BY ORDER OF THE SECRETARY OF THE AIR FORCE

AIR FORCE MANUAL 34-212

1 SEPTEMBER 1995

HQ UNITED STATES AIR FORCE ACADEMY Supplement

26 JANUARY 2011
Certified Current 31 January 2013
Services

CONTROL PROCEDURES FOR PROTECTING NAF ASSETS

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

ACCESSIBILITY: Publications and forms are available on the e-Publishing website at **www.e-publishing.af.mil** for downloading or ordering.

RELEASABILITY: There are no releasability restrictions on this publication.

OPR: HQ AFSVA/SVFA
(Ms. Joy Berberek)

Certified by: HQ USAF/SVF
(Col Michael Kelly)

Pages: 58

OPR: USAFA/ADF

Supersedes: AFMAN 34-212_USAFASUP1, 4 May 2006

Certified by: USAFA/ADV
(Mr. Bradley J. DeAustin)

Pages: 2

The internal control procedures contained in this Air Force manual apply to Nonappropriated Fund Instrumentalities (NAFI) to safeguard resources; assure adherence to applicable laws, Air Force policies and instructions; and promote operational economy and efficiency. All Air Force NAFI personnel associated with administration, managing, handling, safeguarding, and accounting for nonappropriated fund (NAF) assets must understand the internal control process and follow established control procedures. Refer to DoD Directive 5010.38, *Internal Management Control Program*, 14 April 87, and *Change 1; OMB Circular A-123, Revised*, *Internal Control Systems*; AFI 31-209, *Air Force Resource Protection Program*, and AFI 34-202, *Protection of Assets*. This publication is not applicable to the Air National Guard.

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 F176 AF MP A, Nonappropriated Fund Instrumentalities (NAFI) Financial System, applies.

(USAFA) Air Force Manual (AFMAN) 34-212, Control Procedures for Protecting NAF Assets, 1 September 1995, is supplemented as follows: The purpose of this supplement is to clarify the authorization of promotion for athletic activities for Air Force Academy Athletic Association (AFAAA) customers and supporters. This supplement applies to all personnel including military, civilian, and contractors within the Directorate of Athletics (USAFA/AD). This supplement does not apply to the Air Force Reserve Command (AFRC) Units or the Air National Guard. Refer recommended changes and questions about this publication to the Office of Primary Responsibility using AF Form 847, Recommendation for Change of Publication. Ensure that all records created as a result of processes prescribed in this publication are maintained in accordance with AFMAN 33-363, Management of Records, and are disposed of in accordance with the Air Force Records Information Management System (AFRIMS) Records Disposition Schedule (RDS) located at **https://www.my.af.mil/gcss-af161a/afrims/afrims/**.

(USAFA) AFMAN 34-212, Control Procedures for Protecting NAF Assets, 1 September 1995, is supplemented, with the approval of the Air Staff Offices of Primary Responsibility, pursuant to Air Force Instruction (AFI) 34-201, Use of Nonappropriated Funds (NAFS), Chapter 10, Waivers, Exceptions, and Special Approvals.

SUMMARY OF CHANGES

(USAFA) This revision updates the OPR information, updates the mandatory information in the Opening paragraph, updates office symbols throughout this supplement and updates the mandatory final paragraph information (Paragraph 11.). No changes were made to the actual content of the supplement (Paragraph 7.5.1.).

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Chapter 1

INTERNAL CONTROL INFORMATION

1.1. Introduction. AFPD 65-2, *Internal Management Controls*, and AFI 65-201, *Air Force Internal Management Controls*, requires all Air Force organizations establish a cost-effective Internal Management Control (IMC) Program to protect resources. This manual explains the controlling process and outlines procedures for the control, protection, and loss prevention of cash and other nonappropriated fund (NAF) assets according to AFPD 34-2, *Managing Nonappropriated Funds,* and AFI 34-202.

1.2. Applicability. Air Force NAFIs described in AFI 34-201, *Use of Nonappropriated Funds*, must establish and adhere to the internal control procedures in this manual.

1.3. Forms. HQ Air Force Services Agency, Directorate of Financial Management, Comptroller (HQ AFSVA/SVF) approves requests for changes to Air Force forms. Send recommendations for changes to Air Force forms through the Major Air Commands (MAJCOM) SVF or Field Operating Agency (FOA) to HQ AFSVA/SVFA, 10100 Reunion Place, Suite 400, San Antonio TX 78216-4138. The Services (SV) Squadron may automate the Air Force and NAF forms if form content and requirements do not change on a form.

1.4. Disposition of Records. Establish and maintain files according to AFI 37-138, *Records Disposition-Responsibilities.* Dispose of Privacy Act records promptly according to AFI 37-132, *Air Force Privacy Act Program.*

1.5. Supplements. MAJCOMs and FOAs send proposed supplements to this manual to HQ AFSVA/SVF for approval before publishing. After publishing, send one copy of the supplement to HQ AFSVA/SVF and HQ USAF/SV, 1770 Air Force Pentagon, Washington DC 20330-1770.

1.5.1. Base restaurant funds (BRF) or civilian welfare funds (CWF) send proposed supplements involving their organizations to the Board of Directors, Army and Air Force Civilian Welfare Fund (AAFCWF), 21 Army Pentagon, Washington DC 20310-0021 for approval. After approval, send one copy to HQ AFSVA/SVF and HQ USAF/SV.

1.5.2. MAJCOMs and FOAs review and approve or disapprove proposed installation-level supplements.

1.6. Technical Assistance. Send requests for clarification or interpretation of this manual through the MAJCOM/SVF or FOA to HQ AFSVA/SVF. Forward requests concerning the applicability of this manual to BRFs and CWFs to the Board of Directors, AAFCWF for approval. After approval, send one copy to HQ AFSVA/SVF.

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

1.7.1. **Local Waivers.** Local waivers authorized where specifically stated in the text of this manual. The installation commander has approval authority for waivers granted locally through the custodian or SV squadron commander or director. The SV commander or director reviews waivers annually and when circumstances change, and determines if the waiver is still required. The SV squadron commander or director documents the review in a memorandum to the installation commander.

1.7.2. **HQ AFSVA/SVF Waivers.** For circumstances that do not permit local waivers, requests must be approved by HQ AFSVA/SVF. The custodian or SV squadron commander or director submits waiver requests through the MAJCOM/SVF to HQ AFSVA/SVF.

Each waiver request whether granted locally or requiring submission to HQ AFSVA/SVF must:

- Outline the problem.
- Identify the specific policy requiring a waiver.
- Identify how the waiver provides a solution.
- Furnish complete justification.

Waivers to this manual are not valid without a control number assigned by the approving authority. Reaccomplish all waivers in effect before the date of this manual as this publication renders them void.

Waivers are valid for up to, but not to exceed 3 years. Submit a request for a new waiver after 3 years if the conditions requiring the waiver still exist.

The Resource Management Flight Chief (RMFC) maintains documentation on waivers, including reviews of waivers, in the life-of-the-fund (LOF) file.

MAJCOMs submit requests for waivers concerning BRFs and CWFs through the AAFCWF to HQ AFSVA/SVF.

Chapter 2

THE CONTROLLING PROCESS

2.1. Definition of Internal Control. Internal control is a plan of organization, methods and measures adopted to safeguard resources; assure the accuracy of information; and adherence to applicable laws, policies, and instructions. Internal control promotes operational economy and efficiency.

2.2. Organizational Structure. An effective internal control plan requires that 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 that promotes accuracy without duplication. By comparing recorded accountability to actual existing assets, variances can be readily identified and resolved. A separation of duties provides a division among:

- The initiation and authorization of a transaction.
- The recording of a transaction.
- 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 of these factors 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 manager 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. But, the manager must also weigh the controls to ensure they do not hamper the productivity of any asset. Contact the security police 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 error or irregularity. 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, on the other hand, 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 that profit losses are greater than the assets at risk. Reasonable assurance recognizes that determining these factors requires 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.

- **People.** People are essential, but form the major limitation in any control system because they operate the system. Faulty personal performance may result from a misunderstanding of instructions, mistake in judgment, distraction, fatigue, or simply carelessness.
- Circumvention or Collusion. Whenever internal control relies on the work of one person being checked by another, there is always a risk that circumvention or collusion can reduce or destroy the effectiveness of those procedures.
- Control Override. Procedures can be overridden in certain circumstances. The most notable are bypasses, by higher level managers, or by subordinates under their orders, of controls that would otherwise monitor the occurrence of errors or irregularities.
- 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 that activity and functional managers implement internal control standards in Air Force and MAJCOM 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 standards, specific standards, and the resolution standard.

2.3.2.1. The following are general standards:

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

- 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 is vital to maintaining and demonstrating a positive and supportive attitude toward internal controls at all times.
- Competent Personnel. Managers and employees must possess personal and professional integrity and maintain a level of competence that allows them to accomplish their assigned duties, and understand the importance of developing and implementing good internal controls.
- Control Objectives. Internal control objectives (desired outcomes) should be logical, applicable, and reasonably complete. This standard requires that 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 that control objectives are met.
- Control Techniques. These are used to accomplish control objectives and should be effective and efficient to continually provide a high degree of assurance that 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.

2.3.2.2. The following are specific standards:

- **Documentation.** Internal control procedures and all transactions are clearly documented. Documentation is readily available and accessible for examination.
- Recording of Transactions and Events. Accounting for NAF assets ensures that 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
- 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.
- Separation of Duties. To reduce the risk of nondetection, managers ensure that 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.
- Supervision. Supervision requires that 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 wrongful acts.

- 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.

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

2.3.2.3.1. 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.

