

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

AIR FORCE INSTRUCTION 34-225

19 OCTOBER 2011

Services



**AIR FORCE SERVICES
NONAPPROPRIATED FUND GOVERNANCE**

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

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(Brig Gen Eden J. Murrie)

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This instruction implements AFPD 34-2, *Managing Nonappropriated Funds*. It outlines the Air Force Services corporate governance structure concepts of operation. This AFI does not apply to the Air National Guard or Air Force Reserve Command. Refer recommended changes and questions about this publication to the Office of Primary Responsibility (OPR) using the AF Form 847, *Recommendation for Change of Publication*; route AF Form 847s from the field through the appropriate functional's chain of command. 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 the Air Force Records Disposition Schedule (RDS) located at: <https://www.my.af.mil/afrims/afrims/afrims/rims.cfm>.

SUMMARY OF CHANGES

This instruction has been changed from AFI 34-124 to AFI 34-225 to correctly align under AFPD 34-2. Previous instruction included the Air Force Morale Welfare and Recreation Advisory Board and its supporting committees which was replaced with the Secretary of the Air Force's charters establishing the Air Force Services Council (and its supporting committees) and the Air Force Services Audit Committee. It outlines the objectives, operating philosophies, meeting requirements, participation requirements and board members for the Air Force Services Council, Air Force Nonappropriated Fund Finance Committee, Air Force Nonappropriated Fund Investment Subcommittee, and the Air Force Services Audit Committee.

Chapter 1

CONCEPT OF OPERATIONS

1.1. Program Objective. The Air Force is required by Department of Defense Instruction (DoDI) 1015.15, *Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources*, to establish appropriate bodies of governance for the management and control of nonappropriated fund (NAF) resources. Governance of NAF Instrumentalities (NAFIs) is provided by two major bodies: The Air Force Services Council, which is further supported by the Air Force Nonappropriated Fund Finance Committee and the Air Force Nonappropriated Fund Investment Subcommittee; and the Air Force Audit Committee.

Note: The Air Force Civilian Welfare Fund and the Air Force Fisher House Fund have separate governance structures and are not covered by this instruction.

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

1.2.1. Dictates the prudent use of available resources to promote the best interests of the Air Force and Air Force NAFIs that support Morale, Welfare, and Recreation (MWR) activities, events and programs that benefit our Airmen and other authorized patrons.

1.2.2. Requires a balanced support of MWR programs and the Air Force communities. Support is based on an evaluation of compelling program needs and recommended action to achieve program objectives using limited resources.

1.3. Participation:

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

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

1.4. Meetings.

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

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

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

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

1.4.5. Each governing body shall keep a record of its acts and proceedings, and report them to the HQ USAF Deputy Chief of Staff of the Air Force, Manpower, Personnel and Services (AF/A1), unless specified in its respective charter.

1.4.6. Headquarters Air Force Services (AF/A1S) and the Air Force Services Agency (AFSVA) staffs administer and conduct the daily business of any council or committee referred to in this AFI.

1.4.7. The council and committee are subject to the guidance in DoDI 5105.18_AFI 90-1402, *Intergovernmental and Intragovernmental Committee Management Program*.

Chapter 2

AIR FORCE SERVICES COUNCIL

2.1. Purpose. The AF Services Council is an advisory body that makes recommendations to the AF/A1 on Air Force NAF matters in accordance with the Air Force Services Council Charter. The Council:

2.1.1. Suggests broad policies for Services and for the administration, control and use of Air Force NAFs.

2.1.2. Reviews and makes recommendations on NAF budgets for the AF/A1S and AFSVA.

2.1.3. Recommends ways to use and distribute central NAF revenue sources; e.g., Exchange dividends.

2.1.4. Recommends Central NAFI financing for construction projects prioritized on the basis of need.

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

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

2.2. Composition. Members are listed in Table 2.1. The Chief of Staff of the Air Force (CSAF) approves changes to the Air Force Services Council's membership.

Table 2.1. Air Force Services Council Members and Advisor

Position	Role
Assistant Deputy Chief Staff, Manpower, Personnel & Services	Chair
Deputy Assistant Secretary of the Air Force (Cost and Economics)	Member
Deputy Assistant Secretary of the Air Force (Budget)	Member
Deputy Director of Manpower, Organization and Resources	Member
Director of Air Force Services	Member
Air Force Director of Budget Operations	Member
Chief of Construction and Engineering Division	Member
Chief Master Sergeant of the Air Force	Member
Chief, Air Force Services Law Division	Advisor
Air Force Services Agency Director of Financial Management and Comptroller – Custodian of Air Force Central NAFIs	Advisor

Chapter 3

AIR FORCE NONAPPROPRIATED FUND FINANCE COMMITTEE

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

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

3.1.2. Has access to and reviews the NAF database maintained by AFSVA for comparative analysis purposes to facilitate development of appropriate financial policy and practice recommendations.

