



***NAVY LEADERSHIP'S GUIDEBOOK
FOR THE ADMINISTRATION OF
MWR PROGRAMS***

An Overview of MWR Programs and Services

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Morale, Welfare and Recreation
PERS-65
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TABLE OF CONTENTS

INTRODUCTION.	1
SECTION A. NAVY MWR & NEX BOARD OF DIRECTORS.	3
SECTION B. MAJOR MWR RECREATION PROGRAMS.	5
SECTION C. THE NAVY CHILD DEVELOPMENT PROGRAM	11
SECTION D. MWR NONAPPROPRIATED FUND (NAF) PERSONNEL PROGRAM.	13
SECTION E. MWR FACILITIES	15
SECTION F. NONAPPROPRIATED FUND (NAF) PROCUREMENT POLICY	19
SECTION G. THE NAVY FLYING CLUB (NFC) PROGRAM	21
SECTION H. THE NAVY MWR TRAINING PROGRAM.	23
SECTION I. NAVY MOTION PICTURE SERVICE (NMPS)	25
SECTION J. NAVY PERSONNEL COMMAND (NPC) MWR FINANCIAL MANAGEMENT	27
SECTION K. UTILIZATION, SUPPORT, AND ACCOUNTABILITY.	29
SECTION L. SHIP'S STORE AND AFLOAT MWR.	31
SECTION M. THE MWR AND NEX PROFIT SHARING SYSTEM.	33
SECTION N. NAVY MWR NAF FINANCIAL STANDARDS	35
SECTION O. NAVY MWR FISCAL OVERSIGHT REVIEW	39
SECTION P. AUXILIARY RESALE OUTLETS (AROs)	41
SECTION Q. NAVY CIVILIAN MWR ACTIVITIES	43
SECTION R. PRIVATE ORGANIZATIONS ON NAVAL INSTALLATIONS.	45
SECTION S. THE MAJOR CLAIMANT'S AND REGION'S ROLE IN NAVY MWR.	47

INTRODUCTION

NAVY MWR VISION STATEMENT

Navy MWR is committed to providing our Sailors and their families access to the best possible customer-focused, MWR core program package regardless of duty station.

NAVY MWR OVERVIEW

1. The Services are tasked by the Secretary of Defense to establish, operate, and fund well-rounded Morale, Welfare and Recreation (MWR) programs and facilities. MWR is comprised of over 50 different activities, ranging from fitness centers, libraries, child care programs, youth activities, and business operations, such as golf courses, bowling centers, and food and beverage operations. This array of programs and facilities support mission readiness, personnel retention, and overall quality of life.

a. MWR programs are supported by a combination of nonappropriated (NAF) and appropriated funds (APF). NAF revenues generated by MWR business activities are used to sustain and recapitalize the operations and subsidize day-to-day operations of MWR programs that are unable to produce sufficient revenues to financially sustain themselves.

b. The Department of Defense (DoD) Authorization Acts of fiscal years 1987 and 1988 directed MWR to restructure into three categories, with APF support authorized accordingly. These categories are:

CATEGORY A. Activities that most directly support mission requirements and include activities such as sports, fitness, libraries, and movies onboard ship. By DOD policy, these activities are authorized to receive the highest level of APF support to finance their operating costs - up to 100 percent of expenses.

CATEGORY B. Contains community support activities such as youth, child development, and recreational skill development programs (e.g., personal computer instruction programs, auto repair skills, and instruction). These activities are authorized APF support at approximately 65 percent of total expenses.

CATEGORY C. Encompasses business activities or profit generators such as food and beverage services, bowling centers (over 12 lanes), golf courses, marinas, etc. APF support for Category C activities is generally limited to indirect expenses such as fire protection and security, which equates to approximately five percent of expenses. Overseas and remote bases are authorized to receive greater APF support for their Category C activities to cover utilities and other specified operational costs. Over and above these limited APF support entitlements, Category C activities are expected to be self-sufficient.

2. The overall MWR program umbrella is extensive in terms of operations, facilities, and funding. In some form, MWR programs operate on every Navy installation worldwide. Additionally, MWR operations aboard ships and in support of deployments typically consist of a wide range of fitness, library, and leisure time recreation activities. The sections that follow provides a brief explanation of MWR operations, facilities, and funding.