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

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

- Immediately correct any regulatory compliance deficiencies and resolve all noted internal control deficiencies identified.
- Provide appropriate feedback. Advise the IMC program focal point (refer to paragraph **2.5**), RMFC, SV squadron commander or director, MAJCOM, and any other base NAFI activities of the results of the self-inspection/assessment; include common findings, weaknesses and any unfavorable trends.

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

- Obligations and costs comply with applicable directives.
- All assets are safeguarded against mismanagement, waste, loss, unauthorized use, and misappropriation.
- Revenues and expenditures of operations are recorded and accounted for properly to prepare reliable financial and statistical reports and maintain accountability of assets.

- Resources are effectively and efficiently managed.

2.5. IMCR. The SV squadron commander or director appoints a focal point (this may be the RMFC) to administer the IMC Program. The focal point ensures that all activity managers and functional managers of unit-level NAFI operations and functions conduct IMCRs of their assessable units and functions. The IMCRs the managers conduct are in addition to any MAJCOM or Air Force directed IMCRs or any other IMCRs conducted by the Nonappropriated Fund Financial Analyst (NAFFA). Each assessable unit uses these IMCRs, audits and inspections 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 IMCRs that are not MAJCOM or Air Force directed. Refer to AFI 65-201.

2.5.1. The SV focal point prepares and directs periodic professional studies of management procedures and internal controls within SV activities and other NAFIs. The SV focal point evaluates internal control programs to ensure they provide for an effective organization, operation, and protection against fraud by:

- Allocating responsibility so that no single individual has exclusive control over all phases of a transaction. For small operations (an activity with total revenue of less than $12,000 a year and relatively few personnel), the RMFC at the servicing accounting office can grant a waiver. The RMFC identifies these activities in writing and retains the appropriate documentation in the NAFI LOF file.
- Providing continuous managerial review at all echelons of responsibility.
- Establishing a clear functional line of responsibility and authority.
- Ensuring a clearly defined position description exists for all NAFI employees.

2.5.2. The SV focal point reviews all IMCRs including those conducted by the NAFFA according to AFI 65-107, *Nonappropriated Funds Financial Management Oversight Responsibilities.*

2.5.3. The SV focal point quarterly evaluates the number and type (directed, special, and recurring) of reviews performed for the assessable units according to the IMC Program plan over the prior year (refer to AFI 65-201).

Chapter 3

PHYSICAL SAFEGUARDS

3.1. Protection of Cash. The RMFC approves adequate safeguards for the protection of cash IAW AFI 34-202, *Protection of Assets*, and **Chapter 4** of this manual. The RMFC ensures that there are written operating instructions (OI) used for handling and safeguarding cash. OIs must include procedures to follow when duress alarm systems fail.

3.2. Fund Storage Limits. The installation commander approves fund storage limits in accordance with AFI 31-209, *The Air Force Protection Programs*. The Nonappropriated Fund Accounting Office (NAF AO) and activity keep a record of all fund storage limits in the LOF file.

3.3. Fund Containers. Activities use locked safes (refer to AFI 31-209) for temporary unattended storage of cash assets awaiting bank deposit or for overnight storage of change funds for the next day's activities. Refer to AFI 34-202 for additional management responsibilities.

3.4. Intrusion Alarms. The installation Resources Protection Executive Committee (RPEC) manages the intrusion detection systems (IDS) and duress alarms through the installation security police. An IDS is a passive alarm to alert security police of intrusions when duty personnel are not present in a secure area. It is a vital part of the resource protection system. It performs best when fully integrated with barriers, lighting, and operational procedures. A duress alarm system is an active alarm that allows duty personnel in the area to signal an agency (usually the security police) for immediate assistance without arousing the intruder's suspicion. Refer to AFI 31-209 for IDS and duress alarm requirements.

3.4.1. For funds protected by alarm systems, provide the local security police with an authenticated list of trained activity personnel authorized to open or close alarmed containers or areas. Update and publish a new list when authorized personnel are added or deleted and notify the security police. New personnel may be added by supplementing the master list. Before opening or closing an alarmed container or area, contact the security police control center monitoring the alarms and give the proper authentication code.

NOTE:
The local security police develops local authentication codes or procedures approved by the chief of security police.

3.4.2. The activity manager ensures training for authorized personnel to open or close the alarm containers or areas, operate the IDS or duress alarm system, and follow established OIs. IAW AFI 31-209, prior to testing or performing maintenance on alarms, the authorized funds activity manager will notify the security police control center.

3.5. Cashier Area. The cashier area serves two purposes: identification and security. It is designed to inform customers where to get service, protect funds and related documents and forms while in the care of the general cashier, and reduces interference by other personnel. To ensure the area is secure, and that unauthorized people don't have access to the main cashier and cashier's check-cashing areas, the activity manager:

- Posts signs outside of the area reading, "Authorized Personnel Only."

- Posts a list of individuals authorized access to the area inside the cashier area. This requirement is in addition to controlled area signs required by AFI 31-209.
- Ensures the entrance is locked at all times using a key or an electronically controlled lock entry.
- Insures the cashiers" area contains one or more locking cash drawers with one or more authorized safes.
- 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 funds.
- Equips cashier work areas with emergency lighting.
- 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.
- 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.

3.6. 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 nonoperating hours. Store cash during nonoperating hours in a locked safe or other storage area according to AFI 31-209.

3.6.1. Managers must observe cash registers and cashboxes to be sure they are secure and that unauthorized people cannot gain access to them when they contain cash.

3.6.2. Managers ensure cashiers receive training on required internal control procedures and perform their duties according to established OIs.

3.6.2.1. 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.

3.6.2.2. 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:

- Location of the cash register; it must permit a visual display to the customer.
- Descriptive or visual display features of the equipment.
- Provide an alternate means of satisfying customers' receipt requests.
- Opportunity for cash register manipulation; over, short, and no sale rings.

3.6.3. 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.

3.6.4. In most instances, more than one cashier must not work out of a single cash register drawer. For exception to this policy, refer to AFI 34-202.

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

3.6.5.1. 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.

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

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

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

3.6.5.5. The activity manager or designee ensures cashiers, including window or specially designated cashiers, never possess read keys 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:

- The size of the operation and volume of business receipts involved.
- Potential risks involved in permitting cashiers to verify receipts and determine cash over or short before turn-in.
- Other duties of cashiers.
- Requirement for an alternative internal control procedure.

3.6.6. 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. 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.

3.7. Use of Marked Money. AFI 31-209 outlines the specific conditions for using marked money when storing $7,500 or more overnight. When using marked money, managers ensure cashiers follow instructions in AFIs 34-202 and 31-209.

3.8. 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. If using a cash register, this form is not required. However, managers may elect its use for additional control. Use in conjunction with a cash register does not require the customer's signature. *EXCEPTION:* Concessionaire operations require customer signatures. Attach the completed AF Form 2555 to the AF Form 1875 as supporting documentation.

3.9. Controls for Special Events. When AF Form 2555 or a cash register is not practical for special events such as carnivals, ball games, base open house days, etc., use AF Form 2045, **Bingo Perpetual Inventory**. The activity manager, RMFC, or SV squadron commander or director instructs the individual or individuals they designate as responsible for controlling sales and merchandise to use AF Form 2045. (Requires an original and two copies for both issue and return.)

3.9.1. 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.

- 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.
- 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.
- 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 Form 2045s to AF Form 1875. The cashier reports all overages and shortages to the activity manager who takes appropriate action according to AFI 34-202, Chapter 6.

3.10. 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 that might increase danger to customers or employees. Train employees to:

- Activate the robbery alarm system and the surveillance system during the robbery if it appears this can be accomplished safely.
- Follow the robber's special instructions or note.
- Give the robber the amount demanded and if possible, include marked money.
- Observe the robber's physical features, voice, accent, mannerisms, dress, and if applicable, identify the type of weapon displayed, and any other characteristics that would be useful for identification purposes.
- Observe the direction of the robber's escape, and the description, license plate number and state of issue of the escape vehicle used.
- Telephone the security police when it is safe, and inform them that a robbery has been committed.
- 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 the security police.
- Designate an individual, when safe, to wait outside the office for the security police.
- Determine and record the names and addresses of persons witnessing the robbery or the escape.

- Avoid discussing details of the robbery with others before reporting observations to the security police.
- Notify the activity manager, RMFC, and SV commander or director and comply with additional instructions as locally determined.

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 **4.19**) and unsigned checks requiring a countersignature for validation are not considered negotiable instruments. Normal minimum physical safeguards and other cash protection requirements are specified in AFI 31-209.

4.2. Controlling Cash. Managers ensure that cashiers have no bookkeeping 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. EXCEPTION: Activities using a POS system that updates accounts receivable may permit cashiers access to these records. For other exceptions and waiver conditions refer to AFI 34-202.

4.3. Bank Deposits. The SV commander or director and the RMFC ensure that operating managers avoid accumulating cash in excess of operating needs. Activities keep cash on hand to a minimum by making daily deposits to the central cashier or banking facility.

4.4. Central Cashier Depository. Each base establishes a central cashier operation designed to provide a one-stop service for base activities to make deposits, obtain change funds, and turn-in daily paperwork, unless local circumstances justify a waiver of this requirement. Submit waiver requests through the MAJCOM/SVF to HQ AFSVA/SVF. Refer to AFI 34-202.

4.5. Central Cashier Responsibilities. The RMFC 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 deposit with the local banking facility. (Refer to AFI 34-202 for additional RMFC responsibilities for the central cashier.) Daily, the central cashier:

4.5.1. Counts all of the cash and negotiable instruments physically present in the central cashier depository using AF Form 2556, **NAF Surprise of General Cashier's Cash Count**, and submits the report to the NAF AO along with AF Form 1877, **NAF Central Cashier Control Log**.

