fees, charges, and accounts receivable, by reconciling beginning cash, receipts, and accountable forms including ringing out the cash register. Consider any difference between cash on hand and the computed cash accountability a cash overage or shortage..

4.11.4. Counts the cash in the presence of the individual who signed for the funds. Ensure the individual does not leave the area while the count is in progress. In a large activity with more than one cash handling area, count funds simultaneously. This may require a cash count team augmented with additional personnel. Counts a variety of funds located adjacent to one another one at a time, or, if enough personnel are available, simultaneously, to prevent transfer of moneys between locations to cover a shortage.

4.11.5. Carefully examines the cash counting area and containers and ensures all cash is counted. Immediately reports any IOUs, post-dated checks, personal or payroll checks from the cashier, or the withholding of deposits by cashiers, to the activity manager and RM.

4.11.6. Discusses the results of the cash count and observations made during the count with individuals involved, (e.g., cashiers, activity manager, and RM). When the activity manager or representative, designated in writing, performs the cash count, retain AF Form 2556 in the activity, and provide FM a copy for the NAFFA's review.

4.12. Cash Refunds. The RM may authorize activity managers to approve cash refunds not to exceed \$500. The RM ensures adequate supporting documentation and internal controls exist to substantiate cash refunds. Record refunds on AF Form 1401 or use refund vouchers programmatically produced by the automated lodging billing or Point of Sale System. Activity managers do not approve refunds for special order merchandise that cannot readily be sold to another customer or returned to the vendor. Activity managers only approve refunds including complete customer identification, (name, address, and telephone number) and signature. Indicate the amount, item or service, and reason for the refund on the refund authorization. When authorized by the RM, refunds may be paid from the day's receipts or from a petty cash fund. Consider refunds paid from receipts when preparing the AF Form 1876. Attach the original refund voucher with the original sales slip (when available) to the AF Form 1875.

4.12.1. Do not process a credit transaction except as a correction or valid refund for a previously processed credit card charge transaction; credit a customer's account for refunded charge sales. This refund must be using the same credit card as the original purchase. Never give a cash refund for a sale made on a credit card. (T-0)

4.12.2. Credit card refunds or adjustments shall not exceed the original transaction amount. The RM ensures adequate supporting documentation and internal controls exist to substantiate refunds.

4.12.3. Refunds or adjustments shall not be combined for multiple receipts. Individual refunds or adjustments shall be processed for each individual original receipt.

4.12.4. Credit card refunds shall not be processed more than 90 days after the original transaction date. If a transaction was conducted with a credit card no longer valid, (expired, account closed), or a prepaid card that has been discarded (Visa or MasterCard gift card) and the cardholder is returning items, an exchange of merchandise, in-store credit, or re-issue of a gift card may be authorized by the activity manager or supervisor. A cash refund is unauthorized in these situations.

4.13. Controlling Checks and Other Negotiable Instruments. Since checks are highly susceptible to being converted to cash, document and control their receipt, issue, and return at all times. Store blank check stock, coupons, money orders, gift certificates, and related items used as cash or as a cash substitute in a locked container, locked room, or safe. Gift Cards are not a cash equivalent until they are activated. It is encouraged to display inactivated gift cards so our customer can see and purchase easily.

4.14. Cashing Checks. The activity manager ensures information is readily available to customers on the Privacy Act provisions according to AFI 33-332, *The Air Force Privacy Program*, and the activity's check cashing policy. The activity manager or designee should post a sign at the cashiers' area stating the check cashing policies and penalties incurred on all returned checks. The sign:

4.14.1. Lists authorized types of negotiable instruments accepted for cashing and the limits for each.

4.14.2. Requires customers to show an identification (ID) card to cash a check.

4.14.3. Specifies the amount of the returned check service charge.

4.14.4. Prohibits the requirement to provide Social Security Numbers (SSNs).

- 4.14.5. Specifies the endorser is responsible to the FSS if the check is returned.
- 4.14.6. States checks initially declined will be re-presented electronically.
- 4.14.7. Activities cash checks for authorized members or customers only. Cashiers cash two party checks only with the approval of the activity manager or designee. When accepting two party checks, cashiers verify the first party placed their endorsement in the proper location on the back of the check.
- 4.14.8. Cashiers initial checks verifying the check bears the member's name, grade, last eight digits of the club membership card number (for club members), organization or assignment (branch of service for retirees), and mailing address. This information facilitates timely follow-up and collection actions on returned checks.
- 4.14.9. In most cases, the activity will have the SSN for patrons in another database, e.g., Club Works. Do not create a list of SSNs outside of an approved non-Services database. Collection and storage of SSNs is prohibited.
- 4.14.10. Activities do not cash their employees' NAF payroll checks unless the employee has a membership in the employing activity. Justification for approval of local waivers to this requirement must consider the following conditions:
 - 4.14.10.1. Isolation of the activity.
 - 4.14.10.2. Distance and availability of a banking facility for employees to cash their checks.
 - 4.14.10.3. Volume of the check cashing activity and its impact on the activity's capability to serve its patrons.
 - 4.14.10.4. Cash on hand limits.
 - 4.14.10.5. Impact on cash flow.
 - 4.14.10.6. Local environmental conditions and related risk.
 - 4.14.10.7. Need for a comprehensive OI to prevent compromise of internal controls.
 - 4.14.10.8. The potential for collusion or compromise of internal controls, or both.
- 4.14.11. Cashiers do not cash their own checks (personal or payroll) from a change fund or cash receipts for which they are currently responsible. This includes initiating a credit card transaction to refund their credit card.
- 4.14.12. The FSS commander or director may authorize individual activities to accept checks for up to \$20 over the amount of a completed transaction. Do not grant blanket approval for all activities to cash checks over the amount of purchase. The NAF AO maintains the approval in the LOF file. Activity managers submit requests with adequate justification to the FSS commander or director. As a minimum, justification for approval must consider the following factors: (T-3)
 - 4.14.12.1. Isolation of the activity.
 - 4.14.12.2. Local environmental conditions and related risk.
 - 4.14.12.3. Funds storage limitation.

4.14.12.4. Volume of the check cashing activity and its impact on the activity's capability to serve its patrons.

4.14.12.5. A review of the activity's returned check history and the adverse effect of a possible increase in returned checks from patrons.

4.14.13. The FSS commander or director, with the installation commander's approval, may increase installation check cashing controls and follow-up actions when conditions warrant.

4.15. NAF Service Charge for Returned Checks. The service charge for all returned checks is \$25.00, payable to and automatically pulled to the SSC. The NAF service charge is in addition to any bank charge on returned checks.

4.16. Checks and Cash Received By Mail. All activity and functional managers ensure no employee has immediate access to cash funds while opening incoming mail and removing checks and cash. The activity manager designates an employee within the activity other than the general cashier or accounts receivable clerk to open the incoming mail and remove all checks and cash (T-0).

4.16.1. The designated employee lists checks daily, indicating the number and date of the check, the account number and credit amount, and name of the maker. Checks processed through the electronic check deposit function are not endorsed. Checks included in the daily cash receipts, deposited to a local financial institution, and must be endorsed using the endorsement stamp supplied by AFSVA Budget Branch (FMB). Once all checks are entered, the designated employee totals and signs the list and gives the checks and list to the general cashier.

4.16.2. The general cashier verifies and initials the total on the list certifying it is correct, deposits the checks, and prepares a single receipt for the total amount and attaches the list of checks as backup.

4.16.3. The activity manager includes cash payments received by mail in the activity cash handling instructions, including making random reviews by initialing the list on a monthly basis to ensure all checks received become part of each day's receipts and are included in the general cashier's report.

4.17. Endorsing Checks. Checks processed through the electronic check deposit function are not endorsed. Checks included in the daily cash receipts, deposited to a local financial institution, and must be endorsed using the endorsement stamp supplied by AFSVA/FMNTB. The endorsement stamp is printed as follows: (T-0)

4.17.1. Line 1: For Deposit Only

4.17.2. Line 2: Name of Bank or Credit Union (only if required by the local bank)

4.17.3. Line 3: Local Bank Account Number

4.17.4. Line 4: Dept of AF, Air Force Financial Management Fund (AFFMF)

4.17.5. (**“Return check to bank name/account number” is included in the bank stamp**)

4.18. Returned Checks. All returned checks are consolidated and processed by the U.S. Treasury or the concentration bank. Checks returned by the check writer's financial institution are re-presented electronically for collection on the 1st and 15th of the month if returned upon

initial presentation. The SSC is responsible for the redemption of all returned checks, proper accountability for the checks, and follow-up collection actions. In the event a returned check is returned to the NAF AO, forward to the SSC for debt collection.

4.18.1. The SSC notifies the NAF AO of the write-off amount when a check fails re-presentation is deemed uncollectible. The SSC approves write off amounts up to \$2,500 for uncollectible returned checks. Write off of returned checks over \$2,500 must receive NAF Council approval. After the NAF AO notifies the SSC the NAFs Council's approval of the write-off, the SSC processes all eligible debts for collection via the TOP. All payments received from the TOP are sent directly back to the installation where the debt originated via Cash Management Investment Program (CMIP) (T-0).

4.18.2. A due process letter is forwarded by the SSC to the debtor, informing the debtor of the AF debt including applicable bank and processing fees. Returned check expenses are charged to the activity where the check was cashed.

4.19. Redemption of Returned Checks. If an individual approaches a Services activity wishing to redeem a returned check based on a notification from his/her financial institution, activity employees should advise the individual two attempts will be made to re-present the check. The NAF AO is the redemption point for debtors who have received SSC notification in writing of the debt and want to make a payment for returned checks at the installation. The NAF AO must contact the SSC Credit & Collections Branch to determine the status of the debtor's account before accepting payment. Do not accept a check to cover a returned check. Accept only cash or money orders unless the individual provides documentation they were not at fault, such as a letter from a banking facility acknowledging a bank error caused the check to be returned (T-0).

4.19.1. Installations may establish an for allowance for doubtful accounts and accrue for these write-offs. Installations should only do so if the amounts are consistent and large enough to warrant an accrual. Installations will maintain these accounts, and adjust the allowance accounts when notified by SSC of a write-off. Otherwise, treat these write-offs as a normal period expense in the applicable activity cost center.

4.19.2. If payment is received at the installation, the NAF AO processes an adjustment form to reverse the write-off. Otherwise, SSC reverses the write-off when payment is received from the TOP and sent back to the installation via cash transfer.