SECTION A NAVY MWR & NEX BOARD OF DIRECTORS

1. OPNAVINST 1700.13 established the MWR and Navy Exchange (NEX) Board of Directors (BOD) to provide policy guidance and oversight of Navy nonappropriated fund (NAF) operations. The BOD is chaired by the Vice Chief of Naval Operations, with voting membership from CINCLANTFLT, CINCPACFLT, CINCUSNAVEUR, CNET, COMNAVSUPSYSCOM, COMNAVRESFOR, the Office of the Chief of Naval Operations (N1, N4, and N8), two Echelon II Commands representing interest of all other Echelon II Commands, and the MCPON. The respective Program Managers, Navy Personnel Command (PERS-6), and Commander, Navy Exchange Service Command, attend as ex-officio non-voting members. The Assistant Secretary of the Navy (M&RA) and the Judge Advocate General of the Navy attend as ex-officio non-voting members.

2. The BOD is responsible for making major business decisions impacting MWR and NEX programs. These include reviewing and approving major policy, planning and program issues pertaining to Navy MWR and NEX programs (e.g., changes in operations affecting support to Sailors, funding/requirements, assessment rates, major organizational changes, program initiatives, long-range plans, recapitalization and other major issues as appropriate). They review the amount and effective utilization of APF support for MWR and NEX programs. In addition, they review and approve the Navy MWR and NEX central construction program and annual operating budgets. The BOD meets semi-annually or at the call of the Vice Chief of Naval Operations (VCNO).

3. The MWR and NEX Flag Level Executive Council (FLEC) functions as a body to screen MWR and NEX issues for BOD consideration. This Executive Council provides a balanced focal point for high-level fleet and program manager joint reviews of issues that are to be referred to the BOD. The FLEC staffs and resolves any differences between the MWR and NEX program managers or Echelon II representatives on financial and programmatic matters. They are specifically tasked to continually review APF support for MWR and NEX programs with the objective of maximizing the use of APF budgeted for these quality of life programs. Composition of the FLEC is as follows: OPNAV N-4 (DCNO, Logistics) serves as the chairperson of the FLEC with PACFLT (N46), LANTFLT (N46), NPC (PERS-6), and COMNEXCOM as members. A non-flag-level working group supports the FLEC. The FLEC meets quarterly or at the call of the chairman.

SECTION B**MAJOR MWR RECREATION PROGRAMS**

1. MWR Programs for Fleet Sailors

Recreation Center/Fleet Recreation. Programs specially developed and centers targeted to active duty fleet Sailors. Programs may include trip/local tours ashore, special interest group programming, social events, sports, table games, amusement machines, food and beverage, laundry, and special events.

- Three key elements have been identified as crucial to quality of life aboard ship: recreation equipment, physical fitness equipment, and library multi-media resource centers (LMRCs). Lack of space onboard ships limits the capacity of fitness centers and shipboard libraries. LMRCs are designed around a multi-media computer system that exponentially increases ship's capacity for information storage and retrieval for leisure purposes.
- Fleet Recreation Coordinators (FRCs) are located at major fleet concentration areas throughout the world and provide assistance to ships in programming, financial management, recreation administration, procurement, and property management. FRCs are civilian recreation professionals exclusively dedicated to supporting the MWR needs of the fleet.
- Civilian MWR recreation and fitness professionals, i.e., Afloat Recreation and Afloat Fitness Directors, are located aboard all carriers and amphibious ships to support the MWR needs of the battle group.

2. MWR Programs Ashore

Single Sailor Recreation (Liberty) Programs. Promotes existing MWR activities, offers skills development by teaching Sailors "how to recreate," and sponsors special events such as block parties, field trips, outdoor adventure, and social programs geared to the 18-24 age group. Key elements for a successful program include a full-time professional program manager, a dedicated space for activities, and adequate funding. Single Sailor recreation programs are Category A activities and are authorized 100 percent appropriated fund support.

Fitness Program. Base-level fitness and sports activities are designed to give everyone an active role in total individual fitness regardless of interest, age or ability. Exercise, fitness, recreation, wellness, health promotion and nutrition

are all terms, which promote an enriched quality of life. Navy Fitness Programs are Category A activities and are authorized 100 percent appropriated fund support. The Navy Fitness program consists of two main elements.

- **Fitness Programs.** Traditional activities which improve the participant's functional capacity (e.g., instructional skill development, physical conditioning activities, recreational sports).
- **Awareness and Promotions.** Increases access to leisure and health education to encourage healthy lifestyles that will increase organizational and individual readiness (e.g., physical fitness and sports opportunities, stress management, substance abuse, tobacco cessation, nutrition, hypertension).

3. Higher Level Sports Program. The higher-level sports program (i.e., Armed Forces Sports Program) is directed at active duty members who demonstrate exceptional athletic abilities. Competitive forums for the higher level sports program include Navy Trial Camps (used to evaluate and select athletes for Navy teams) and the Armed Forces Championships. These two competitive forums provide a pathway for athletes to represent the Armed Forces in competition at the international level. From this group, individuals are selected to participate in the *Conseil International du Sport Militaire* (CISM) competitions. CISM is composed of 120 nations who participate throughout the year in various athletic competitions. These forums also provide an opportunity for qualifying Navy members to compete in preparatory sports events leading to possible selection to teams representing the United States in international competitions such as the Olympic and Pan American Games. This program is classified as Category B and is funded by PERS-65.