4.5.2. Prepares AF Form 1877 establishing accountability for the central cashier funds. Records receipts turned in by activities, change funds issued or turned in, and the amount of transfers to NAFIs. 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. Bases using a magnetic ink character recognition (MICR) encoder code all checks with the dollar amounts (attach one copy of the MICR tape to the cashier's report) and prepare deposit slips according to their financial institution's specifications. An authorized individual may hand-carry daily deposits or they may be picked up by an armored car service. If funds are hand-carried, advise the security police control center prior to leaving the secure area and follow the guidance of AFI 31-209.

4.5.4. Posts the amount of the deposit to AF Form 1877. If a separate deposit is made for commercial charges and for foreign currency, post the deposits separately on the AF Form 1877.

4.5.5. Attaches the unvalidated copy of the deposit slip and AF Form 2556 to the original AF Form 1877 and forwards them to the cash processing section in the NAF AO.

4.5.6. Serves as the supplier of foreign currency for the club's accommodation sales.

4.6. Activity or General Change Fund Cashier Responsibilities. The activity of general change fund cashier balances daily receipts on AF Forms 1875, or POS generated cashier reports, prepares AF Forms 1876, **NAF Consolidated Cost Center Report**, and 1878, and turns in all cash receipts and AF Form 1878 to the central cashier or designated night depository according to the established schedule. EXCEPTION: Lodging uses an automated form generated by the Services Information Management System (SIMS) to maintain accountability and report income to the NAF AO. Activities may use a POS system, or other HQ AFSVA/SVFA approved systems generated form, which provides the required accountability, instead of AF Forms 1875 and 1876.

4.6.1. The cashier turns in all cash receipts along with all copies of AF Form 1878 to the central cashier or designated night depository according to the schedule that the RMFC and NAFI or activity manager establishes according to AFI 34-202.

4.6.2. The central cashier returns the original AF Form 1878 and second copy to the activity, and retains the 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 along with other documentation to support the deposit.

4.6.3. The activity or general change fund cashier also maintains and balances the activity change fund. As a option, 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. (Refer to paragraph **5.6** for replenishing change funds.)

4.6.3.1. Temporary increases to activity change funds for paydays, weekends, holidays, and special events are approved by the RMFC and be within approved fund storage limitations as stated in the LOF. The activity completes AF Form 2539, **NAF Disbursement Request**, gets RMFC approval, and obtains the funds from the central cashier. This transaction does not require a check. To ensure availability of funds, the activity manager notifies the central cashier at least two working days before the day requiring the temporary increase.

4.6.3.2. 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 function.

4.6.3.3. The activity cashier forwards AF Forms 1876 with accounts receivable charges and payments to the NAF AO cash processing technician for update to the general ledger.

4.7. NAF AO Responsibilities. NAF AO personnel, other than the central cashier, report deposits through Cash Management and Investment Program (CMIP), post revenues to the general ledger, and perform the various reconciliation and validation functions associated with revenue processing.

4.7.1. The NAF AO banking technician receives the AF Form 1877 with the unvalidated deposit slips attached, and posts the deposits using the CMIP in the NAF Standard Accounting System, annotating the document number on the AF Form 1877.

4.7.2. The banking technician holds the unvalidated deposit slip in suspense for comparison to the validated copy when it is received from the banking facility, and initiates follow-up action on any unvalidated deposit not verified within the time limit local policy designates.

4.7.3. The banking technician processes interfund dollar transfers (IDT) from the NAF AO to each NAFI daily.

4.7.4. The NAF AO technician that processes the AF Forms 1876, receives the AF Form 1877 or Cash Reconciliation Listing showing the document numbers processed each day, and annotates these numbers to the appropriate AF Forms 1876. The technician then:

- Reconciles AF Forms 1876 to the deposits using the CMIP in the NAF Standard Accounting System.
- Notifies the cash processing supervisor or RMFC of any variances between the deposit amount and the cash total from the AF Forms 1876 for the deposit.
- Reports all shortages (losses) to the RMFC for processing according to AFI 34-202.

4.8. Night Depositories. Use night depositories when your cash supply at closing time exceeds the overnight fund storage limits. Refer to AFI 34-202 for additional requirements.

4.9. Security Escorts. Refer to AFI 31-209 for requirements and procedures for transporting cash.

4.10. Cashiers" Deposits. Most activities deposit all cash receipts daily, including checks cashed from the check-cashing change fund. With approval of the RMFC, small activities which take in minimal amounts of cash (i.e., fitness centers and libraries) may make deposits weekly, monthly, or whenever receipts exceed $200. If a consolidated deposit is made in lieu of daily deposits, the activity manager submits the AF Form 1876 with an adding machine tape indicating the daily totals that make up the total consolidated deposit. Individual cashiers maintain daily cash and receipt accountability using AF Form 1875.

4.10.1. The RMFC designates, in writing, activities authorized to operate under this policy. The RMFC establishes a regular deposit schedule for these activities, reviews their fund storage authorizations, and verifies these activities have 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.

4.10.2. If the SV squadron commander or director, or the site commander determines that 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 not exceeding fund storage limits. Do not carry receipts from one accounting period to another.

4.10.3. The activity cashier prepares a deposit slip in an original and two copies. 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.

4.10.4. 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 RMFC and activity manager if differences exist, or if there is an unreasonable delay (based upon normal experience) in receiving the validated copy. The RMFC and activity manager immediately resolve any problems identified.

4.10.5. 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 cost of money orders from receipts to be deposited. Use petty cash funds to purchase money orders.

4.10.6. Overseas locations exchange excess cash at the local Financial Services Office (FSO) when possible, for a United States (US) Treasury check.

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

4.10.8. Overseas areas should exchange cash for US Treasury checks when transmitting funds to the US. 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. Overseas areas must comply with the limitations in AFR 177-108, *Paying and Collecting Transactions at Base Level*, governing the acceptance of Military Payment Certificates, US currency, and foreign currency. The US Treasury Department authorizes all overseas military banking facilities to charge a fee for all uncollectible checks deposited. The RMFC and NAF AO ensure this charge is passed on to the maker or endorser of the check when collection is made.

4.11. Submitting AF Form 1876. All SV revenue generating activities and functions use AF Form 1876 for reporting total sales and other revenue to the NAF AO. The NAF AO uses the form to enter data into the financial record. The activity manager provides the NAF AO a listing of normally scheduled activities (including vending and amusement machine collections) that must submit an AF Form 1876 or automated cashier's report. The list records the number and frequency of submissions. The NAF AO uses the activity manager's list to monitor the activity's efficiency in collecting and depositing business receipts. The activity manager or designee signs AF Form 1876, and monitors and takes action on all recorded cash overages and shortages. Refer to AFI 34-202 for additional requirements.

4.11.1. For operations that submit an AF Form 1876 or automated cashiers" report each day, the schedule shows special cash collections such as from vending machines.

4.11.2. For operations open on a part-time basis the schedule shows the days the activity is open or closed.

4.11.3. If the AF Form 1876 or the deposit doesn't come in on schedule, the NAF AO immediately notifies the RMFC and the activity manager. Revise schedules as operations change.

4.12. Surprise Cash Counts. All SV activities and functions are subject to surprise cash counts.

4.12.1. The activity manager, or a 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" that 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 that the general change fund contains a receipt for each bank issued from that fund.

4.12.2. The RMFC performs a quarterly surprise cash count of the central cashier at least quarterly.

4.12.3. 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.

4.12.4. 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) (formerly the comptroller) 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.

4.13. 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 to exceed established limits to the activity manager or RMFC. The individual conducting the cash count:

- 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.
- Reviews expenditures and advances from petty cash to ensure they were approved and are supported by AF Form 2557, NAF Cash Receipt Voucher, or AF Form 1401, NAF Petty Cash/Refund Voucher. Ensure, when added to the cash on hand, that the balance equals the amount of funds signed for and recorded in general ledger account code (GLAC) 105 XX.
- Determines accountability of cashiers" banks that include 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. Report overages and shortages according to AFI 34-202.
- Counts the cash in the presence of the individual 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. Count 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.
- Carefully examines the cash counting area and containers and ensures that 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 RMFC.
- Discusses the results of the cash count and observations made during the count with individuals involved, (e.g., cashiers, activity manager, and RMFC). When the activity manager or representative, designated in writing, performs the cash count, retain AF Form 2556 in the activity, and provide the FM a copy for the NAFFA's review.

4.14. Cash Refunds. The RMFC may authorize activity managers to approve cash refunds not to exceed $500. Activity managers do not approve cash refunds for special order merchandise that cannot readily be sold to another customer or returned to the vendor. Activity managers ensure all cash refunds are documented on AF Form 1401, (or, in the case of lodging, use systems generated refund vouchers). Refer to AFI 34-202 for additional requirements.

4.15. 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, tokens, gift certificates, and related items used as cash or as a cash substitute in a locked container, locked room, or safe.

4.16. Cashing Checks. The activity manager ensures information is readily available to customers on the Privacy Act provisions according to AFI 37-132 and the activity's check cashing policy. Ensure customers understand 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 the penalties incurred on all returned checks. The sign:

- Lists authorized types of negotiable instruments accepted for cashing and the limits for each.
- Requires customers to show an identification (ID) card to cash a check.
- Specifies the amount of the returned check service charge.
- Specifies the Uniform Code of Military Justice penalties regarding returned checks.
- Specifies that a check maker's social security number is used for returned check collection.
- Specifies that the endorser is responsible to the SV squadron if the check is returned.

4.16.1. 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 that the first party placed their endorsement in the proper location on the back of the check.