4.20. Suspension of Check Cashing Privileges. Activities must obtain the weekly check writers report (suspension list) for cashier validation prior to accepting customer checks. This list is provided and maintained by the SSC. Persons who have issued returned checks, (except those acknowledged in writing as bank errors) are placed on a check suspension list. Credit Cards are not an acceptable form of payment for returned checks. (T-0) Mandatory suspension periods are:

4.20.1. First returned check: 3 month suspension.

4.20.2. Two checks within 6 months: 6 month suspension.

4.20.3. More than two checks within 6 months: 1 year suspension.

4.20.4. Two or more 1 year suspensions: permanent suspension.

4.20.5. Cashiers do not accept checks from individuals on the returned check or suspension list, and will not accept checks from individuals without proper identification.

4.20.6. The activity manager or designee posts a sign at the cashiers' area stating the activity's check cashing policies and the penalties incurred on all returned checks.

4.21. Disbursements. The proper office prepares and the RM or designee approves a disbursement request (DR) and submits to the SSC with proper documentation. The SSC Accounts Payable (AP) Section will process the disbursement request and send the check payment or EFT to the appropriate payee. EFT is the preferred method of payment even when using the DR process.

4.21.1. Overseas locations requiring use of check stock should refer to AFI 34-209 for documentation supporting payments, protection of check signing equipment, control of blank checks, and check writing requirements. (AP uses bottom line to print checks). NAF AO use of facsimile signatures when using check signing equipment is authorized. Data imprinted into the check MICR band (located at the bottom of the check) impedes check processing procedures and causes rejects. Adjust the placement or replace signature plates imprint within the check MICR band. Refer to AFMAN 34-215, *Procedures for the Cash Management and Investment Program*, for additional signature requirements.

4.21.2. The RM or an alternate representative signs checks. See AFMAN 34-215 for signature card requirements.

4.21.3. Do not make checks payable to cash.

4.22. Services (SV) Coupon Controls. The FSS commander or director approves the use of, and sets the value for all SV coupons. Each coupon issued must have an expiration date and clearly state its value and when, where, how, and who may use the coupons. Activities use coupons only as a promotional sales device and not as a credit system. To avoid abuse, control coupons for free play, not redeemed in conjunction with a sale, (e.g., free line of bowling, or round of golf). *EXCEPTION:* These guidelines do not apply to coupons in national or local coupon redemption programs available to the general public (T-0).

4.22.1. Color code coupons issued on a recurring basis by series.

4.22.2. The activity manager or designee maintains a list of the quantity of coupons printed and issued, and advises the NAF AO of the quantity, series, type, and expiration date of coupons issued.

4.22.3. Activities do not redeem coupons for cash, or accept coupons for tips, gratuities, payment of dues, or the purchase of concessionaire merchandise or services.

4.22.4. Cashiers void or deface coupons upon receipt. Cashiers account for coupons on the cashier's report, and attach them to the AF Form 1876 sent to the NAF AO.

4.23. National and Local Coupons. With the approval of the FSS commander or director, activities within those states which permit coupon use in the private sector civilian stores may participate in national or local coupon redemption programs. The FSS commander or director approves on a case-by-case basis those activities who may participate (refer to AFI 34-201).

4.23.1. The RM issues an OI for coupons including procedures and controls for the participating activities and the NAF AO. The RM ensures the administrative and accounting

costs associated with the redemption program does not exceed benefits to the customers or the activity.

4.23.2. The NAF AO submits coupons for redemption according to manufacturer's and distributor's requirements.

4.23.3. Activities with POS systems may program their registers to account for coupons. Activities without POS account for coupons on a separate key. The total register sale reflects the gross sale (before coupon reduction). The cashier lists national or local coupons separately from SV coupons on the cashier's report, and attaches them to the AF Form 1876 sent to the NAF AO. Refer to AFI 34-209 for detailed accounting instructions for coupons.

4.24. Gift Certificates. Customers purchase gift certificates to redeem for goods and services. Gift certificates are not coupons. Distribute and redeem for purchase value, not to exceed face value. The activity numbers gift certificates for control purposes (pre-numbering by the printer is recommended) and specifies an expiration date. The activity manager or designee reports gift certificate issues and redemptions on AF Form 1875 and maintains a list of gift certificates printed, issued, and redeemed by number. The list provides an audit trail for the other payables subsidiary and the applicable general ledger account. To prevent any possible reuse, cashiers deface gift certificates at the time of redemption by writing or stamping void across the front of the certificate. At the end of the accounting period, the activity manager or designee forwards a list of expired gift certificates and their amounts to the NAF AO.

4.25. FSS Gift Cards. FSS gift cards are pre-numbered to control issuance by maintaining an accurate inventory of unused cards available for new activation ("sale"). In activities using the VeriFone Vx-570 swipe terminal, the swipe transaction is processed independent of the cash register/POS. The potential exists to load funds on the card through the swipe without recording a transaction into the cash register. Use of the swipe terminal must always be accompanied by an entry in the cash register/POS to avoid any shortages for the business day between the activity AF Form 1876 and Gift Card Report. The FSS gift card may not be redeemed for cash and will not be replaced if lost or stolen (T-0).

4.25.1. Air Force Services Strategic Marketing (AFSVA/SVK) issues gift cards. The process for ordering cards is through an "annual call" to the installations conducted by AFSVA/SV. Consider redistribution from other activities before requesting additional gift cards from AFSVA/SVK if additional cards are required prior to the annual call. Contact AFSVA/SVK (Strategic Marketing Office) to request additional cards. Upon receipt of new cards, the NAF AO logs all gift cards using the sequential numbers on the back of the card.

4.25.2. The NAF AO controls the unloaded gift cards, but not yet issued to an activity. Maintain the cards in a secure, locked storage container. Use a locally devised form to log in and issue cards to activity managers or authorized designee.

4.25.3. The NAF AO determines how many gift cards each activity receives; issues them in sequential order; and the activity manager or authorized designee signs for the gift cards.

4.25.4. Cashiers sign for receipt of 'unsold' gift cards. Cashiers record the gift card numbers on the Controlled Documents Log (page 2 of the AF Form 1875) at the beginning of their shift. At the end of their shift, cashiers annotate the cards activated and any un-activated cards may remain on display. The number of cards sold are recorded on the AF Form 1875

and verified at the end of shift. The next cashier logs in the remaining un-activated cards on their AF Form 1875. The AF Form 1876 will reflect the total activated cards for the day.

4.25.5. Managers ensure all employees complete the sale transaction before activating a new card and loading/reloading the purchased amount on the gift card. Gift cards will not be issued to patrons without the amount being “purchased” and loaded on the card. This also applies to amounts added to a previously purchased card.

4.25.6. Activities using the AF Form 1875 to record cashier accountability, record card redemptions on AF Form 1875 in Section V, *Cashier Accountability*, as a separate line item from commercial charges, coupons, etc.

4.25.7. In addition to controlling the unsold/unused cards, managers must diligently monitor daily cash shortages generated through automated merchant processing to ensure cards have not been loaded without the corresponding sale amount rung in the cash register/point of sale (POS) (T-0).

4.25.8. When performing the activity managers’ quarterly surprise/unannounced cash counts, ensure the gift cards issued to cashiers are accounted for as either sold or on-hand.

4.25.9. After recording activated and loaded with the initial purchased amount cards “sold” on the FSS Gift Card Activity Control Log, the activity no longer is required to track the use of the cards. Redemptions are tracked using merchant process reporting with the Air Force Central Funds.

4.25.10. Cards presented by patrons for “re-loading” (purchasing an additional amount to be added to the card balance) are not tracked in the activity as a controlled form.

4.25.11. Record FSS Gift Cards “sold,” both new activations and card re-loads, as well as cards redeemed, on AF Form 1876. Activities use AF Form 1878 for credit card charges, issuances, and redemptions. Each charge must be a separate line item.

4.26. Promotional Gift Cards. The FSS commander shall establish a written policy on the use of FSS gift cards for activity use, e.g., promotional events, to include establishing procedures for approving dollar limitations, either recurring or on a case-by-case basis.

4.26.1. When an authorized activity, without the ability to process gift cards (e.g., Fund Administration, Marketing, etc.), issues approved promotional gift cards, the cards must be activated or swiped in another NAF resale activity (T-0).

4.26.2. FSS gift cards will not be used for employee on-the-spot awards, or other employee incentives. NAFs may not be used to award Appropriated Funds (APFs) or active duty military employees, except where specifically allowed in AFI 34-201.

4.27. Pre-numbered Forms. The activity manager develops and the RM or designee approves OIs for controlling pre-numbered forms issued to the activity.

4.27.1. The NAF AO or designated personnel (separate from the user operation) pre-numbers and issues the following forms when used in lieu of cash register readings for cash accountability:

4.27.1.1. AF Form 1182, *NAF Child Care Center Register*

4.27.1.2. AF Form 1400, *NAF Vending/Amusement Machine Collection Report*

4.27.1.3. AF Form 2555, *NAF Collection Record*, (also used for concessionaire operations)

4.27.1.4. AF Form 2557, *NAF Cash Receipt Voucher*

4.27.2. After issue by the NAF AO or designated personnel, the activity manager controls the above forms and accounts for them on the back of AF Form 1875. The cashier attaches forms used to the corresponding AF Form 1875 filed in the activity.

4.27.3. Activities use AF Forms 1182 and 1376, *NAF Supply Loan Receipt*, in addition to cash registers to provide other types of accountability. The activity manager controls them according to the appropriate operational instruction.

4.27.4. Theme park tickets, advance green fee cards, rounds played cards, and similar instruments are also controlled forms. The RM and activity manager develop local procedures for protecting unused stocks and maintaining accountability for sales. The NAF AO issues pre-numbered advance green-fee cards to the activity manager, who controls and protects them at the activity.

4.27.5. For activities unable to support the use of the standard AF Catering software (mandatory for club operations) to account for unique events such as wedding receptions, special events, and parties, forms may be locally devised and pre-numbered to record receipts or establish accountability. AFSVA/FM approves locally devised forms.

4.27.5.1. The RM approves procedures for numbering and controlling all special forms ensuring there is a connecting link between the document outlining the requirements for the event and the special form used to establish the receivable.

4.27.5.2. The activity manager purchases and controls special forms and pre-numbers them prior to issue. Recommend the forms be pre-numbered at the printer. Activity personnel advise the activity manager and RM of any missing documents immediately upon discovery. The activity manager provides the RM with written disposition on all missing pre-numbered documents.

4.27.5.3. Upon completion of an event, if a payment is not made, forward the special form to the NAF AO to establish the appropriate receivable.

Chapter 5

ESTABLISHING AND CONTROLLING CHANGE AND IMPREST FUNDS

5.1. Establishing Change Funds. The RM or site commander (at isolated or remote locations) authorizes the establishment and amount of all change funds subject to fund storage limitations established in AFI 31-101. See Chapter 3 of this AFI.