3.1.3. Reviews and recommends policies and practices for financial programs such as those for banking, insurance, employee benefits, and NAF accounting.

3.1.4. Reviews the annual Certified Public Accountant audit report on the central Air Force NAFIs and Public Accountant Contract Audit (PACA) Program summary reports and recommends revised policies and practices where warranted.

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

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

3.3. Composition. Members are listed in Table 3.1. The Air Force Services Council may approve changes to the Committee's membership.

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

Position	Role
Deputy Assistant Secretary of the Air Force (Budget)	Chair
Deputy Director of Manpower, Organization and Resources	Member
Director of Services for the Air Force	Member
Deputy Assistant Secretary of the Air Force (Cost and Economics)	Member
Chief of Construction and Engineering Division	Member
Air Force Services Agency Director of Financial Management and Comptroller – Custodian of the AF Central NAFIs	Advisor
Chief, Air Force Services Law Division	Advisor

Chapter 4

AIR FORCE NONAPPROPRIATED FUND INVESTMENT SUBCOMMITTEE

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

4.1.1. Recommend investment policy in accordance with DoD 1401.1-M, *Personnel Policy Manual for Nonappropriated Fund Instrumentalities* and DoDI 1015.15.

4.1.1.1. Follow an investment philosophy set forth in the Employee Retirement Income Security Act of 1974, as amended.

4.1.1.2. Recommend only investment mediums authorized in DoD 1401.1-M for NAF retirement funds and those authorized in DoDI 1015.15 for all other NAF Funds.

4.1.2. Review investment portfolios for yield, risk (safety), liquidity, and adequacy of funds for intended purposes and makes investment recommendations to the Air Force NAF Finance Committee and the AFSVA Trustee.

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

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

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

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

4.2. The AF NAF Finance Committee ensure the Subcommittee performs its functions in accordance with its Charter.

4.3. Composition. Members are listed in Table 4.1. The Air Force Finance Committee Chairman may approve changes to the Subcommittee's membership.

Table 4.1. Air Force Nonappropriated Fund Investment Subcommittee

Position	Role
Deputy Assistant Secretary of the Air Force (Cost & Economics)	Chair
Chief, Requirements Division (Services Directorate)	Member
Appointee from US Treasury Financial Services	Member
Accounting, Finance, or Economics Professor	Member
Government employee member-at-large with investment expertise	Member
AF Services Agency Director of Financial Management and Comptroller	Advisor
Chief, AF Services Law Division	Advisor
AF Services Agency Investment Officer	Advisor

Chapter 5

AIR FORCE SERVICES AUDIT COMMITTEE

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

- 5.1.1. Establishes audit frequency and scope requirements for NAFIs.
- 5.1.2. Identifies audit contract deliverables.
- 5.1.3. Monitors performance of audit contractors and identifies sources to be solicited.
- 5.1.4. Monitors management actions taken in response to audit findings and recommendations and recommends additional corrective action to the AF/A1
- 5.1.5. Reviews trend reports and recommends improvements in internal controls and operations to the AF/A1.

5.2. Committee Composition. Members are listed in Table 5.1. The CSAF may approve changes to the Air Force Services Audit Committee's membership.

Table 5.1. Air Force Services Audit Committee Members and Advisors

Position	Role
Air Force Director of Budget Operations	Chair
Chief Master Sergeant of the Air Force	Member
Associate Director, Manpower and Personnel Division, Support and Personnel Audits Directorate, Air Force Audit Agency	Member
Auditor General of the Air Force	Advisor

DARRELL D. JONES
Lieutenant General, USAF
DCS, Manpower, Personnel and Services

Attachment 1

GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION

References

AFPD 34-2, *Managing Nonappropriated Funds*, 7 January 1994

AFMAN 33-363, *Management of Records*, 1 March 2008

DoD Instruction 1401.1-M, *Personnel Policy Manual for Nonappropriated Fund Instrumentalities*, 15 November 1985

DoD Instruction 5105.18_AFI 90-1402, *Intergovernmental and Intragovernmental Committee Management Program*, 24 March 2011

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

Prescribed Forms

None

Adopted Forms

AF Form 847, *Recommendation for Change of Publication*

Terms

AF/AIS— Headquarters Air Force Services

AFI— Air Force Instruction

AFMAN— Air Force Manual

AFSVA— Air Force Service Agency

CSAF— Chief of Staff of the Air Force

IAW— In Accordance With

NAF— Nonappropriated Funds

NAFI— Nonappropriated Fund Instrumentalities

OPR— Office of Primary Responsibility

PACA— Public Accountant Contract Audit

RDS— Records Disposition Schedule