4.16.2. Cashiers do not accept checks from individuals without proper identification; a current military member ID card (e.g. active duty, reserve or retired military), a current DD Form 1173, **Uniformed Services Identification and Privilege Card**, a civilian ID card, or an activity membership card. Membership activities may use membership cards as proof of identification. Verification of their military ID card is not required of officers and enlisted grades E-7 and above when in uniform.

4.16.3. Cashiers verify the check bears the member's name, grade, social security number, organization or assignment (branch of service for retirees), mailing address, and duty or home phone number. This information facilitates timely follow-up and collection actions on returned checks. At a club where the individual is a member, the front of the check may bear the imprint or written data from the member's club card instead of the above information needed to make follow-up and collection action on returned checks.

4.16.4. 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:

- Isolation of the activity.
- Distance and availability of a banking facility for employees to cash their checks.

- Size of the check cashing activity and its impact on the activity's capability to serve its patrons.
- Cash on hand limits.
- Impact on cash flow.
- Local environmental conditions and related risk.
- Need for a comprehensive OI to prevent compromise of internal controls.
- The potential for collusion or compromise of internal controls, or both.

4.16.5. The SV 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 SV commander or director. As a minimum, justification for approval must consider the following factors:

- Isolation of the activity.
- Local environmental conditions and related risk.
- Fund storage limitation.
- Volume of the check cashing activity and its impact on the activity's capability to serve its patrons.
- A review of the activity's returned check history and the adverse effect of a possible increase in returned checks from patrons.

4.17. NAF Service Charge For Returned Checks. The minimum mandatory service charge for all returned checks is $15.00. The installation commander may approve a service charge in excess of the minimum based on actual higher administrative costs of processing returned checks. The NAF service charge is in addition to any bank charge on returned checks. Refer to AFI 34-202 to establish and maintain a service charge for returned checks.

4.18. 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. Refer to AFI 34-202.

4.18.1. The designated employee lists checks daily, indicating the number and date of the check, the account number and the credit amount, and the name of the maker. The designated employee stamps the reverse of the check with the required endorsement within the 1 1/2 inches allowed. All endorsement stamps must be in black ink. Once all checks are entered, the designated employee totals the list and gives the checks and list to the general cashier.

4.18.2. 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. Refer to AFI 34-202 for additional requirements.

4.19. Endorsing Checks. The activity includes all checks in the daily deposit with the cash receipts. Immediately upon receipt, the cashier endorses these checks as follows:

- Line 1: For Deposit Only.
- Line 2: Name of Bank or Credit Union (only if required by the local bank).
- Line 3: Account Number.
- Line 4: Air Force Morale, Welfare, and Recreation (AFMWRF); use abbreviation, and name of activity, (e.g. AFMWRF (Officers" Club)).

4.20. Returned Checks. The NAF AO establishes operating procedures for the redemption of all returned checks, proper accountability for the checks, and follow-up collection actions on returned checks. The SV commander or director designates the NAF AO or individual activities as the redemption point for all returned checks. In either case, the individual receiving the funds for redeemed checks must not have access to accounts receivable or other data used to update the general ledger or subsidiaries.

4.20.1. The NAF AO follows up on all outstanding checks, documents follow-up action, and maintains copies for the files. Refer to AFI 34-202 for redemption policy, minimum time schedule for follow-up action, service charges, and additional penalties.

4.20.2. Persons who have issued returned checks, (except those acknowledged as bank errors) are subject to the suggested minimum penalties indicated below. Local procedures contained in an installation commander approved OI should allow commanders to waive suspensions when appropriate. With regard to the penalties set out below, the RMFC and NAF AO should use their best judgment in considering the number of incidents vice the number of returned checks in cases where multiple checks are returned. For example, an individual may cash several checks at different activities during the same day which are returned for other than bank error. The individual acknowledges his or her mistake and either redeems the checks within the specified time frame or makes arrangements for repayment. If this is the only "incident" of returned checks for this individual, the penalties set out concerning more than one returned check should not apply. In this case penalties should not be based upon the number of returned checks, but rather on the number or incidents involving returned checks. Suggested minimum penalties are:

- One returned check redeemed within: two workdays for local persons notified by phone; five workdays for local persons notified by letter; or ten workdays for personnel outside the local area notified by either phone or letter: no suspension. If more than one check is returned in a 6-month period (other than for bank errors) the NAF AO notifies the unit commander or supervisor of all returned checks even though redemption was made in the above specified time frame.
- One returned check redeemed after the time frame specified above: 3 months suspension.
- Two returned checks in a 6 month period redeemed after the time frame specified: 6 months suspension.
- More than two returned checks in a 6 month period redeemed after the time frame specified: 1 year suspension.

4.21. Processing Returned Checks. The NAF AO receives all returned checks from the banking facility. If a check is unavailable for return, the paying bank may send, instead, a legible copy of the check, front and back. The NAF AO:

- Immediately on receipt of returned checks, records the checks on AF Form 1708, **NAF Dishonored Check Control Log;** or updates a computerized listing of returned checks.
- Processes checks through the CMIP Reconciliation Screen to update CMIP input and general ledger, (refer to AFI 34-209 for appropriate accounts to use).
- Obtains activity cashier's signature on the AF Form 1708, or computer listing, and transfers the checks to the activity if they are the redemption point.

4.21.1. Notify the maker of a returned check within 24 hours of receiving returned checks from the bank, the NAF AO notifies the maker or endorser by telephone or in writing. The NAF AO maintains a memo for record from all telephone contacts. As a minimum, record the date, time, telephone number, name of individual contacted and name of the person making the call. Form letters may be used if correspondence is required. The NAF AO mails the written notification the same date it is signed.

4.21.2. The NAF AO notifies the unit commander of a military member or the supervisor of a civilian employee (verify supervisor with the Human Resources Office (HRO) or Civilian Personnel Flight (CPF)) of all returned checks received on individuals under their command or supervision who did not redeem their checks within the time frame specified in paragraph **4.20.2**.

4.22. Suspension of Check Cashing Privileges. The NAF AO notifies the unit commander or supervisor of all checks returned if more than one check is returned in a 6 month period (other than for bank errors) even though redemption was made within the above specified period. The NAF AO informs the maker or endorser that check-cashing privileges are revoked in all SV facilities until all returned checks and related service charges are paid. The maker or endorser is also notified that he or she must redeem all returned checks at the designated redemption point within the time frame specified.

4.23. Redemption of Returned Checks. The NAF AO cashier and activity cashiers do not accept a check to cover a returned check. Accept only cash or money orders unless the individual provides evidence that they were not at fault, such as a letter from a banking facility acknowledging a bank error caused the check to be returned.

4.23.1. When returned checks are redeemed, the cashier at the designated redemption point prepares a deposit slip and AF Form 1876. The cashier ensures the AF Form 1876 contains all information required for updating the return check subsidiary; names, check numbers and amounts (including service charges) of all checks redeemed that day.

4.23.2. When the NAF AO acts as the redemption point, deposit funds for redeemed checks daily, and do not retain cash overnight. Secure checks awaiting redemption during non-duty hours. For returned checks redeemed, and for any service charges paid in full the activity cashier or NAF AO cashier:

- Marks "redeemed" on the face of the check and returns it to the individual.

- Sends all returned checks redeemed through the military pay system (using DD Form 139, Pay Adjustment Authorization), or redeemed by mail, back to the maker.
- If a current address is not available, files the returned check with the last payment record and disposes of as AFI 37-138 prescribes.

4.24. Follow Up On Returned Checks. The NAF AO follows up on all returned checks. Refer to AFI 34-202. Weekly, the NAF AO compiles a consolidated list of names of individuals with returned checks at any SV activity, indicating those individuals with check cashing privileges suspended. The NAF AO distributes this list to all SV activities accepting checks, and any other base activities if required by a base regulation, agreement, or other directive. To ensure validity of the list the NAF AO maintains close coordination with activity personnel.

4.24.1. Cashiers do not accept checks from individuals on the returned check or suspension list and they do not accept checks from individuals without proper identification.

4.24.2. If an individual presents written evidence that a check was returned due to circumstances not under the individual's control, the NAF AO removes the individual from the list, restores check cashing privileges, and reverses the service charges.

4.24.3. The NAF AO maintains, (by computer program or manually) for a minimum of 6 months, a complete follow-up record of all actions taken on each returned check. Purge the file after individuals redeem their checks and when suspension of check cashing privileges expires.

4.24.4. The NAF AO initiates collection action according to AFI 34-202. The RMFC ensures all collection efforts are taken before writing off returned checks. Write off returned checks if payment is not received by the 15th workday following the final NAF AO required collection actions. The RMFC approves write off of $1,000 or less. The installation commander has approval authority for write off of more than $1,000. The RMFC documents write off of losses and indebtedness according to AFI 34-209.

4.24.5. After writing off checks, transfer the accounts for continued collection actions according to AFI 34-202.

4.25. Disbursements. The NAF AO normally prepares prenumbered checks for disbursements, except for NAFIs (including unit funds) without NAF AO service. Refer to AFI 34-209 for documentation supporting payments, protection of check signing equipment, control of blank checks, and check writing requirements. AFI 34-202 authorizes NAF AO use of facsimile signatures when using check signing equipment. Do not use hand rubber stamp facsimile signatures. Align facsimile check signature plates to print only on or above the signature line. 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 that imprint within the check MICR band. Refer to AFIs 34-201 and 202, and AFMAN 34-215, *Cash and Investment Procedures*, for additional signature requirements.

4.26. SV Coupon Controls. The SV commander or director approves the use of and sets the value for all SV coupons. Each coupon issued must clearly state its value and when, where, how, and who may use the coupons, and an expiration date. Activities use coupons only as a promotional sales devise and not as a credit system. Control coupons for free play, not redeemed in conjunction with a sale, (e.g. free line of bowling, or round of golf) to avoid abuse.