5.1.1. Activities use change funds only for making change, cashing checks, and with RM approval, for making petty cash purchases and other imprest fund requirements (refer to paragraph 5.2).

5.1.2. Excessive change funds present a potential for cash losses from theft and reduce the amount of cash available for investment and other purposes. For these reasons, activities keep change funds to a minimum. The RM reviews all change fund requirements and reduces change funds to the minimum required for operations. The RM determines change fund requirements based on actual requirements computed from 12 months of historical data, and revalidates each change fund annually.

5.1.3. The RM writes a squadron OI establishing procedures for the use, control, and protection of all change and imprest funds in NAFI activities. Supplemental OIs may be written for activities requiring specific cash handling procedures. Activity managers ensure all cash handling employees perform their duties according to the procedures specified in the OIs.

5.1.3.1. All change and imprest cashiers/custodians, as well as all oversight and supervisory individuals, must complete the mandatory initial and annual internal control training module through the FSS training manager. (See Chapter 2) (T-0).

5.1.4. Special Change Fund. The RM may authorize a special change fund for weekends, paydays, and special events. These special change funds are usually issued to the activity the day before the weekend, payday, or event. The activity must deposit the special change fund the first business day following the occasion.

5.1.5. Slot Machine Change Fund. Change funds are authorized and issued by AFSVA/SVP/FM according to AFI 34-148, *Air Force Gaming Program*.

5.2. Establishing Imprest Funds. Activities may use imprest funds for a designated purpose with special controls and limitations. Subject to the limitations of this chapter, the RM or site commander approves the establishment and dollar amount of all imprest funds. Authorized types of imprest funds are:

5.2.1. Petty cash fund (maintain funds for U.S. and foreign currency separately).

5.2.2. Special activity prize fund, used for special activities such as bingo, colorama, etc., as approved by the RM or site commander and FSS commander or director, and,

5.2.3. Vending and amusement machine imprest fund.

5.3. Use of Change Funds and Receipts in Lieu of Imprest Funds. At the discretion of the RM, activities and NAFIs not having an imprest fund (e.g., petty cash or special activity prize fund) may use change funds and receipts for petty cash-type purchases and special activity prize

fund requirements. Blanket approval for all activities to make payments from change funds and receipts is unauthorized.

5.3.1. The RM approves requests on a case-by-case basis considering factors such as the size and mission of the requesting activity, and the amount of the existing change fund. Refer to paragraph 5.10. on establishing imprest funds.

5.3.2. The central cashier or activity cashier reimburses these change funds from daily receipts after receipt of completed AF Form 1401s, with receipts attached. Change funds are not reimbursed for advances made to individuals. Use AF Form 2557, to document all advances made from the change fund.

5.3.3. When the RM approves payment from change funds and receipts, the activity manager designates, in writing, each cashier authorized to process petty cash-type purchases and special activity prize fund requirements. The activity manager provides cashiers with a list of activity personnel authorized to approve transactions reimbursed by change funds and receipts. The activity manager files a copy of the written designations in the activity.

5.3.4. The RM, in conjunction with the activity manager, prepares an OI establishing cash control procedures and internal controls to reimburse change funds from receipts.

5.3.4.1. Provide detailed instructions for designated cashiers to follow.

5.3.4.2. Include the requirement stating cashiers accept only properly completed AF Forms 1401.

5.3.4.3. Include guidelines for purchasing resale items using change funds, providing receipts and updating the resale inventory.

5.3.5. Activity cashiers include on their AF Form 1875, purchases made from the change fund. Cashiers attach completed AF Forms 1401, with receipts attached to the AF Form 1875, as backup. The activity manager or designee consolidates all AF Forms 1875, on AF Form 1876, for submission to the SSC. Forward hard copy AF Form 1876, including attached AF Forms 1401 and receipts to the NAF AO as the office of record.

5.3.6. All other controls, procedures, and limitations for imprest and/or change funds in AFI 34-209, remain in effect and apply to petty cash-type purchases and special activity prize fund requirements made from change funds and receipts.

5.4. Change Fund Accountability. The RM establishes and maintains cash accountability for change funds at all times, using AF Form 2557.

5.4.1. The activity manager signs for all change funds using AF Form 2557. File the original receipt in the activity LOF file in the NAF AO.

5.4.2. The activity manager, in turn, obtains a signed AF Form 2557, from designated or general change fund cashiers upon receipt of the funds.

5.4.3. Designated or general change fund cashiers, in turn, get receipts from other cashiers issued funds.

5.4.4. Cashiers signs for cash and accountable documents using AF Form 1875. Cashiers turn in their daily change fund and receipt at the close of business, obtaining a signed receipt (bottom of AF Form 1875) for total funds turned in.

5.4.5. Signed AF Forms 1875, remain in the issuing change fund until turn-in occurs.

5.4.6. The activity manager may employ a general change fund cashier (head cashier) responsible for all activity receipts and ensuring all personnel handling funds follow established cash control procedures. This cashier counts the general change fund daily using AF Form 2556, and attaches the original to the AF Form 1876, submitted to the NAF AO.

5.4.7. Store change funds overnight at the activity in an approved storage container or locked safe (refer to AFI 31-101) so they are available to start the following day's activities. Activities not equipped to store change funds overnight deposit them in a central depository, designated by the RM, which provides the required safeguards (See Chapter 3.).

5.5. Replenishment of Change Funds. Activities replenish change funds using the following options:

5.5.1. Exchanging customer's checks for cash from cash receipts; bringing the change fund up to the authorized level.

5.5.2. Exchanging customer's checks for cash at the central cashier depository (refer to paragraph 4.7.3.).

5.5.3. Exchanging completed AF Forms 1401, with receipts attached for cash from daily receipts.

5.6. Change Fund/Receipts Turn-In. Activities use the following procedures whenever a cashier turns in their change fund and receipts:

5.6.1. The activity manager or designee produces end of shift report from the POS or cash register. End of shift report is used to validate submission of daily receipts after receipt of funds from the individual cashiers.

5.6.2. The cashier counts all cash (less reimbursements to the change fund for completed AF Form 1401s), checks, credit card charges, coupons, and charge slips and records the information on AF Form 1875, or applicable POS report.

5.6.3. The cashier also documents the accountability of all pre-numbered forms on page 2 of the AF Form 1875.

5.6.4. The cashier transfers all cash and documentation to the activity manager or designee who verifies the count, computes cash accountability, and records the information on AF Form 1875.

5.6.5. Both individuals sign AF Form 1875, and the cashier keeps the receipt portion.

5.6.6. The activity manager or designee attaches supporting documents to the AF Form 1875, and secures the funds.

5.6.7. Cashiers are not permitted to retain overages nor are they permitted or required to make up shortages. Shortages are treated as cash losses and resolved according to Chapter 8. Record overages or shortages to the activity cost center where incurred. Activity manager or designee establishes method to track individual cashier overages and shortages.

5.6.8. The activity manager or designee closely monitors excessive no sale rings and refund vouchers as they represent potentials for cash manipulation.

5.7. Petty Cash Imprest Fund. The primary function of this imprest fund is for small purchases. The dollar amount of this fund should be minimal. Do not circumvent NAF purchasing policies and procedures. The RM delegates purchasing authority to the petty cash fund custodians (refer to AFMAN 64-302, *Nonappropriated Fund (NAF) Contracting Procedures*).

5.7.1. The activity manager or designee ensures individuals advanced petty cash funds return invoices for items purchased, and all unused cash within two working days. Include this procedure in OIs. **EXCEPTION:** Individuals advanced petty cash funds in conjunction with out-of-town conferences, workshops, etc., must return invoices and unused cash within two workdays of returning to the home installation. (T-3)

5.7.2. The RM sets petty cash fund levels of not more than \$3,000 per activity. Maintain authorized limits in the LOF file in the NAF AO and a copy in the activity. The RM, working with the activity manager, sets the required petty cash fund level. Levels should vary between activities. Consider the following factors in establishing petty cash fund levels:

5.7.2.1. The solvency of the fund.

5.7.2.2. Established fund storage limitations (refer to AFI 31-101).

5.7.2.3. Type of storage container and facility available to the activity.

5.7.2.4. Volume of transactions; average number and dollar value of monthly disbursements based on historical review.

5.7.2.5. The activity's mission.

5.7.2.6. Impact on cash flow.

5.7.2.7. Isolation of the activity.

5.7.3. NAFIs do not use petty cash funds to pay employees except as written below, entertainers, or individual services contractors. **EXCEPTION:** NAFIs located at remote or isolated sites may pay for entertainment or individual services using petty cash. Payments for entertainment and individual services requires a contract (refer to AFMAN 64-302). On occasion, offline employee pay may also be paid from either general change or petty cash fund when conditions warrant such payment, upon approval of RM or designee. However, this practice must be minimized as much as possible.

5.7.4. If authorized by the RM, petty cash custodians can make refunds from petty cash funds. The activity manager or designee approves all refunds.

5.7.5. Payment for any single purchase, repair, or refund, as authorized above, from a US or foreign currency petty cash imprest fund may not exceed \$500. Do not split expenditures from petty cash funds to circumvent the limitations.

5.8. Government Purchase Card (PCard) for NAF Purchases. The PCard is the preferred method of payment for NAF purchases. Using the PCard streamlines purchasing and reduces high administrative costs associated with the processing of purchase orders and vendor payments. This is the only authorized credit card for NAF purchases. To implement the Use of the NAF Government Purchase Card for NAF small purchases within FSS NAF activities, the RM follows AFI 34-275. In the case of credit card abuse, the RM takes appropriate action according to Chapter 9.

5.9. Special Activity Prize Imprest Fund. NAFIs use the special activity prize imprest fund for the purpose of awarding cash prizes for business activity special events such as bingo.

5.9.1. The RM ensures the established level of cash for the prize fund will not exceed the total cash for the total sessions of play.

5.9.2. Activities are authorized to make payment of cash prizes from the cash receipts or change fund.

5.9.3. The activity pays all individual prizes by cash. The activity issues IRS Form W-2G from the Services Information System (SIS)(formally called SAIS) for cash prizes of \$1,200 or more for one game, at the time of the win.

5.9.3.1. Unless the customer requests taxes be withheld, taxes are not required to be withheld on bingo winnings (T-0).

5.9.4. If the winner elects to receive a check or EFT, the activity prepares and submits AF Form 2539 with a copy of AF Form 2046, *NAFI Bingo Activity Report*, (or similar locally developed form for other special activities) to the SSC through the NAF AO the first business day after the day of the win.