4. Deploying Navy Construction Battalions. Each unit is issued a recreation deployment kit that is a compact, lightweight container filled with sports, recreation, and entertainment equipment. These "cruise boxes" provide basic MWR equipment for use in isolated and remote areas that have little or no quality of life facilities or support. The equipment contained therein has a useful life of approximately six months, the average duration of a typical deployment. This program is classified as Category A.

5. Library Program. Chief of Naval Education and Training (CNET) has overall operational responsibility for the library program, which consists of local command libraries afloat and ashore; and the central/Headquarters program that distributes library materials and provides technical and administrative support to all Navy libraries. The library program is a Category A MWR activity and is authorized full funding from APF. Limited MWR NAF support for the library program is permitted to supplement procurement of print and non-print library materials. For more information, refer to SECNAVINST 5070.3A and NAVEDTRA Manual 38021.

6. Youth Recreation Program. A comprehensive, year-round recreation and sports program for youth in kindergarten through twelfth grade. All youth staff undergo thorough background checks and complete required on-going training as a condition of continuous employment. The Youth Recreation Program is Classified as a Category B MWR program.

7. School Age Care (SAC) Program. Provides care before and after school at the Child Development Center, Youth Center, or other MWR facility for children in kindergarten through age 12. Full day programs are offered during summer and holiday breaks. All staff undergo thorough background checks and complete required on-going training as a condition of continuous employment. Participant fees are standardized and based on total family income. SAC is classified as a Category B MWR program.

8. Community Activities/Center. Community centers are targeted to youth and families. Activities include classes, special interest group programming, and other community family related programs. This program is classified as a Category B MWR program.

9. Outdoor Recreation Program. Provides opportunities to learn via instructional classes and participation in a wide variety of outdoor recreation activities, programs, and services. Areas and facilities include equipment rental centers (Cat B except rentals of "big ticket" rental items such as RVs, which are classified as Category C), outdoor adventure programs (Cat B), parks/picnic areas (Cat A), trails, rope courses, climbing walls, archery ranges (Cat B), skeet & trap (Cat C), recreational vehicle (RV) parks/storage (Cat C), cabins/cottages (Cat C), and off-base recreation areas.

10. Marina Services Program. Sail and power boat activities with instruction and equipment rental geared for non-boat owners. Private berthing and the sale of specialty items, gas,

ice, tackle, bait, fishing licenses, etc., are provided, where feasible, to offset the cost of providing water-based recreation programs. This program is classified as a Category B MWR program if there is no private boat berthing. If there is private boat berthing, the program is classified as a Category C MWR program.

11. Information, Tickets and Travel (ITT). ITT serves the military community by offering local recreation information and provides access to a wide variety of national and regional attractions, entertainment tickets, and local tour services at reduced/discounted rates to Sailors and their families. The newest element of the ITT program is a mobile outreach unit recreational ticket vehicle (RTV). This program is classified as a Category B MWR program.

12. Leisure Travel Program. Provides vacation travel services to the military community including airline, car rental, lodging, cruises, and tours. These services are primarily offered by a civilian contracted travel agency and the program is classified as a Category C MWR program.

13. Auto Skills Center Program. Provides indoor and outdoor stall space and appropriate tools for authorized patrons to work on personal vehicles. These centers are not intended to be full-service stations, but rather, facilities where patron self-help is fostered and automotive skills are learned. Guidance when necessary is provided by trained MWR personnel. This MWR activity is classified as a Category B program.

14. Golf Program. The Navy golf program is offered at over 40 bases and includes course play, snack bars, pro shops, driving ranges, cart rentals, as well as classes and personalized lessons. Golf courses are Category C MWR programs.

15. Bowling Program. The Navy Bowling Program offers open and league bowling, special youth programs, instructional classes, pro shops, game rooms, and food and beverage areas. This MWR program is classified as Category C if there are 13 lanes or more, and Category B if 12 lanes or under.