EXCEPTION: These guidelines do not apply to coupons in national or local coupon redemption programs available to the general public.

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

4.26.2. 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.

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

4.26.4. 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.

4.27. National and Local Coupons. With the approval of the SV 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 SV commander or director approves on a case-by-case basis those activities that may participate. Refer to AFI 34-201.

4.27.1. The RMFC issues an OI on coupons that includes procedures and controls for the participating activity and the NAF AO. The RMFC ensures the administrative and accounting costs associated with the redemption program does not exceed benefits to the customers or the activity.

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

4.27.3. Activities with POS equipment may program their registers to account for coupons. Activities without POS account for coupons on a separate key. The register sale total 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.

4.28. National Trading Stamps and Bonus Gift Coupons (BGC). Whenever possible, the receiving NAFI redeems stamps or BGCs, received in connection with a purchase made by appropriated funds, for cash. Send these funds to the local FSO for deposit according to AFR 177-101, *General Accounting and Finance Systems at Base Level*, and apply as a refund against the disbursement made to purchase the goods or services. When redemption is not possible, the NAFI sends unredeemed stamps or BGCs to the RMFC for use by MWRF activities.

4.28.1. The NAF AO posts proceeds from redemption of stamps or BGCs acquired from NAF sources and redeemed for cash by a NAFI, as miscellaneous income to the NAFI. If redemption for cash is unsuccessful, the NAF AO gives the stamps or BGCs to the RMFC for use by MWRF activities. When redeemed for merchandise, the NAF AO accounts for the merchandise at no cost as part of the inventory until sold.

4.28.2. The SV commander or director determines distribution of merchandise received from the redemption of trading stamps or BGCs to SV activities or civilian NAF activities. ***EXCEPTION***: At isolated units, the unit fund custodian determines distribution.

4.28.3. The SV activity or isolated unit fund pays any required federal excise tax for exchange of merchandise. Do not pay local or state taxes (refer to AFI 34-201).

4.29. Gift Certificates. Customers purchase gift certificates to redeem for goods and services. Gift certificates are not coupons. Distribute and redeem them at face value. The activity numbers gift certificates for control purposes (prenumbering 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.

4.30. Tickets and Prepaid Admissions. Theme park tickets, advance green fee cards, rounds played cards, and similar instruments, are controlled forms. Refer to AFI 34-202.

4.31. Travel and Transportation Bonuses. Account for bonuses received in conjunction with temporary duty (TDY) travel according to AFI 34-202.

4.32. Prenumbered Forms. The activity manager develops, and the RMFC or designee approves, OIs for controlling prenumbered forms issued to the activity.

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

- AF Form 1182, **NAF Child Care Center Register**.
- AF Form 1400, NAF Vending/Amusement Machine Collection Report.
- AF Form 2555 (also used for concessionaire operations).
- AF Form 2557.

4.32.2. 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.

4.32.3. 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.

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

4.32.5. If existing Air Force forms do not meet the requirement for unique events such as wedding receptions, special events, and parties, "special" forms may be locally devised and prenumbered to record receipts or establish accountability. MAJCOM/SVF approves locally devised special forms.

4.32.5.1. The RMFC 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.

4.32.5.2. The activity manager purchases and controls special forms and prenumbers them prior to issue. Recommend the forms be prenumbered at the printer. Activity personnel advise the activity manager and RMFC of any missing documents immediately upon discovery. The activity manager provides the RMFC with written disposition on all missing prenumbered documents.

4.32.5.3. 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 RMFC or site commander (at isolated or remote locations) authorizes the establishment and the amount of all change funds subject to fund storage limitations of AFI 31-209.

5.1.1. Activities use change funds only for making change, cashing checks, and, with RMFC approval, for making petty cash purchases and for 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 RMFC reviews all change fund requirements and reduces change funds to the minimum required for operations. The RMFC 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 activity manager writes, and the RMFC approves OIs establishing procedures for the use, control, and protection of all change and imprest funds. Activity managers ensure all cash handling employees perform their duties according to the procedures specified in the OIs.

5.2. Use of Change Funds and Receipts in Lieu of Imprest Funds. At the discretion of the RMFC, activities and NAFIs that don't have 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 not authorized. The RMFC approves requests on a case-by-case basis considering factors such as the size and mission of the requesting activity, and the size of the existing change fund. Refer to paragraph **5.10** on establishing imprest funds.

5.2.1. 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.

5.2.2. When the RMFC 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.

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

- Provide detailed instructions for designated cashiers to follow.
- Include the requirement that cashiers accept only properly completed AF Form 1401s.
- Include procedures for implementing this option.

- Include guidelines for purchasing resale items from change funds and receipts and updating the resale inventory.

5.2.4. Activity cashiers prepare AF Form 1875 and include purchases made from the change fund. Cashiers attach completed AF Form 1401s with receipts attached to the AF Form 1875 as backup. The activity manager or designee consolidates all AF Form 1875s on AF Form 1876, and forwards (including attached AF Form 1401s and receipts) to the NAF AO for update to the general ledger and inventories.

5.2.5. All other controls, procedures, and limitations for imprest funds in AFIs 34-202 and 209, AFMAN 64-302, *NAF Contracting*, and this manual are still in effect and apply to petty cash-type purchases and special activity prize fund requirements made from change funds and receipts.

5.3. Special Change Fund. The RMFC may authorize a special change fund for weekends, paydays, and special events; usually issued to the activity the day before the weekend, payday, or event. The activity must deposit this special change fund the first business day following the occasion.

5.4. Slot Machine Change Fund. The RMFC establishes a slot machine change fund for use by the activity for slot machine operations to provide initial hopper fills; coins for play; filling and refilling coin hoppers; accommodating malfunction payouts; turning-in of coins from spontaneous payouts, ineligible jackpots, hopper empties, and maintenance testing. Activities establish and operate this change fund according to AFMAN 34-129, *Slot Machine Controls and Procedures*.

5.5. Change Fund Accountability. The RMFC establishes and maintains cash accountability for change funds at all times, using AF Form 2557 from the time the RMFC issues the fund until received by the activity cashier.

- 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. The activity manager, in turn, obtains a signed AF Form 2557 from designated or general change fund cashiers to receipt for the funds.
- Designated or general change fund cashiers, in turn, get receipts from other cashiers issued funds. Each cashier signs for cash and accountable documents using AF Form 1875. At the close of business, each cashier returns the change fund and gets their receipt.

5.5.1. 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.

5.5.2. Store change funds overnight at the activity in an approved storage container or locked safe (refer to AFI 31-209) 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 RMFC, which provides the required safeguards.

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

- Exchanging customer's checks for cash from cash receipts; bringing the change fund up to the authorized level.
- Exchanging customer's checks for cash at the central cashier depository (refer to paragraph **4.6.3**).
- Preparing a separate deposit for checks and securing a check for an equal amount from the NAF AO made payable to the change fund being replenished, (e.g., bowling center change fund). Do not make checks payable to cash.
- Exchanging completed AF Forms 1401 with receipts attached for cash from daily receipts.

5.7. Obtaining Checks From the NAF AO. Activity managers provide the RMFC a listing of designated cashiers and all other individuals authorized to pick up checks at the NAF AO. Before releasing checks, the RMFC or designee verifies the individual on the list and has them sign for all checks.

5.8. Change Fund Turn-In. Activities use the following procedures whenever a cashier turns in a change fund:

- 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.
- The cashier counts all cash (less reimbursements to the change fund for completed AF Form 1401s), checks, credit card charges, tokens, coupons, and charge slips and records the information on AF Form 1875.
- The cashier also determines the accountability of all prenumbered forms.
- 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.
- Both individuals sign AF Form 1875 and the cashier keeps the receipt portion.
- The activity manager or designee attaches supporting documents to the AF Form 1875 and secures the funds.

5.8.1. 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 AFI 34-202. The activity cashier records overages or shortages to the activity cost center where incurred.

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

5.9. Separate Change and Imprest Funds. To establish proper accountability, the activity manager ensures change funds and imprest funds are physically separated. This requirement may be waived locally according to AFI 34-201 if circumstances justify a waiver. Before waiving this requirement, the activity manager and RMFC must consider the following factors:

- The basic requirement that cash accountability must be fixed at all times.
- Dollar amounts of the change and imprest funds.
- Change funds must be counted daily and accounted for using AF Form 2556, or a locally devised form and attached to the cashier's report.
- Compliance with funds storage limitations and protection criteria prescribed in AFI 31-209.

5.10. 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 RMFC, or site commander approves the establishment and the dollar amount of all imprest funds.

5.10.1. Authorized types of imprest funds are:

- Petty cash fund (includes funds for US and foreign currency),
- Special activity prize fund, (used for special activities such as bingo, colorama, etc., as approved by the RMFC, or site commander and SV commander or director), and,
- Vending and amusement machine imprest fund. (Slot machine operations use a slot machine change fund prescribed in AFMAN 34-129.)

5.10.2. The RMFC establishes only one of each type of imprest fund for each activity, (e.g., recreation center, golf course, bowling center, skills development, lodging fund, club).

5.11. Imprest Fund Accountability. The RMFC establishes and maintains cash accountability for imprest funds at all times using AF Form 2557 from the time the RMFC issues the fund until received by the activity's designated imprest fund custodian.

- The activity manager signs for all imprest funds using AF Form 2557. File the original receipt in the activity LOF file in the NAF AO.
- The activity manager designates the imprest fund cashiers and obtains a signed AF Form 2557 from each designated cashier to receipt for the funds.
- Designated imprest fund cashiers may advance imprest funds to another individual to conduct business operations (e.g., general cashier to bingo cashier, business activity cashier, or to an individual making a petty cash purchase). The imprest fund cashier obtains a signed AF Form 2557 from each individual to whom funds are advanced.
- Individuals advanced funds make all disbursements from imprest funds on AF Form 1401.