5.9.5. Forward a copy of the W-2G to the NAF AO the next business day with the activity reimbursement request. The activity manager ensures either replenishment or deposit of the special activity prize fund on the first workday after completion of a session of play. The activity manager specifies in an OI if the funds are replenished or deposited. NOTE: If there is only one or two special activity sessions per month, it may be advantageous to deposit the funds to reduce the amount of idle cash on hand.

5.9.6. AFSVA/FM centrally reports the data electronically to the IRS at the end of the calendar year. Although the information will be centrally reported, installations are responsible for depositing and reporting withholding taxes and completing IRS Form 945 by 31 January each calendar year. A 1099-M is not issued for bingo winnings (T-0).

5.10. Vending and Amusement Machine Imprest Fund. Activities use this fund for the reimbursement of vending and amusement machine malfunctions and maintenance testing.

5.10.1. A designated cashier may advance the fund to other individuals such as the game room attendant, or maintenance worker, etc., to conduct maintenance operations or customer refunds using AF Form 1401.

5.10.2. The RM and activity manager ensures the size of the imprest fund is sufficient for conducting a month's business without replenishment.

5.11. Replenishment of Imprest Funds. Activities replenish imprest funds as many times as necessary, but always as of the last workday of the month. The activity manager or designee approves AF Form 1401 supporting requests for replenishment.

Chapter 6

CONTROL GAMING, AMUSEMENT, MUSIC, AND VENDING MACHINES

6.1. Gaming Operations Controls and Procedures. The Air Force Gaming Program is an Air Force centrally managed and operated program. All activities with slot machine operations must implement and strictly follow AFSVA developed internal control procedures to protect the integrity of the slot machine program. AFI 34-148 contains specific policies, procedures, and responsibilities for the operation of the slot machine program (T-0).

6.1.1. Waivers. Air Force Services Activity, Programs Directorate (AFSVA/SVP) and AFSVA/FM approve, in writing, all waivers to established policy and internal control procedures for the slot machine program.

6.1.2. Slot Machine Change Fund. AFSVA/SVP/FM provides and establishes the kiosk fill-level and activity change fund requirements to enable proper machine operation between harvest dates, and maintains sufficient cash levels for customer use. The RM issues the slot machine change fund for use by the central cashier and activity for slot machine operations.

6.2. Amusement Machine Operations. The installation commander approves operation of vending and amusement machines in activities which are not part of the Army and Air Force Exchange Service (AAFES) and are not in direct competition with them (refer to 34-101, *Air Force Morale, Welfare, and Recreation (MWR) Programs and Use Eligibility*). Within the continental United States (CONUS), District of Columbia, Puerto Rico, American Samoa, Guam, and the Virgin Islands, establishment and operation of vending facilities/programs are subject to AFI 34-206, *Vending Facility Program For The Blind on Air Force Property*. Vending and amusement machines may be NAFI- or concessionaire-owned. Specific controls apply to each type of machine.

6.3. NAFI-Owned Machines. All NAFI-owned machines should have meter capability and must have a 2-lock system (one lock for the machine and a separate lock for the cashbox). Control procedures require the activity manager keeps the machine keys and the NAF AO controls the cashbox keys. The RM develops a comprehensive OI to cover the removal of cash and the stocking of machines, including the internal controls specified below (T-3).

6.4. Cash Collection of NAFI-Owned Machines. To remove cash from a machine, an individual appointed by the FSS commander or director, obtains the cashbox key from the NAF AO.

6.4.1. *EXCEPTION:* When it is not practical or economical for the NAF AO to safeguard the cashbox keys for machines located at SV activities, the FSS commander or director appoints the individuals who will keep the cashbox keys and who must be present during cash collection. The activity manager or designee counts and verifies the cash amount collected, and returns the keys immediately to the NAF AO, (or to the individuals appointed to keep the keys) (T-3).

6.4.2. When a collection or exchange is made, the activity manager or designee verifies the amount of all cash removed, records the meter readings (when applicable), and signs the pre-numbered AF Form 1400 with the individual appointed to make the collection. The activity cashier completes an AF Form 1875 for vending and amusement machine receipts, attaches

the original AF Form 1400, and files with all other AF Forms 1875 for the day's business. Use the remaining two copies of AF Form 1400 as needed.

6.4.3. When metering devices are available, the individual making the collection records the meter readings on AF Form 1400 and the activity manager or designee compares the number of plays to the cash collected. Several factors can cause an apparent cash variance, such as; defective meters, errors in recording meter readings, and counting of cash, etc. The following general guidelines apply:

6.4.3.1. The activity manager or designee flags any machine having a cash collection difference in excess of \$5.00 and checks it on a subsequent report. If continuing variances exist, the activity manager notifies the RM or maintenance technician to correct or repair the problem.

6.4.3.2. If willful misconduct is observed or suspected, the activity manager documents the observation and notifies the RM and FSS commander or director who takes action according to Chapter 8.

6.4.4. If the internal control requirement for two individuals to make cash collections from NAFI-owned vending machines is deemed impractical or uneconomical, activity managers may request approval of a local waiver according to AFI 34-201. The RM and FSS commander or director considers these factors before recommending the installation commander approve a waiver:

6.4.4.1. Location of vending machines and availability of two individuals to empty the machines

6.4.4.2. Implementation of alternate control procedures to verify cash collected

6.4.4.3. Existing manufacturer designed internal control devices, such as counters

6.5. Restocking Vending Machines. Activities restock machines and collect cash on a scheduled basis. Make the last collection as close to the end of the month as possible. To restock, use AF Form 1735, *NAF Interfund Purchase Order*, or AF Form 2533, *Transfer Between Cost Centers*, as appropriate, to record the transaction when supplying merchandise to vending machines from a NAF storeroom or from another activity.

6.6. Customer Refunds. Activity cashiers use AF Form 1401 to reimburse customers for cash lost because of inoperative machines. The activity manager or designee approves all refunds.

6.7. Concessionaire-Owned Machines. The RM specifies the merchandise, key and cash controls, and cash collection procedures for all concessionaire-owned machines. All machines require written contracts which specify the number and type of machines covered, percentage of income accruing to the NAFI, and contain the following provisions:

6.7.1. Amusement, music, and vending machines require meter capability and at least 2-lock system (one lock for the machine and one lock for the cashbox). The concessionaire keeps the machine keys and the NAF AO maintains the cashbox keys using the same procedures specified for NAFI-owned machines (refer to paragraph [6.3](#)).

6.7.2. If a concessionaire cannot supply machines with a 2-lock system at a price comparable to a 1-lock machine, the RM applies the following controls for a 1-lock machine and specifies them in the contract:

6.7.2.1. The NAF AO retains the one key to the machine in a locked pouch.

6.7.2.2. The activity manager retains the key to the locked pouch.

6.7.2.3. Coin collection and maintenance of the machines requires the presence of an independent observer (IO) from the NAF AO or the activity, and the concessionaire's representative (unless the concessionaire provides a written waiver to the right to be present).

6.7.2.4. Restock machines and collect cash on a scheduled basis, but not less than once each month. If making more than one collection, make the last collection as close to the end of the month as possible.

6.8. Cash Collection of Concessionaire-Owned Machines. When making collections or exchanges from concessionaire-owned machines, the activity manager or designee verifies the amount of all cash removed, records the meter readings, and with the concessionaire, signs the pre-numbered AF Form 1400, and gives a copy immediately to the concessionaire. When metering devices are available, the procedures in paragraph 6.4.3. apply.

6.8.1. The activity cashier completes an AF Form 1875 for vending and amusement machine receipts, attaches a copy of the AF Form 1400, and files with the other AF Forms 1875 for the day's business. The cashier attaches the original AF Form 1400 to the AF Form 1876 forwarded to the NAF AO.

6.8.2. The NAF AO maintains a cumulative record of receipts and other records necessary for ensuring receipt of all proceeds due the activity when concessionaire agreements do not provide for a sharing of the proceeds upon emptying machines. The NAF AO general ledger entry reflects only the income accruing to the NAFI. The NAF AO uses the original AF Form 1400 to support payment to the concessionaire of proceeds not shared upon emptying machines.

6.8.3. The RM may recommend the installation commander waive the procedural requirements in this instruction for collecting cash from concessionaire-owned amusement, music, and vending machines on a case-by-case basis considering the number of and distance between machines.

Chapter 7

CONTROL OF MERCHANDISE AND PROPERTY

7.1. Merchandise and Property. All FSS personnel protect NAF assets under their control. The RM, or other authorized custodian, security forces, and other responsible agencies provide staff and operational assistance as required.

7.1.1. The RM prepares OIs providing guidance for storing, transporting, and utilizing all property and monitoring compliance.

7.1.2. Activity managers coordinate with the security forces to establish periodic patrols of areas storing NAF property, particularly during night hours. Activity managers prepare an OI outlining methods of surveillance for detecting and preventing misappropriation or misuse of property.

7.1.3. Certain kinds of NAF assets, such as aircraft, firearms, and boats, require special protection and control not specifically related to conservation, but to safety. Activity managers ensure protection of these assets meets the safety and control requirements in AFIs 31-101, 34-204, 34-208, 34-209, and individual activity operations procedures AFIs.

7.2. Protecting Resale Merchandise. The degree of security resale merchandise requires generally depends upon the size of the inventory, value of individual items, accessibility of the merchandise to patrons, limitations of visual surveillance, sensitivity of resale items (firearms, liquor, etc.) and the physical characteristics of the facility (T-0).

7.2.1. Activity personnel do not leave merchandise unattended during resale activity operating hours.

7.2.2. Activity personnel secure the facility when the resale activity closes.

7.2.3. Activity managers establish a single entry and exit control point for surveillance of walk-in type sales locations such as arts and crafts facilities and golf pro shops.

7.2.4. Activity personnel need to take care and consider the value and vulnerability of location of items displayed to encourage sales.

7.2.5. Activity managers use secure inside storage areas whenever possible. Lock all outside storage areas unless one or more authorized individuals are present, and use lighting and fencing for additional security.

7.3. Central Storeroom Facilities. The FSS commander or director may establish a central storeroom for receiving and distributing common supplies and merchandise to various activities. Ensure the central storeroom is a secure facility. Where possible, the facility should be large enough to house all supplies and merchandise under a single roof, and:

7.3.1. Provide adequate temperature controls in the facility to avoid damage to foodstuffs.

7.3.2. Provide a loading dock convenient to the storeroom, if possible.

7.3.3. Provide secure exterior doors and windows protecting assets and minimize the possibility of forced entry, (e.g., solid doors and windows and strong locks, not easily forced). The use of window bars is recommended.

7.4. Ticket and Tour Operations. These operations often maintain a substantial inventory of tickets, either on consignment or purchased with NAFs which must be protected. NAF purchased tickets for resale are assets of the activity included in the definition of resalable inventory. Activity personnel ensure protection of all tickets. The activity manager issues an OI to control and protect all tickets (T-0).

7.5. Control and Use of Free or Donated Items. Activities may accept free or donated items of nominal value to give away to FSS customers as a sales promotion according to AFI 34-201 and AFI 34-108, *Commercial Sponsorship and Sale of Advertising*. The FSS commander or director approves procedures for controlling and utilizing free or donated items according to AFI 34-209, *Nonappropriated Fund Financial Management and Accounting*.

7.6. Consignment Inventory. Consigned merchandise is not NAF property. Activities account for these items as resale merchandise inventory and protect them accordingly. The activity manager issues an OI for control and protection of all consignment items. Refer to Training Aid NA-5, *Tickets Purchased or Consigned for Resale*.

Chapter 8

LOSSES AND COLLECTION ACTIONS

8.1. Definition of Loss. A loss occurs when NAF assets (including cash or cash equivalents, fixed assets, resale merchandise, consumable supplies, and securities) are lost, destroyed, damaged, or have to be paid out as a result of a natural disaster, accident, unexplained disappearance, or acts of individuals, firms or groups. In addition, the following situations are considered losses for the purposes of this chapter.

8.1.1. Consider any unreconciled asset, liability, or equity account to be a loss if the adjustment is required to bring the general ledger and related subsidiary accounts into balance, results in a decrease to fund equity. For example, an unreconciled balance between the cash-in-bank and CMIP reports at the end of any given accounting period is a loss if the correcting entry reduces cash-in-bank for the NAFI.

8.1.2. Claims submitted under the following NAF insurance programs are considered losses:

8.1.2.1. Asset

8.1.2.2. Liability

8.1.2.3. Aero club hull

8.1.2.4. Aero club liability.

8.2. Basis for Loss. A loss may be the result of simple negligence, gross negligence, or willful misconduct on the part of individuals or groups.

8.2.1. Simple Negligence is the failure to act as a reasonably prudent person would have acted under the same or similar circumstances.

8.2.2. Gross Negligence is the failure to exercise even a slight degree of care, or an extreme departure from the course of action expected of a reasonable person, all circumstances considered.

8.2.3. Willful Misconduct is an intentional or knowing violation of rules or regulations including fraud and dishonesty.

8.2.4. Joint and Several Liability is the combined negligence, gross or simple, or willful misconduct of two or more persons which results in a loss. They may be held jointly and severally liable for the full amount of any loss. If the loss resulted from the willful misconduct of one or more persons and the negligence of another or others, all may be held jointly and severally liable. In all other cases, assess liability on an individual basis.

8.2.5. Proximate Cause. Proximate Cause is the cause which, in a natural and continuous sequence, unbroken by any new cause, produces the loss, and without it the loss would not have occurred. To support an assessment of pecuniary liability, the negligence or willful misconduct involved must constitute the proximate, rather than a remote, cause of the loss.

8.3. Reporting Losses. All AF military and civilian personnel have an individual responsibility for preventing losses, and, when a loss occurs, promptly notifying the proper authorities. Commanders are responsible for prompt detection, proper investigation, and appropriate corrective action. Individuals reporting NAF losses are protected from reprisal (T-0).

8.3.1. Notify the security forces, the RM, and FSS commander or director of any type of loss resulting from forceful entry, or malicious damage to NAF property, as soon as discovered. The security forces may investigate such incidents or refer them to the Air Force Office of Special Investigations (AFOSI) according to AFI 71-101V1, *Criminal Investigations Program*.

8.3.2. Notify the AFOSI of incidents appearing to involve criminal activities.

8.3.3. Notify AFSVA/FMNTB of any unreconciled balances including cash overages/shortages between cash-in-bank and the CMIP at the end of any given accounting period.

8.3.4. Provide notification of losses resulting in claims under the insurance program according to AFI 34-208.

8.4. Determining Value. AFSVA/FM pays a claim when it receives reasonable evidence indicating the installation suffered a covered loss and the RM has accurately determined the value of the loss. Where more than one item is involved, use the collective (total) amount of the loss as the basis for action under this chapter. See AFI 34-208 to value insurance claims.

8.4.1. Use the actual cash value to determine the amount of a loss.

8.4.2. The value of a NAF property loss is the original cost less depreciation - the book value of the asset. Zero value or fully depreciated assets are not reimbursed.

8.4.3. Compute the value of resalable inventories and supplies at cost or replacement value, whichever is less.

8.5. Documenting Losses. Document each loss, even those caused by acts of nature. Include sufficient information to show what happened, who was responsible, what should be done about it, and how to prevent similar losses in the future. It is not necessary to duplicate the investigative work of the security forces, AFOSI, or other federal and local agencies. Security forces reports may become part of the Services case file. Do not include AFOSI reports of investigation in the case file; use extracts and summaries according to AFI 71-101V1. Comply with all restrictions and instructions placed on the investigative reports of other federal and local agencies. Since the investigative reports will focus on criminal allegations, conduct other inquiries as necessary to determine the administrative actions needed to reduce the potential for future losses (T-0).

8.6. Resolving Losses. Resolve losses based on the dollar amount and type of loss.

8.6.1. For losses up to and including \$50, the activity manager conducts an informal review, documents the results, and with the written approval of the RM, files the documentation in the activity. If the review indicates negligence (simple or gross) or willful misconduct, the activity manager notifies the RM and the FSS commander or director immediately so further action may be taken. The RM reviews activity records periodically, documents the review, and determines if appropriate action was taken. The RM refers the matter to the FSS commander or director for further action if appropriate action was not taken.

8.6.2. For losses over \$50 up to and including \$250, use a memorandum attached to the cashier's report for cash shortages. The activity manager conducts a review and provides a brief written explanation to the RM. If the review indicates negligence (simple or gross) or

willful misconduct, the activity manager notifies the FSS commander or director immediately to take further action.

8.6.3. For losses over \$250 up to and including \$2,500, and for losses of \$250 or less which appear to involve negligence or willful misconduct, the FSS commander or director appoints an individual to conduct an inquiry. Inquiries are less formal, minimal time consumption, and less costly than investigations. The individual conducting the inquiry examines available reports and documents pertinent to the loss, and interviews individuals having knowledge of the circumstances surrounding the loss. Affidavits are not required. The RM reviews the report of inquiry for completeness and submits it to the FSS commander or director for action. Refer reports of losses appearing to involve simple or gross negligence or willful misconduct through the FM and the legal office to the installation commander for action. The report of inquiry must specifically address the following (T-0):

8.6.3.1. The nature and amount of loss.

8.6.3.2. The date and place where the loss was discovered.

8.6.3.3. The circumstances under which the loss occurred.

8.6.3.4. The adequacy of corrective actions taken or recommendations for appropriate corrective actions to be taken.

8.6.3.5. Any indications of negligence (simple or gross) or willful misconduct, and

8.6.3.6. The name, grade, and SSN of the person or persons who caused or contributed to the loss, if known, and an appropriate recommendation to assess or not to assess pecuniary liability. If employed by the Federal Government, indicate if paid by APFs or NAFs.

8.6.4. Instead of, or in addition to an inquiry, the installation commander may require an investigation whenever he or she deems such action necessary to protect the interests of the Air Force, or to determine more accurately whether pecuniary liability is properly assessable or claims action is warranted.

8.6.5. For losses which exceed \$2,500, the installation commander appoints an investigating officer, independent of any NAFI under the purview of the NAFs Council to conduct an investigation. AFOSI agents will not be tasked to conduct an investigation pursuant to AFI 91-202, *The US Air Force Mishap Prevention Program*. The investigating officer complies with the investigative guidance provided in AFI 90-301, *Inspector General Complaints Resolution*. Conduct investigations as expeditiously as possible to allow the commander to act on the completed report within 60 days after discovery of the loss. If extenuating circumstances make it impossible to meet this deadline, the investigating officer submits an interim status report to the commander not less than 5 days before the end of the 60-day period. Provide a copy of the interim report to the RM. The report of investigation must specifically address the elements in paragraph 8.6.3. The RM reviews the report of investigation for completeness, and submits the report through the FSS commander or director, the FM, and the legal office, to the installation commander for action (T-0).

8.7. Assessing Pecuniary Liability. Reports of inquiry and investigation must identify, to the extent practical, those whose actions caused or contributed to a loss, and make specific recommendation as to whether or not the commander should hold them financially responsible

for the loss and damages. The investigating officer prepares recommendations to the installation commander for assessing pecuniary liability according to the instructions and the definitions of simple negligence, gross negligence, and willful misconduct (T-0).

8.7.1. Recommendations to Assess Pecuniary Liability. Reports of inquiry and investigation must identify, to the extent practical, those whose actions caused or contributed to the loss and make specific recommendation as to whether or not the commander should hold them financially responsible for the loss and damages. Prepare recommendations within these guidelines.

8.7.1.1. A military member of the uniformed services or a civilian employee of the Federal Government (APF or NAF), may be held pecuniary liable for a loss caused by his or her gross negligence or willful misconduct. In cases where gross negligence or willful misconduct is found, involuntary collection from pay cannot exceed total liability.

8.7.2. In addition to the above, NAFI-assigned or employed personnel on duty (including military assigned, and APF and NAF employees) may be held pecuniary liable for any loss caused by their simple negligence. In cases where simple negligence is found, limit involuntary collection from pay to one month's base pay.

8.7.3. Aero club members may also be held pecuniary liable for any loss caused by their simple negligence. Limit liability for aero club members, based on their simple negligence to \$500.

8.7.4. When a loss is caused by individuals, firms, or groups other than those identified above, the Staff Judge Advocate (SJA) uses gross or simple negligence, willful misconduct, or any other conduct creating liability recognized by the civil jurisdiction in which the loss occurred as the basis for claims action under AFI 51-502, *Personnel and Government Recovery Claims*.

8.7.5. Government employees (including assigned military personnel, APF civilians, and NAF civilians) cannot be assessed pecuniary liability for NAFs paid out to satisfy third-party claims resulting from their conduct while acting within the scope of their federal offices or employment (28 USC 2679 (b)).

8.7.6. Limit assessments of joint and several pecuniary liability cases where the loss resulted from the combined action or inaction of two or more persons.

8.7.7. When the investigating or inquiring officer intends to recommend assessment of pecuniary liability, he or she advises each named person of the basis on which he or she may be held pecuniary liable. Each person is also advised he or she may submit any matters in mitigation or defense. The investigating or inquiring officer reviews all facts and circumstances, including any matters in mitigation or defense, and includes them in the report of investigation with appropriate recommendations for action by the installation commander.