5.12. 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 RMFC delegates purchasing authority to the petty cash fund custodians (refer to AFMAN 64-302).

5.12.1. 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 home base.

5.12.2. The RMFC 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 RMFC 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:

- The solvency of the fund.
- Established fund storage limitations (refer to AFI 31-209).
- Type of storage container and facility available to the activity.
- Volume of transactions; average number and dollar value of monthly disbursements based on historical review.
- The activity's mission.
- Impact on cash flow.
- Isolation of the activity.

5.12.3. NAFIs do not use petty cash funds to pay employees, entertainers, or individual services contractors. ***EXCEPTION:*** When the MAJCOM approves, 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). Limit payments to $500 per month.

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

5.12.5. 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.

5.13. International Merchant Purchase Authorization Card (IMPAC) for NAF Purchases. The RMFC may authorize activities to use the IMPAC for certain NAF purchases. Using the IMPAC streamlines purchasing and reduces high administrative costs associated with the processing of purchase orders and requests and multiple payments to vendors. This is the only authorized credit card for NAF purchases. It is the official Government-wide commercial credit card contracted by the General Services Administration, Federal Supply Service, with Rocky

Mountain Bankcard System, Inc. To implement the NAF IMPAC (VISA) for NAF small purchases within SV activities, the RMFC follows the *Standard Operating Procedures (SOP) for Using the IMPAC for NAF Purchases*, issued 9 December 94, by HQ AFSVA/SVF and HQ AFSVA/SVC. In the case of credit card abuse, the RMFC takes appropriate action according to AFI 34-202, chapter 6.

5.14. Special Activity Prize (Imprest) Fund. NAFIs use the special activity prize imprest fund for the sole purpose of awarding cash prizes for business activity special events such as bingo or colorama.

5.14.1. The RMFC ensures the established level for the prize fund does not exceed the total of cash prizes for a session of play.

5.14.2. Activities do not permit payment of cash prizes from the receipts or change fund unless the RMFC provides written authorization (filed at the activity) to do so.

5.14.3. Payment for any individual cash prize must be less than $1,200. The activity pays all individual cash prizes of $1,200 or more by check. This enables the NAF AO to complete and file the required Department of the Treasury, Internal Revenue Service (IRS) Treasury Department (TD) Form W-2G.

- An individual winning a cash prize of less than $1,200 may elect to receive either cash or check.
- A jackpot cash prize, won by more than one individual when each winner's share is less than $1,200, may be paid out of the special activity prize fund.

5.14.4. For winnings of $1,200 or more, or when the winner elects to receive a check, the activity prepares an AF Form 2539 and forwards it, along with the original AF Form 2046, **NAFI Bingo Activity Report**, (or similar locally developed form for other special activities) to the NAF AO the first workday after the day of the win.

5.14.5. The NAF AO prepares a TD Form W-2G according to instructions provided by the IRS, for each individual winning (one game cash or prizes) of $1,200 or more. The NAF AO sends copies of the forms to the IRS on or before 28 February of the calendar year following the calendar year in which the payment of winnings is made.

5.14.6. 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 are 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.

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

5.15.1. The RMFC and activity manager ensure the size of the imprest fund is sufficient for conducting a month's business without replenishment.

5.15.2. A designated cashier may advance the fund to other individuals such as the game room attendant, or maintenance worker, etc., to conduct operations using AF Form 2557.

5.16. 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 OF AMUSEMENT, MUSIC, AND VENDING MACHINES

6.1. Machine Operations (Excluding Slot Machines). 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 AFI 34-101, *Services 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, V*ending Facility Program For The Blind On Air Force Property*. HQ AFSVA is responsible for the operation, control, and purchase of slot machines for the Air Force, (refer to **Chapter 8**). Vending and amusement machines may be NAFI- or concessionaire-owned. Specific controls apply to each type of machine.

6.2. NAFI-Owned Machines (Excluding Slot 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 that the activity manager keeps the machine key and the NAF AO controls the cashbox keys. The RMFC develops a comprehensive OI to cover the removal of cash and the stocking of machines, including the internal controls specified below.

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

6.3.1.

EXCEPTION:
When it is not practical or economical for the NAF AO to safeguard the cashbox keys for machines located at SV activities, the SV 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).

6.3.2. 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 prenumbered 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 that day's business. Use the remaining two copies of AF Form 1400 as needed. The reporting requirement in this paragraph is exempt from licensing IAW AFI 37-124, *The Information Collection and Reports Management Program*, paragraph 2.11.2.

6.3.3. 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:

6.3.3.1. The activity manager or designee flags any machine that has 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 RMFC or maintenance technician to correct or repair the problem.

6.3.3.2. If willful misconduct is observed or suspected, the activity manager documents the observation and notifies the RMFC and SV commander or director, who takes action according to AFI 34-202, Chapter 6.

6.3.4. 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 RMFC and SV commander or director consider these factors before recommending the installation commander approve a waiver:

- Location of vending machines and availability of two individuals to empty the machines.
- Implementation of alternate control procedures to verify cash collected.
- Existing manufacturer designed internal control devices, such as counters.

6.4. 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.

6.5. 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.

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

6.6.1. 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 **6.2**).

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

- The NAF AO retains the one key to the machine in a locked pouch.
- The activity manager retains the key to the locked pouch.
- 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).

- 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.

6.7. 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 prenumbered AF Form 1400, and gives a copy immediately to the concessionaire. When metering devices are available, the procedures in paragraph **6.3.3** apply.

6.7.1. 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 Form 1875s for that day's business. The cashier attaches the original AF Form 1400 to the AF Form 1876 forwarded to the NAF AO.

6.7.2. 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.

6.7.3. MAJCOM/SVFs may waive the procedural requirements in this manual 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. MAJCOM/SVFs approve alternate control procedures, and monitor bases operating under an approved waiver ensuring continued effective control. MAJCOM/SVFs furnish a copy of each approved waiver to HQ AFSVA/SVF or AAFCWF, as applicable.

6.8. Controlling Tokens. Activities do not permit exchange of amusement machine operations tokens for cash or for purchasing goods or services. The activity must distinguish between tokens used for customer refunds for machine malfunctions and those used for normal maintenance and accountability. Count, report, and control tokens the same as cash.

Chapter 7

CONTROL OF MERCHANDISE AND PROPERTY

7.1. Merchandise and Property. All members of the SV organization and non-SV NAFIs such as BRFs and CWFs, protect NAF assets under their control. The RMFC, or other authorized custodian, security police, and other responsible agencies provide staff and operational assistance as required.

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

7.1.2. Activity managers coordinate with the security police 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 31-209, 34-208, and 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 the 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.

7.2.1. Activities 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 do not place merchandise next to exterior windows (except for display and promotion).

7.2.5. Activity personnel place small items with a unit price of $50 or more in a display showcase whenever possible; or, place them on a display unit behind the sales counter.

7.2.6. Activities 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 SV 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:

- Provide adequate temperature controls in the facility to avoid damage to foodstuffs.
- Provide a loading dock convenient to the storeroom, if possible.

- Provide secure exterior doors and windows that protect assets and minimize the possibility of forced entry, (e.g., solid doors and windows and strong locks, not easily forced). Recommend use of window bars.

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.

7.5. Control and Use of Free or Donated Items. Activities may accept free or donated items of nominal value to give away to SV customers as a sales promotion according to AFI 34-201. The SV commander or director approves procedures for controlling and utilizing free or donated items according to AFMAN 34-214, *Procedures for NAF Management and Accounting.*

7.5.1. **(Added-USAFA)** Control and Use of Free or Donated Items. The Director of Athletics (USAFA/AD) may accept free or donated items of nominal value to give away to Air Force Academy Athletic Association (AFAAA) customers and supporters to promote athletic activities. The Director of Athletics approves procedures for controlling and utilizing these free or donated items. See AFI 34-201_ USAFASUP_I.

7.6. Consignment Inventory. Consigned merchandise is not NAF property. Activities account for these items as resale merchandise inventory and protect them accordingly (refer to paragraph **7.2**). The activity manager issues an OI for control and protection of all consignment items.

Chapter 8

AIR FORCE SLOT MACHINE PROGRAM OPERATION

8.1. Controls and Procedures. All activities with slot machine operations must implement and strictly follow HQ AFSVA developed internal control procedures to protect the integrity of the slot machine program. AFI 34-202 and AFMAN 34-129 contain specific policies, procedures, and responsibilities for operation of the slot machine program.

8.2. Waivers. HQ AFSVA, Directorate of Programs, (HQ AFSVA/SVP) and HQ AFSVA/SVF approve or disapprove, in writing, all waivers to established policy and internal control procedures for the slot machine program.

8.3. Implementation Authority. HQ AFSVA/SVP controls the operation and purchase of slot machines for the Air Force. Bases must not purchase slot machines or otherwise acquire them without their specific written approval. Install slot machines authorized for use on Air Force installations according to AFMAN 34-129.

8.3.1. Slot machine installation requires the presence of a representative from HQ AFSVA, unless HQ AFSVA grants an exception. The Air Force representative accomplishes the transfer of slot machines, slot machine keys, and all spare locks, and keys according to AFMAN 34-129.

8.3.2. The Air Force representative obtains a signed receipt from the RMFC for all machines delivered to SV activities using AF Form 1297, **Temporary Issue Receipt**.