8.7.8. Action by the Commander. Submit completed reports through the FM and SJA to the installation commander for action. The installation commander carefully reviews and acts on each report, takes proper action with respect to those who caused or contributed to the loss, and implements corrective measures to reduce the potential for recurrence.

8.7.9. Commanders have a wide range of options in dealing with such matters. Do not overlook the normal range of administrative and disciplinary actions described in personnel policy directives and instructions. Additional training and more clearly defined procedures may also be of value in reducing the potential for recurrence.

8.7.10. Where appropriate, the installation commander assesses pecuniary liability. Advises the person held pecuniary liable of his or her appeal rights as prescribed in 8.8. Notifies all persons held jointly and severally liable each remain individually liable for the total uncollected amount until the entire amount of the loss is paid. In the interest of fairness, those responsible for collections should generally attempt to collect an equal part from each person held liable. When such attempts fail, collection in full is made from the person or those persons who are liable and from whom collection can be made.

8.7.11. When the loss results from negligence or willful misconduct of a military member of the uniformed services, or a civilian employee of the Federal Government, the installation commander refers the file to the RM. The RM takes collection action, where appropriate.

8.7.12. When the loss was caused by any other person's negligence, willful misconduct, or any other conduct creating liability recognized by the civil jurisdiction in which the loss occurred, the installation commander refers the file to the servicing SJA for appropriate claims action under AFI 51-502.

8.8. Appeals. Appeals of Assessments of Pecuniary Liability. Military members or civilian employees of the Federal Government (APF or NAF) may appeal the assessment of pecuniary liability.

8.8.1. Submit appeals within 3 months of the assessment to the installation commander who assessed pecuniary liability, or his or her successor. State specifically the alleged errors or irregularities relied upon by the appellant.

8.8.2. The installation commander furnishes one copy of the appeal file to the appellant's paying office responsible for processing the indebtedness. The paying office files the copy of the appeal file with the indebtedness notice and suspends collection action until a final decision on the appeal has been made.

8.8.3. Upon receiving an appeal, the installation commander verifies the facts contained in the appeal to the extent possible, secures a legal review and opinion on the appeal, and reconsiders the assessment action giving full consideration to the matters presented in the appeal. The installation commander then revokes or sustains the assessment action, or requires further inquiry or investigation, and resubmission of the report.

8.8.4. If further inquiry or investigation is required, the installation commander secures a legal review and opinion on the revised report and appeal, reconsiders the assessment action, again giving full consideration to the matters presented in the appeal, and either revokes or sustains the assessment action.

8.8.4.1. If the installation commander revokes the assessment action, he or she informs the appellant, and notifies the paying office to refund all previous collections.

8.8.4.2. If the installation commander sustains the assessment action, he or she forwards the appeal to the AF Services Law Division, AFSVA/JA , 2261 Hughes Ave, Ste. 156, Lackland AFB TX, 78235-9852 with a local legal review and opinion on the appeal file;

and prepares a memorandum recommending approval or disapproval of the appeal for submission to AF JAA-S. The appeal file must contain the following:

8.8.4.2.1. The memorandum

8.8.4.2.2. The appeal

8.8.4.2.3. The installation-level JA review

8.8.4.2.4. The assessment of pecuniary liability

8.8.4.2.5. The report of inquiry or investigation

8.8.4.2.6. Any other documentation considered pertinent to the assessment and appeal.

8.8.4.3. After review of the appeal file, AFSVA/JA forwards it to the AFSVA Commander for action.

8.8.4.4. The decision of the AFSVA Commander on the appeal is final. The AFSVA Commander may approve, disapprove, or modify the assessment action, or return the file for further inquiry or investigation or analysis. The AFSVA Commander notifies the appellant of the decision on the appeal through command channels, and instructs the appellant's paying office to refund previous collections or to resume collection action as appropriate.

8.9. Collection Actions. The RM immediately initiates collection actions on all losses where the installation commander assesses pecuniary liability. The RM actively pursues restitution from individuals' assessed pecuniary liability for all losses including those covered by the Air Force Insurance Fund. The NAF AO establishes a claim against the responsible person, sets up a file for all pertinent documents, and:

8.9.1. Notifies AFSVA/SVXHI 2261 Hughes Ave, Suite 156, Lackland AFB TX 78236-9854, the responsible individual for the claim intends to make restitution.

8.9.1.1. Forwards all payments to offset the payment made from the Air Force Insurance Fund immediately upon receipt to AFSVA/SVXHI, 2261 Hughes Avenue, Suite #156, Lackland AFB TX 78236-9854.

8.9.2. Upon notification from AFSVA/SVXHI to expect restitution of the claim, AFSVA/FM establishes a receivable in the accounting system for the amount owed, and keeps AFSVA/SVXHI advised of the payment status.

8.9.3. The servicing staff judge advocate pursues claims action against parties other than members of the uniformed services and employees of the Federal Government. The RM establishes a claim file and tracks restitution in these cases.

8.9.3.1. The FSS must give the debtor the opportunity to voluntarily pay the debt (T-0).

8.9.3.2. If the debtor does not voluntarily pay the debt, the RM personally reviews and verifies the accuracy and validity of the debt from an administrative viewpoint, and takes collection action on the indebtedness as instructed in this chapter.

8.9.3.3. If the debtor disputes the validity of the debt, he or she may submit an appeal through the RM and the FSS commander or director to the installation commander.

When a debtor submits an appeal, the RM suspends collection until the installation commander determines the outcome of the appeal. Follow the appeal procedures in paragraph 8.8. **EXCEPTION:** This limitation does not apply when the individual involved is an employee who the commander expects to terminate his or her employment (voluntarily or involuntarily). In any such case, follow the collection procedures in paragraph 8.11.

8.9.3.4. The installation commander has the authority to render final decisions on appeals involving claims of \$5,000 or less. Retain copies of all decisions in the LOF file of the NAFI involved. The installation commander has 15 calendar days from receipt of the appeal to render a decision. Forward all appeals of claims over \$5,000 through command channels to AFSVA/JA (Services Legal Office) for further review and recommendation to the AFSVA Commander.

8.9.3.5. Claims Covered by Commercial Insurance. Claims asserted against a person for any conduct causing a loss covered by commercial insurance, require the RM to:

8.9.3.6. Furnish the insurance company a preliminary notification of the loss involved. Furnish proof of the loss under the terms of the insurance contract.

8.9.3.7. Notify the insurance company of any collections made reducing the final company's liability.

8.10. Claims Involving Losses or Indebtedness. When initiating collection action for other losses or indebtedness, excluding returned checks and recourse accounts, caused by a member (or family member) of the uniformed services or an employee of the Federal Government, the RM forwards a statement of account with a request for payment to the person held pecuniary liable. Certified mail, return receipt requested, or personal delivery is used for accountability, to ensure the availability of proof of collection efforts. If the individual responsible for the loss or indebtedness does not settle the claim outright, the RM takes the following action:

8.10.1. **NAF employee indebtedness.** The RM authorizes payroll deductions, not to exceed one-fourth of gross pay due or to become due to the employee from the NAFI. Refer to AFMAN 34-310, *NAF Personnel Program Management and Administration Procedures*, for determining whether a disciplinary action against the NAF employee is appropriate. **EXCEPTION:** Payroll deductions may be increased or all payouts withheld if the employee terminates or leadership becomes aware of impending employee termination of employment.

8.10.2. **Civil service employee indebtedness.** The RM forwards a claim, if a civil service employee responsible for the loss or indebtedness does not settle the loss or indebtedness outright to the SSC for submission to the Treasury Offset Program.

8.10.3. **Collecting from FSS customers for debts incurred by family members or guests.** The RM may not involuntarily withhold money from an FSS customer for amounts due NAFIs resulting from debts incurred, or returned checks negotiated by family members or guests of the customer. This is true even for a returned check drawn on a joint checking account of the customer. However, a deduction from pay, or other monies due the customer can be made when he or she provides an appropriately worded consent agreement. The SSC requires consent agreements only when the debt is incurred by a family member or guest of the military member. Attach a copy of the consent agreement to the SSC Account Placement

Form. This form is a word document and the collection account number will be assigned once received by the SSC.

8.10.3.1. Following is an example of an acceptable consent agreement covering debts and returned checks of the customer, and his or her family members and guests: "In consideration of the (NAFI involved) accepting payment by check for goods or services, cashing personal checks, and accepting credit sales for myself, my family members, and guests, I hereby authorize a deduction from my appropriated fund or nonappropriated fund pay or other moneys due me for any debt (including any associated processing charge) or charge that is not timely paid."

8.10.3.2. Activities can also obtain consent agreements in advance. The customer signs a deduction authorization to pay any unpaid debt to be incurred and redeem any unpaid returned check to be negotiated by the customer, or his or her family members or guests. Activities should include consent agreements in the format of the membership application to be modified to apply to any NAFI. (Reference membership application format in AFI 34-272, *Air Force Club Program*.)

8.10.3.3. The activity and NAF AO can also obtain consent agreements during normal debt collection processing. Consent agreements obtained after the indebtedness occurs must include the amount of the debt, the date of the debt, the customer's SSN, and the customer's signature.

8.10.3.4. A customer may withdraw a consent agreement at any time, in writing; however, deductions are authorized for any indebtedness incurred under the agreement before the date the NAFI receives the written withdrawal.

8.10.3.5. Other military services will not accept consent agreements pertaining to Air Force NAFI debts signed by their civilian employees. Activities must consider this when accepting checks from these individuals.

8.10.4. Collecting from FSS Customers. The SSC Debt Collection Branch is responsible for processing Military Pay Orders (MPO) and TOP debt collections procedures for losses or indebtedness, including returned checks, caused by a member (or family member) of the uniformed services or an employee of the Federal Government. For collections other than returned checks and recourse accounts, the RM pursues collection of the customer debt until it is determined uncollectible. Once the debt is determined uncollectible, it is forwarded to the SSC for MPO or TOP collection. For losses or debts remaining with the installation for collection until deemed uncollectible, the RM:

8.10.4.1. Forwards a statement of account with a request for payment to the person held pecuniary liable. Certified mail, return receipt requested, or personal delivery is used for accountability to ensure the availability of proof of collection efforts.

8.10.4.2. Offset as much of the claim as possible. If a NAF employee was responsible for the loss or indebtedness and does not settle the claim outright, the RM authorizes payroll deductions not to exceed one-fourth of gross pay due or to become due the employee from the NAFI. **EXCEPTION:** Payroll deductions may be increased or all payouts withheld if the employee terminates employment. See 8.11 for indebtedness collection procedures, and AFMAN 34-310, *NAF Personnel Program Management and*

Administration Procedures, to determine whether disciplinary action against a NAF employee is appropriate.