8.3.3. The RMFC signs another AF Form 1297 indicating receipt of the keys. The RMFC verifies the form indicates the number of keys received for each type of machine by serial number, and gives the original to the Air Force representative. The RMFC sends the second copy to HQ AFSVA, Director of Programs, Central Programs Amusement Branch (HQ AFSVA/SVPCA), 10100 Reunion Place, Suite 402, San Antonio TX 78216-4138, and keeps the third copy in the NAF AO LOF file. Bases do not reproduce additional keys locally.

8.3.4. The RMFC and the Air Force representative prepare key sets for all designated key custodians, activity managers, and IOs. The Air Force representative can only transfer keys in the presence of all the following individuals:

- The representative from the activity the installation commander designates to store the key containers (containing the keys the IO uses).
- The representative from the NAF AO (storing spare keys and locks), or the RMFC.
- The activity manager, and the IO.

8.3.5. The RMFC obtains and keeps signed receipts (AF Form 1297) for all keys issued. The Air Force representative is responsible for completing the transfer of all slot machine keys and all spare locks, and ensuring all keys are properly secured.

8.4. Slot Machine Key Controls. Activities with slot machines must implement and follow HQ AFSVA/SVP established slot machine key controls. These controls require the presence of two persons at any time cash is exposed. Failure to adhere to these controls subjects cash to unnecessary risks and violates the integrity of the slot machine program. The RMFC and activity managers ensure all slot machine keys are secured and controlled according to AFMAN 34-129.

8.5. Replacement Keys and Locks. HQ AFSVA/SVPCA replaces keys and locks. For replacement, follow the procedures outlined in AFMAN 34-129.

8.6. Slot Machine Identification Numbers. HQ AFSVA/SVPCA assigns each machine an Air Force property number for revenue reporting which appears in the description field on the local property records. Activities permanently affix this number to the cashbox or cashboxes and to the outside of the machine. If the Air Force property tag becomes obliterated, dislodged or lost, request a replacement tag from HQ AFSVA/SVPCA; indicate a complete Air Force machine number and quantity required. The NAF AO assigns a local property number (different from the Air Force assigned number) to each machine for inventory purposes.

8.7. Slot Machine Change Fund. The RMFC establishes a slot machine change fund used solely for slot machine operations according to AFMAN 34-129.

8.8. Hopper Coins. Activity cashiers use AF Form 1401 to record the amount of the standard load obtained from the slot machine change fund. Activities control and document initial hopper fills, turn-ins, and refills according to AFMAN 34-129.

8.9. Cash Collection and Maintenance Reports. The reporting requirement in this paragraph is exempt from licensing IAW AFI 37-124, paragraph 2.11.2. The IO completes the Slot Machine Collection Report when collecting coins, and the maintenance technician completes the Slot Machine Maintenance Log when performing machine maintenance according to AFMAN 34-129. After completing the cash collection, the IO hand carries the original Slot Machine Collection Report and the third copy of change fund documentation evidencing receipts or payments, from the activity to the NAF AO.

8.9.1. The NAF AO uses these reports and change fund documentation evidencing receipts or payments to verify and prepare collection data they transmit to HQ AFSVA/SVPCA.

8.9.2. The NAF AO records data from the change fund documents on the Slot Machine Collection Report and inputs maintenance data directly from the Slot Machine Maintenance Log.

8.9.3. After completing the Slot Machine Collection Report, the NAF AO prepares the data transmission according to the Slot Machine Point-Of-Entry System Users Manual. Using the utility point-of-entry print out to the Cash Collection Report, the NAF AO verifies the accuracy of the entries and transmits the data to HQ AFSVA/SVPCA.

8.9.4. The NAF AO receives a return message report from HQ AFSVA/SVPCA summarizing the reported slot machine activity. The NAF AO reviews this summary activity report for irregularities, paying particular attention to cash over or short for the current period. Slot machines are a metered cash system, and theoretically, variances should not occur. However, several events can cause an apparent cash variance. For example, defective meters, errors in recording and entering meter readings, failure to submit maintenance transactions for meter changing or testing, commingling of cashbox and hopper coins, etc.. The NAF AO researches and resolves all variances.

8.9.5. In addition to the summary activity reports, HQ AFSVA/SVPCA may inquire about the validity of submitted data, such as, discrepancies in cash collections, variances in payout percentages, and other related items. HQ AFSVA/SVPCA requires a NAF AO response to these items within five workdays of receipt.

8.10. Suspected Cash Losses. The NAF AO flags any machine that has a cash collection difference in excess of $5 per cash collection for nickels and $10 for quarters, and identifies unfavorable trends. AFMAN 34-129 contains specific guidance concerning cash variances. Resolve losses according to AFI 34-202, paragraph 6.6.

Chapter 9

LOSSES AND COLLECTION ACTIONS

9.1. 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. Additionally, AFI 34-202 and this manual consider the following situations as losses requiring specific action.

9.1.1. Consider any unreconciled asset, liability, or equity account to be a loss if the adjustment 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 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.

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

- Asset.
- Liability.
- Aero club hull.
- Aero club liability.

9.2. Basis For Loss. A loss may be the result of simple negligence, gross negligence, or willful misconduct on the part of individuals or groups according to AFI 34-202.

9.3. Reporting Losses. All Air Force 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 nonappropriated fund losses are protected from reprisal. Refer to AFI 34-202.

9.4. Determining Value. Use actual cash value to determine the amount of a loss according to AFI 34-202.

9.5. Documenting Losses. Document each loss, even those caused by acts of nature according to AFI 34-202.

9.6. Resolving Losses. AFI 34-202 prescribes required actions for resolving losses based on the dollar amount and type of loss.

9.7. 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 in AFI 34-202. Required actions by the commander are also in AFI 34-202.

9.8. Appeals. Military members or civilian employees of the Federal Government (appropriated fund or NAF) may appeal the assessment of pecuniary liability according to AFI 34-202.

9.9. Collection Actions. The RMFC immediately initiates collection actions on all losses where the installation commander assesses pecuniary liability according to AFI 34-202, paragraph 6.10.

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

9.9.2. RMFCs may also use collection actions in this chapter and AFI 34-202 for delinquent accounts, returned checks, and other debts that AFI 34-202 and this manual do not consider as losses. Follow instructions in AFI 34-209 regarding delinquent accounts receivable and returned checks, before taking further action under this chapter.

9.9.2.1. SV must give the debtor the opportunity to voluntarily pay the debt. Refer to AFI 34-202.

9.9.2.2. If the debtor does not voluntarily pay the debt, the RMFC 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 AFI 34-202 and this chapter.

9.9.2.3. If the debtor disputes the validity of the debt, he or she may submit an appeal through the RMFC and the SV commander or director to the installation commander. When a debtor submits an appeal, the RMFC suspends collection until the installation commander determines the outcome of the appeal. Follow the appeal procedures in AFI 34-202. *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 **9.11**.

9.10. Claims Involving Losses or Indebtedness. When initiating collection action for other losses or indebtedness, including returned checks, caused by a member (or family member) of the uniformed services or an employee of the Federal Government, the RMFC forwards a statement of account with a request for payment to the person held pecuniarily liable. Uses certified mail, return receipt requested, or personal delivery 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 RMFC takes the following action:

9.10.1. **NAF employee indebtedness.** The RMFC authorizes payroll deductions, not to exceed one-fourth of gross pay due or to become due 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.

9.10.2. **Civil service employee indebtedness.** The RMFC forwards a 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 CPF servicing the employee for action under AFI 36-703, *Civilian Conduct and Responsibility*. If the individual has signed a consent agreement, submit collection requests as follows:

- Currently employed civil service: To the local or servicing FSO, Civilian Pay Section.

- Retired civil service employee: To the Office of Civilian Personnel Management/CSD, Civil Service Retirement System, PO Box 961, Washington DC 20044.
- Currently employed Defense Finance and Accounting Service (DFAS) civilian personnel paid by the DFAS Columbus Center: Send a copy of the member's signed and dated consent form and an accurate account of the debt to: DFAS-CO/APS, Box 369017, Columbus OH 43236-9017.

9.10.3. **Collecting from SV customers for debts incurred by family members or guests.** The RMFC may not involuntarily withhold money from an SV 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 moneys due the customer can be made when he or she provides an appropriately worded consent agreement. The FSO 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 DD Form 139, before forwarding to the FSO.

9.10.3.1. Here 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 returned check (including any associated processing charge) or charge that is not timely paid."

9.10.3.2. 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 that can be modified to apply to any NAFI. (Reference membership application format in AFI 34-115, *Air Force Club Program*.)

9.10.3.3. 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 social security number, and the customer's signature.

9.10.3.4. 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.

9.10.3.5. 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.

9.10.4. **Any military service member indebtedness.** The RMFC contacts the individual preferably by telephone or, if unable to reach the individual, by a written demand for payment. 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, follow these collection procedures:

9.10.4.1. For any active duty member, the NAF AO prepares a letter signed by the RMFC to the member's unit commander or first sergeant requesting assistance in collecting the debt. State all collection efforts previously taken regarding the member's indebtedness. Waive notification to the unit commander if the member is separating within 30 days.

9.10.4.2. If the unit commander does not respond to the request for assistance concerning the indebtedness, and if the member (active or retired) does not make payment, or agree to a definite payment schedule, the NAF AO prepares a DD Form 139, or letter, and forwards it directly to the FSO. Attach to the DD Form 139 or letter, the reason for the indebtedness (copies of returned checks or claim file), a consent agreement when applicable, and a copy of the letter sent to the unit commander. Retain follow-up correspondence, such as certified letter receipts, etc., on file in the NAF AO for audit and reference.