8.10.4.3. Forwards the claim, if a civil service employee responsible for the loss or indebtedness does not settle the loss or indebtedness outright or grant written consent for a deduction from his or her pay, to the Civilian Personnel Flight (CPF) servicing the employee for action under AFI 36-703, *Civilian Conduct and Responsibility*.

8.10.4.4. Contacts the individual by telephone (when practical) and by a written demand for payment if a member of any military service was responsible for the loss or indebtedness. If the individual does not settle the loss or indebtedness outright, or grant written consent to a deduction from his or her active or retired pay, the RM forwards a claim for the loss or indebtedness to the SSC for submission to the Treasury Offset Program.

8.11. Collection of Overpayments from NAF Employees. Deductions from the pay of NAF employees without their consent are permitted to satisfy debts to their employing NAFIs arising out of erroneous or excessive payments of wages, allowances, differentials, or benefits. This also includes the value of annual and sick leave advanced under AFMAN 34-310, but not earned or otherwise repaid, when the employee retires, resigns, or is otherwise separated. FSS uses the following procedures for collection of overpayments resulting from payroll and entitlement errors made within the activity or NAF AO, administrative or managerial error, or erroneous employee provided information.

8.11.1. The NAF-Human Resources Section (NAF-HR) prepares AF Form 2545, *NAFI Notification of Personnel Action*, correcting the action which caused the overpayment. (This is not required when the error is made within the activity or NAF AO.)

8.11.2. The SSC computes the amount of debt owed and notifies the servicing NAF AO who then 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. The NAF AO advises 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.

8.11.3. The NAF AO also advises the employee of the failure to agree to reasonable repayment procedures or waiver approval will result in an automatic payroll deduction of an established amount from each pay period not to exceed one-fourth of gross pay.

8.11.4. Activity management, representatives of the NAF AO, and the employee should jointly come to an agreement as to the method of repayment ensuring full reimbursement without creating undue hardship on the employee, but ensures full reimbursement to the employing NAFI as soon as possible. The following methods are available:

8.11.4.1. The NAF AO accepts cash payment if the employee chooses to pay cash.

8.11.4.2. Adjust future earnings if agreed upon by all parties (for example, decreasing the appropriate items of pay on subsequent payrolls). The rate of deduction cannot exceed two-thirds (for a one time reimbursement) of the employee's gross pay after mandatory deductions.

8.11.4.3. If collection cannot be made as stated above, deduct an established amount from each succeeding paycheck. This amount cannot exceed one-fourth of gross pay. **EXCEPTION:** This limitation on the amount deducted does not apply when the employee involved is expected to terminate his or her employment (voluntarily or involuntarily). In any such case, effect deduction at levels ensuring full collection when possible, and maximum collection if full collection is not possible. If full collection is not effected before termination and from termination entitlements, a valid indebtedness remains in force for the uncollected amount.

8.11.4.4. Notify SSC when debt is satisfied to stop deductions.

8.11.5. If the employee doubts the validity of the indebtedness, or believes the amount or method of collection creates an unreasonable hardship, the employee may within 15 calendar days of receipt of the letter advising of the overpayment, exercise one of the following options:

8.11.5.1. Request a review of the debt or the collection method.

8.11.5.2. Use any negotiated grievance procedure available.

8.11.5.3. The employee submits a request for review through the RM and the FSS commander or director to the installation commander. Include details of the case and any appropriate background documents. The installation commander evaluates each request in a manner which assures the application of equity and good conscience. Upon receipt of a request for review or a negotiated grievance, the RM suspends collection of the overpayment until notified of the installation commander's decision. **EXCEPTION:** This suspension of payment does not apply when the employee is expected to terminate his or her employment (voluntarily or involuntarily).

8.11.5.4. The installation commander has authority to render final decisions on requests for review. The RM retains copies of all decisions in the LOF file of the NAFI. Except in unusual circumstances (documented in the file), the installation commander should render a decision within 15 calendar days from receipt of the review request.

8.11.5.5. A valid NAFI claim resulting from an erroneous payment of wages, allowances, differentials, or benefits may be waived or compromised when the erroneous payment was made through administrative error, and:

8.11.5.6. There is no indication of fraud, misrepresentation, fault, or lack of good faith on the part of the requesting employee, and

8.11.5.7. The debtor is incapable of paying both now and in the foreseeable future, or

8.11.5.8. The debtor cannot be located, or

8.11.5.9. The cost of recovery will exceed the expected recovery, or

8.11.5.10. The claim is not legally supportable, or

8.11.5.11. Available evidence does not substantiate the claim.

8.11.6. The installation commander approves waivers for claims involving \$2,500 or less. The installation commander must carefully consider all of the information available and each element of the waiver criteria. For example, even though a waiver seems justified for an

erroneous payment due to an administrative error when there is no indication of fraud, misrepresentation, fault, or lack of good faith on the part of the NAF employee, the criterion involving the debtor's ability to pay now or in the foreseeable future is a factor of importance.

8.11.6.1. Overpayments represent assets rightfully belong to a NAFI. Unless the requesting employee provides sufficient information or evidence to support a reasonable conclusion he or she is incapable of repaying both currently and in the foreseeable future, his or her request should be denied.

8.11.6.2. Accordingly, encourage employees to provide as much pertinent information as possible to ensure their requests have a fair chance of approval. Do not impose undue financial hardships in requiring repayment of funds. However, bear in mind recipients of overpayment have received NAF assets to which they are not entitled. The effect is a negative impact on the availability of NAFs for their intended purposes.

8.11.6.3. The installation commander forwards requests for waiver of claims involving more than \$2,500 through channels to AFSVA/JA for further review and recommendation to the AFSVA Commander for final decision.

8.12. Uncollected Losses or Indebtedness (other than returned checks and recourse accounts). When it is reasonably certain losses or indebtedness cannot be collected through the above procedures within 120 days, (except when an appeal is pending), the RM notifies the NAFI activity manager the claim is uncollectible and writes it off. The RM approves write-offs of \$2,500 or less. The installation commander approves write offs of more than \$2,500. The RM documents write offs of losses and indebtedness according to AFI 34-209, and forwards to the SSC to process through the TOP.

8.12.1. If none of the above procedures results in collection of the loss or indebtedness, the RM seeks counsel from the servicing SJA on uncollected losses or indebtedness of more than \$100 but less than \$600, and determines whether to pursue further administrative action.

8.12.2. Prior to transfer of accounts, the NAF AO sends a final debt notice to the debtor's last known address. Ensure the debt notice letter informs the debtor unless the NAF AO receives full payment of the entire outstanding balance within 15 days of the date of the final notice, their delinquent account will be referred for TOP collection. The RM forwards all pertinent facts and documents and evidence of collectability, as follows:

8.12.2.1. Send all eligible accounts to AFSVA/SVTR for submission to the TOP. Send accounts no more than 180 days delinquent, as experience indicates collection of older accounts is less successful.

8.12.2.2. Send claims exceeding \$600 arising in the United States, its territories and possessions, the District of Columbia, and Puerto Rico, other than those of AAFES, to the servicing SJA for further collection assistance or further forwarding to AFSVA/JA.

8.12.3. For claims of \$600 or more other than those stated above:

8.12.3.1. If the RM does not expect the debtor to return to the United States, its territories and possessions, the District of Columbia, or Puerto Rico, he or she provides the case file to the servicing SJA. The SJA forwards it to the MAJCOM SJA of the overseas command in which the debt arose to review and determine whether to pursue further administrative collection action. The MAJCOM SJA takes any further

administrative collection action. If such action fails, or if the MAJCOM SJA deems further administrative collection action is inappropriate, he or she forwards the case file to AFSVA/JA along with recommendations for disposition.

8.12.3.2. If the debtor has returned to the United States, its territories or possessions, the District of Columbia, or Puerto Rico, or is expected to do so shortly, the RM sends all pertinent facts and the case file to the servicing SJA for forwarding to AFSVA/JA.

8.12.4. Consolidate debts for individual(s) with other government agencies. Under the provisions of AFI 51-301, *Civil Litigation*, AFSVA/JA may submit aggregate totals of \$600 or more to the United States Attorney for collection. The RM submits request for collection through the servicing SJA to AFSVA/JA.

8.13. Uncollected Losses or Indebtedness for Returned Checks and Recourse Accounts. The SSC Debt Collection Branch is responsible for processing debt collection of returned checks and recourse accounts. The SSC may write off accounts up to \$2,500. Write-off amounts over \$2,500 must be presented to the applicable installation NAFs Council for approval. After the NAF AO notifies the SSC of the installation commander's approval of the write-off, the SSC processes all eligible debts for collection via the TOP. All payments received from TOP are sent directly back to the installation where the debt originated via CMIP (T-0).

8.14. Withholding of Pay and Allowances. When a consent statement is available and all collection attempts have failed, pay and allowances may be withheld from civilian employees as prescribed in AFMAN 34-310. The RM submits all available paperwork to the SSC for submission to the TOP.

8.15. Garnishment of Pay. Federal pay (including pay of NAF employees) is subject to garnishment under Public Law 93-647, as amended by Public Law 95-30, and under Public Law 103-94. Implementing regulations are in 5 C.F.R. 581 and 582.

8.15.1. . Effective 3 February 1994, pay of federal employees can be garnished the same as pay of any non-federal individual.

8.15.2. Legal processes involve the garnishment of pay of AF NAF employees must be served on AFSVA/JA. Accomplish service only by certified or registered mail, return receipt requested, or by personal service (T-0).

8.15.3. Any federal employee receiving such process in the course of his or her duties pertaining to a NAF employee, was served by certified or registered mail, return receipt requested, or by personal service, must immediately forward it to AFSVA/JA. Ensure the forwarding correspondence identifies the named employee's employing NAFI (e.g., the Joint Base San Antonio-Randolph Morale, Welfare, and Recreation Fund), and forward all documentation received and the envelope in which it was received. Service of process is not considered accomplished until AFSVA/JA receives it (T-0).

8.15.4. If a NAF employee questions the validity of a legal process, the employee must challenge it in the appropriate court. The AF will not litigate or otherwise judge the validity of any such challenge (T-0).

8.15.5. Any legal process must contain the name of the employee and the employee's SSN. Deliver any process received without sufficient information to identify the employee to the

servicing SJA for return directly to the issuing authority with an explanation of the deficiency (T-0).