9.10.5. **Collecting from active duty or retired members of the US Air Force, Army, Navy, Marine Corps, or Coast Guard.** The NAF AO submits a DD Form 139 or letter to the appropriate DFAS Center requesting collection according to Table 7-7-5, Rule 6, Department of Defense Pay Manual (DoDPM),. Ensure the collection request includes the member's name, grade, branch of service, social security number, name and address of the NAFI for the reimbursement check, and the following statement: "The member named above was notified in writing or by telephone (circle one) on (date) concerning (type of debt) to (NAF activity) in the amount of (amount). The member's commander was notified on (date) to assist with collection of the debt. The debt was incurred by (name). No payment has been received to date."

- If the member is separating within 30 days, also state on the DD Form 139: "The member is scheduled to separate on (date), notification to the unit commander is waived."
- If a member is retired, use this statement: "The retired member named above was notified in writing or by telephone (circle one) on (date) concerning (type of debt) to (NAFI) in the amount of (amount). The debt was incurred by (name). No payment has been received to date. Request collection action be taken according to Department of Defense Military Retired Pay Manual (DoDMRPM)."

The NAF AO takes follow-up action at least every 30 days on uncollected requests.

Submit DD Forms 139 and/or memorandum (if applicable) to the following addresses for collection:

- Active Air Force members: Local FSO.

- Retired Air Force members: DFAS - Retired Pay Division, Cleveland Center, Anthony J. Celebreeze Building, Cleveland OH 44199-1126. State the member is retired on the DD Form 139.
- Reserve US Air Force members: DFAS - Reserve Pay Division, Denver Center, Denver CO 80279-8000.
- Active Army member: Soldier's servicing FSO, if known. When the servicing FSO is unknown, mail the DD Form 139 with a letter requesting locator service, to the DFAS - Department 40: Locator Service, Indianapolis Center, Indianapolis IN 46249-0001.
- Retired Army member: Attach a letter of transmittal and mail to the DFAS Department 90: Retired Pay Division, Indianapolis Center, Indianapolis IN 46249-0001.
- Active or retired US Navy member: DFAS - Cleveland Center, Anthony J. Celebreeze Building, Cleveland OH 44199-1126. State if retired on the DD Form 139.
- Active or retired US Marine Corps member: DFAS - Kansas City Center, Code CPJ26, Kansas City MO 64197-0001. State if retired on the DD Form 139.
- Active or retired US Coast Guard members: Commanding Officer (F) US Coast Guard, Pay and Personnel Center, 444 S.E. Quincy Street, Topeka, KS 66683-3591. State if retired on the DD Form 139.

9.11. 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. SV 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.

9.11.1. The Human Resources Office (HRO) prepares AF Form 2545, **NAFI Notification of Personnel Action**, correcting the action that caused the overpayment. (This is not required when the error is made within the activity or NAF AO.)

9.11.2. The NAF AO computes the amount of debt owed and notifies the employee, in writing, of the overpayment, the amount of overpayment, the conditions that caused the overpayment, that repayment is required, and the options available for making repayment. Also advise the employee they have 15 days from receipt of the letter advising of the overpayment, to request a review to waive the indebtedness or negotiate a grievance, according to AFI 34-202, paragraph 6.13.

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

9.11.4. Activity management, representatives of the NAF AO, and the employee should jointly come to an agreement as to the method of repayment that ensures 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:

- The NAF AO accepts cash payment if the employee chooses to pay cash.
- 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.
- 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 (voluntarily or involuntarily) his or her employment. In any such case, effect deduction at levels that ensure 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.

9.12. Uncollected Losses or Indebtedness. When losses or indebtedness are not collected through the above procedures, except when an appeal is pending, the RMFC follows the instructions in AFI 34-202, paragraph 6.16.

9.13. 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.

9.14. 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. Process according to instructions in AFI 34-202, paragraph 6.14.

9.15. Claims Arising Out of Contract Arrangements. Refer all claims to the contracting officer for appropriate action according to instructions in. AFI 34-202, paragraph 6.17.

9.16. NAF Asset Insurance Program. For a loss of an asset covered by the asset insurance program, file claims according to AFI 34-208, *Property and Casualty Insurance*, and AFMAN 34-213, *Property and Casualty Claims Administration.*

Chapter 10

CONTINGENCY OPERATIONS

10.1. Memorandum of Understanding (MOU) for Suspended Operations. The SV commander or director ensures the base 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:

- Computer support.
- Software availability and protection.
- Hard copy storage and recovery.
- Asset protection.
- Lines of responsibility/accountability.

10.2. Prepreparation. If feasible, prepare in advance to protect as many assets as possible.

- Develop a checklist to safeguard financial records.
- Withdraw all cash and deposit with a local banking facility. Safeguard supporting documentation.
- Protect accounts receivable. Secure current and three prior periods of accounts data, if available. Back up current file and transport to designated processing location.
- Protect accounts payable. Back up all files and transport to designated processing location. Secure outstanding open purchase orders, maintenance agreements, blanket purchase agreements, and contracts. Secure the most current vendor master listing for current addresses.
- Protect inventory items. Secure high value inventory items; store small items in existing safes.
- Protect all NAF fixed assets. Ensure all NAF assets are properly identified. Label all items. If paper labels are not possible, consider using an engraver or metal plates.

10.3. Following a Natural Disaster. The RMFC, SV 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:

- Conduct all salvage, recovery, and reconstruction efforts with the utmost attention to safety.
- Empty safes and secure all cash and cash equivalents.
- Safeguard highly pilferable items.
- Ensure items dangerous to one's health are destroyed or confiscated.

- Assess damage to the NAF accounting office and determine requirements for recovery.
- Determine if off-site processing is necessary. If so, arrange for transport of only those records necessary to conduct business.

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

- 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 inventory. Maintain an inventory of disposed items. Request additional vehicle support if needed, from nearby installations.
- Securing as many resale items and other highly pilferable items as possible and store them in a secure location.

10.5. (Added-USAFA) Prescribed and Adopted Forms.

10.5.1. **(Added-USAFA) Prescribed Forms.** No forms are prescribed.

10.5.2. **(Added-USAFA)** Adopted Forms.

AF Form 847, Recommendation for Change of Publication.

PATRICK O. ADAMS, Brigadier General, USAF
Director of Services

(USAFA)

DR. HANS J. MUEH
Director of Athletics

Attachment 1

GLOSSARY OF REFERENCES, ABBREVIATIONS AND ACRONYMS

References

DoD Directive 5010.38, *Internal Management Control Program*, 14 Apr 87

Department of Defense Pay Manual (DODPM

Department of Defense Military Retired Pay Manual (DODMRPM

OMB Circular A-123, Revised, *Internal Control Systems*

AFPD 34-2, *Managing Nonappropriated Funds*

AFPD 65-2, *Internal Management Control*

AFI 31-209, *Air Force Resource Protection Program*

AFI 34-101, *Services Programs and Use Eligibility*

AFI 34-115,*Air Force Club Program*

AFI 34-201, *Use of Nonappropriated Funds*

AFI 34-202, *Protection of Assets*

AFI 34-206, V*ending Facility Program For The Blind On Air Force Property*

AFI 34-208, *Property and Casualty Insurance*

AFI 34-209, *NAF Financial Management and Accounting*

AFI 36-703, *Civilian Conduct and Responsibility*

AFI 37-124, *The Information Collection and Reports Management Program*

AFI 37-132, *Air Force Privacy Act Program*

AFI 37-138, *Records Disposition-Responsibilities*

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

AFI 65-201, *Air Force Internal Management Controls*

AFMAN 34-129, *Slot Machine Controls and Procedures*

AFMAN 34-213, *Property and Casualty Claims Administration.*

AFMAN 34-214, *Procedures for NAF Management and Accounting*

AFMAN 34-215, *Cash and Investment Procedures*

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

AFMAN 64-302, *NAF Contracting*

Abbreviations and Acronyms

AAFCWF—Army and Air Force Civilian Welfare Fund

AAFES—Army and Air Force Exchange Service

AFB—Air Force Base

AFFMF—Air Force Financial Management Fund

AFI—Air Force Instruction

AFMAN—Air Force Manual

AFMWRAB—Air Force Morale, Welfare, and Recreation Advisory Board

AFNAFPO—Air Force Nonappropriated Fund Purchasing Office

AFPD—Air Force Policy Directive

AFSVA—Air Force Services Agency

AFROTC—Air Force Reserve Officer Training Corp

ANG—Air National Guard

AO—accounting office

BGC—bonus gift coupons

BRF—base restaurant fund

CMIP—Cash Management Investment Program

CONUS—continental United States

CPF—civilian personnel flight

CWF—civilian welfare fund

DoD—Department of Defense

DODPM—Department of Defense Pay Manual

DODMRPM—Department of Defense Military Retired Pay Manual

FM—financial manager

FOA—Field Operating Agency

FSO—financial services office

HQ USAF/SV—HQ USAF Directorate of Services

HRO—human resource office

ID—identifcation card

IDS—intrusion detection system

IDT—interfund dollar transfers

IG—Inspector General

IMC—internal management control

IMCR—internal management control review

IMPAC—International Merchant Purchase Authorization Card

IO—independent observer

IRS—Internal Revenue Service

LOF—life-of-the-fund

MAJCOM—major command

MICR—magnetic ink character recognition

MPF—military personnel flight

MPO—military pay order

MSFC—membership support flight chief

MWRF—Morale, Welfare, and Recreation Fund

NAF—nonappropriated fund

NAFFA—nonappropriated fund financial analyst

NAFI—nonappropriated fund instrumentality

OI—operating instruction

OSI—Office of Special Investigations

POS—point of sale

RMFC—resource management flight chief

RPEC—Resources Protection Executive Committee

SAV—staff assistance visit

SIMS—Services Information Management System

SV—Services Squadron

SSN—social security number

TD—Treasury Department

TDY—temporary duty

US—United States

USAF—United States Air Force