8.15.6. Upon receipt of a properly served, valid legal process, AFSVA/JA advises the employee's NAF payroll office of the amount to be garnished and provides a copy of the legal process. The employee's NAF payroll office complies with AFSVA/JA's pay withholding instructions upon receipt (T-0).

8.16. Administrative Garnishments for NAFIs. Under 31 U.S.C. 3720D, the Chief Legal Counsel, AFSVA/JA, or designee, may garnish the disposable pay of any individual indebted to an AF NAFI. This authority does not extend to the pay of Federal personnel.

8.16.1. The amount garnished during any pay period may not exceed fifteen percent of the individual's disposable pay.

8.16.2. Procedures are prescribed in 31 CFR Part 285. Claim files will be processed through the AFSVA/JA for action under this paragraph. Follow the same procedures for file submission as outlined in paragraph 8.12 above.

8.16.3. Amounts collected will be distributed to the appropriate NAFIs through the Air Force Central NAF CMIP.

8.17. Claims Arising Out of Contract Arrangements. The RM refers all claims to the contracting officer for appropriate action. Adjudicate and settle claims arising out of contract arrangements (e.g., contracts, leases or purchase orders), either for or against a NAFI, using the procedures provided by the disputes clauses in the contracts. *EXCEPTION:* In cases where established procedures do not apply to certain types of claims arising out of NAFI operations, the contracting officer submits the case through channels to the AFSVA Commander for resolution.

8.18. NAF Asset Insurance Program. For a loss of an asset covered by the asset insurance program, file claims according to AFI 34-208.

Chapter 9

CONTINGENCY OPERATIONS

9.1. Memorandum of Understanding (MOU) for Suspended Operations. In areas subject to recurring weather, geographic, or climate events, the FSS commander or director ensures the installation has a MOU with another location, which provides a contingency plan to guarantee continuous operation and protection of NAF assets in the aftermath of a natural disaster or conflict. The MOU is essential to guarantee continuous operation and must be all inclusive to provide (T-0).

- 9.1.1. Computer support
- 9.1.2. Software availability and protection
- 9.1.3. Hard copy storage and recovery
- 9.1.4. Asset protection
- 9.1.5. Lines of responsibility/accountability

9.2. Following a Natural Disaster. The RM, FSS commander or director, and installation commander assess overall damage. While determining the feasibility of continuing operations, they ensure continued protection of all remaining NAF assets and property by the following means:

- 9.2.1. Conduct all salvage, recovery, and reconstruction efforts with the utmost attention to safety.
- 9.2.2. Empty safes and secure all cash and cash equivalents.
- 9.2.3. Safeguard highly pilferable items.
- 9.2.4. Ensure items dangerous to one's health are destroyed or confiscated.
- 9.2.5. Assess damage to the NAF AO and determine requirements for recovery.
- 9.2.6. Determine if off-site processing is necessary. If so, arrange for transport of only those records necessary to conduct business.

9.3. Continuing Operations. When total destruction of the NAF AO has occurred, after securing the processing site and workplace, avoid or minimize future losses by:

- 9.3.1. Securing as many fixed assets as reasonably possible. Use tents or trucks to store property, depending upon the condition of the facilities. Destroy or use all perishable inventories. Maintain an inventory of disposed items. Request additional vehicle support if needed, from nearby installations.
- 9.3.2. Securing as many resale items and other highly pilferable items as possible and store them in a secure location.

9.4. Contingency Operations. Contingency operations will follow all applicable AF NAF guidelines for protection of NAFs. In addition, contingency operations will work with the assigned supporting location to ensure all requirements are met.

GINA M. GROSSO, Lieutenant General, USAF
DCS, Manpower, Personnel and Services

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

DoD Instruction 5010.40, *Managers' Internal Control Program Procedures*, 30 May 2013

DoD Directive 5500.7-R, *Joint Ethics Regulation*, 17 November 2011

OMB Circular A-123, *Revised, Management's Responsibility for Internal Control*

AFPD 34-2, *Managing Nonappropriated Funds* 21 June 2012

AFPD 65-2, *Managers' Internal Control Program*, 26 September 2011

AFI 31-101, *Integrated Defense (FOUO)* 8 October 2009

AFI 32-2001, *Fire Emergency Services (FES) Program*, 27 February 2014

AFI 33-324, *The Air Force Information Collections and Reports Management Program*, 06 March 2013

AFI 33-332, *The Air Force Privacy and Civil Liberties Program*, 12 January 2015

AFI 33-364, *Records Disposition – Procedures and Responsibilities*, 22 December 2006

AFI 34-101, *Air Force Morale, Welfare, and Recreation (MWR) Programs and Use Eligibility*, 28 Mar 2013

AFI 34-108, *Commercial Sponsorship and Sale of Advertising*, 12 October 2011

AFI 34-148, *Air Force Gaming Program*, 24 July 2014

AFI 34-201, *Use of Nonappropriated Funds (NAFs)*, 17 June 2002

AFI 34-204, *Property Management*, 27 August 2004

AFI 34-206, *Vending Facility Program for the Blind on Air Force Property*, 7 August 2012

AFI 34-208, *Nonappropriated Fund Property and Liability Program*, 17 May 2011,

AFI 34-209, *Nonappropriated Fund Financial Management and Accounting*, 10 January 2005

AFI 34-272, *Air Force Club Program*, 1 April 2002

AFI 34-275, *Air Force Nonappropriated Fund (NAF) Government Purchase Card Program*, 23 June 2011

AFI 36-703, *Civilian Conduct and Responsibility*, 18 February 2014

AFI 51-301, *Civil Litigation*, 01 July 2002

AFI 51-502, *Personnel and Government Recovery Claims*, 01 March 1997

AFI 65-107, *Nonappropriated Funds Financial Management Oversight Responsibilities*, 1 December 1999

AFI 65-201, *Managers' Internal Control Program Procedures*, 30 January 2012

AFI 71-101V1, *Criminal Investigations Program*, 04 February 2015

AFI 90-301, *Inspector General Complaints Resolution*, 23 August 2011

AFI 91-202, *The US Air Force Mishap Prevention Program*, 05 August 2011

AFMAN 34-214, *Procedures for Nonappropriated Funds Financial Management and Accounting*, 14 Feb 2006

AFMAN 34-215, *Procedures for the Cash Management and Investment Program*, 8 September 2003

AFMAN 34-310, *NAF Personnel Program Management and Administration Procedures*, 28 September 2011

AFMAN 64-302, *Nonappropriated Fund (NAF) Contracting Procedures*, 16 November 2011

NA-05, *Program Training Aid, Tickets Purchased or Consigned for Resale*, July 2004

Prescribed Form

Standard Form (SF) 702, *Security Container Check Sheet*

AF Form 645, *NAF Cash Register Adjustment*

AF Form 1182, *NAF Child Care Center Register*

AF Form 1376, *NAF Supply Loan Receipt*

AF Form 1400, *NAF Vending/Amusement Machine Collection Report*

AF Form 1401, *NAF Petty Cash/Refund Voucher*

AF Form 1735, *NAF Interfund Purchase Order*

AF Form 1875, *NAF Individual Cashier's Report*

AF Form 1876, *NAF Consolidated Cost Center Report*

AF Form 1877, *NAF Cashier's Log*

AF Form 1878, *Central Cashier Deposit Receipt*,

AF Form 2045, *Bingo Perpetual Inventory*.

AF Form 2533, *Transfer Between Cost Centers*

AF Form 2545, *NAFI Notification of Personnel Action*

AF Form 2555, *NAF Collection Record*

AF Form 2556, *NAF Surprise or General Cashier's Cash Count*

AF Form 2557, *NAF Cash Receipt Voucher*

Abbreviations and Acronyms

AAFES—Army and Air Force Exchange Service

AF—Air Force

AFB—Air Force Base

AFFMF—Air Force Financial Management Fund

AFHB—Air Force Handbook

AFI—Air Force Instruction

AFLF—Air Force Lodging Fund

AFMAN—Air Force Manual

AFMWRF—Air Force Morale, Welfare, and Recreation Fund

AFNAFPO—Air Force Nonappropriated Fund Purchasing Office

AFOSI—Air Force Office of Special Investigations

AFPD—Air Force Policy Directive

AFROTC—Air Force Reserve Officer Training Corp

AFRIMS—Air Force Records Information Management System

AFSVA/FMA—Air Force Services Activity, Financial Management and Comptroller Directorate, Financial Services Branch

AFSVA/FMB—Air Force Services Activity Financial Management and Comptroller Directorate, Budget Branch (FMB)

AFSVA/JA—Air Force Services Activity Legal Office

AFSVA/SVK—Air Force Services Strategic Marketing

ANG—Air National Guard

AO—Accounting Office

AP—Accounts Payable

APF—Appropriated Fund

BGC—Bonus Gift Coupons

CC—Commander

CMIP—Cash Management Investment Program

CONUS—Continental United States

CPF—Civilian Personnel Flight

DoD—Department of Defense

DR—Disbursement Request

DRU—Direct Reporting Unit

FM—Financial Manager

FOA—Field Operating Agency

FSO—Financial Services Office

FSS—Force Support Squadron

GSA—General Services Administration

GSU—Geographically Situated Unit

HQ USAF/A1S—Headquarters Unites States Air Force Director of Services

HRO—Human Resources Office

ID—Identification card

IDC—Integrated Defense Council

IDP—Integrated Defense Plan

IDS—Intrusion Detection System

IDT—Interfund dollar transfers

IG—Inspector General

IO—Independent Observer

IRS—Internal Revenue Service

IOU—I owe you

LOF—Life-of-the-fund

MAJCOM—Major Command

MPF—Military Personnel Flight

MPO—Military Pay Order

MSFC—Membership Support Flight Chief

MWRF—Morale, Welfare, and Recreation Fund

MIC—Managers' Internal Controls

NAF—Nonappropriated Fund

NAFFA—Nonappropriated Fund Financial Analyst

NAFI—Nonappropriated Fund Instrumentality

OI—Operating Instruction

PCard—Purchase Card

POS—Point of Sale

RCK—Re-Presented Check

RM—Resource Manager

RPP—Resource Protection Program

SAF/FMF—Deputy Assistant Secretary of the Air Force Financial Management Operations

SAV—Staff Assistance Visit

SFS—Security Forces Squadron

SIS—Services Information System

SJA—Staff Judge Advocate

SKD—Security Key Dispenser

SSN—Social Security Number

SV—Services

T-3—Waiver Authority at Wing level

T-0—Waiver Authority at DoD or above

TD—Treasury Department

TDY—Temporary Duty

TOP—Treasury Offset Program

US—United States

USAF—United States Air Force