16. Food, Beverage & Entertainment. Navy MWR also includes community and social activities such as food, beverage, entertainment, and related recreation activities for active duty personnel, military retirees, and DoD civilians and their families at Naval installations worldwide. The Navy MWR food and beverage system includes a wide variety of alternatives, such as:

a. Catering and Conference Facilities

- Social events
- Wedding receptions
- Retirement parties
- Ship's parties
- Command functions
- Meetings
- Training
- Delivery and/or pick up services for picnic's etc.

b. Special Events/Entertainment

- Concerts
- Personal Appearances
- Festivals

c. Branded Food and Beverage Operations (MWR Operated)

"In-House"

- **Parcheezi's** (Pizza, pasta, sub sandwiches, Calzones)
- **Market Street Grill** (Philly cheese steaks, burgers, deli sandwiches and salads)
- **Chicken Jose'** (Rotisserie chicken, wrap sandwiches)

"National/Regional Brands"

- **A&W** (Burgers, hot dogs, chicken sandwiches, fries, onion rings, root beer and floats)
- **Freshens Smoothies** (Frozen yogurt, smoothies, gourmet pretzels and hand-dipped ice cream)
- **Noble Roman's Pizza** (pizza, pasta, hot/cold sub sandwiches, buffalo wings, breadsticks, salads and breakfast sandwiches)
- **Pizza Hut Express** (Personal pan pizza, breadsticks, buffalo wings, salads and breakfast sandwiches)
- **Seattle's Best Coffee** (Gourmet coffee, espresso, lattes and bakery items)
- **Long John Silver's** (Seafood, chicken sandwiches, hush puppies, fries and slaw)
- **Charleys Steakery** (Fresh grilled steak and chicken subs, fries and lemonade)
- **KFC** (Chicken sandwiches, fries, slaw and biscuits)
- **Bud Brew House** (Themed bar offering micro style beer and casual dining food items)

- **Sam Adam's Brew Pub** (Themed bar offering micro style beer in a casual dining atmosphere)
- **Sam Snead' Tavern** (Golf themed casual dining restaurant featuring steaks, seafood, burgers, sandwiches, salads and desserts)
- **Asian Creation** (beef, pork and chicken asian dishes, fried rice and egg rolls)
- **Cinnamon Street Coffee/Bakery** (gourmet coffee, cinnamon rolls, muffins and cookies)
- **Eddie Peppers** (tacos, burritos, fajitas, nachos and taco salads)
- **Hot Stuff Pizza** (pizza, calzones, breadsticks, breakfast sandwiches and salads)
- **MacGregors Market** (burgers, sandwiches, soup, salads and breakfast sandwiches)
- **Mean Gene's Burgers** (flame broiled burgers, chicken sandwiches, hot dogs, fries, onion rings, chili and breakfast sandwiches)
- **Nap's BBQ** (pulled pork, shredded beef, ribs, fries, baked beans, slaw and salads)
- **Smash Hit Subs** (6" and 12" subs on fresh baked bread, wraps, salads and fresh baked cookies)

d. Beverage and Entertainment Operations

- Night Clubs featuring live and/or programmed music
- Sports Bars featuring live/satellite sports programming
- Brew Pubs featuring billiards, darts and amusements

e. Food and Beverage Operations at Golf, Bowling Centers, and Marinas, etc.

- (See Branded Food Operations, above)

Gaming and Amusement Operations. These MWR food and beverage activities are Category C unless located at a designated isolated and remote base, where they are then funded at the Category B level.

SECTION C THE NAVY CHILD DEVELOPMENT PROGRAM

1. The Navy Child Development Program (CDP) supports operational readiness, mission accomplishment, and retention. The program assists commanders and families in balancing the competing demands of family life and the military mission, and improves the economic viability of the family unit. Care is provided in Child Development Centers (CDC), Child Development Homes (CDH), and School-Age Care (SAC) programs. A Resource and Referral (R&R) service maintains a local waiting list and refers parents to vacancies.
2. Commanders can establish priority of access (e.g., single and dual active duty parents, active duty with a full-time working spouse, DoD civilians, etc.). Fees are set by DOD annually and are determined by Total Family Income (TFI). This program is classified as Category B MWR program.
3. The legislative cornerstone of the child care program is the Military Child Care Act (MCCA) of 1989 which initiated the Navy's effort to expand the availability of affordable, quality child care programs. The quality and affordability of the CDP is great, but capacity remains a problem. Currently, the DoD expansion plan goal is to meet 80 percent of potential need by FY-07. Navy is currently meeting 67 percent.
4. In FY-99, the successful CDH marketing campaign and APF subsidy and incentive program resulted in increased recruitment and retention of CDH providers, and increased child care spaces for children 0-3 years old. Navy is committed to "Shifting the Balance" of younger children from the more expensive CDC to the now very cost effective CDH (e.g., 7K APF per infant in CDC and 2.5K APF per infant in CDH. CDH also provides employment to approximately 2,000 military spouses.
5. In FY-00, the Navy child care program underwent a Functionality Assessment (FA) and developed Most Efficient Organizations (MEOs) for those CONUS installations not already in the procurement phase of A-76, with 37 MEOs approved by October 2001. The MEOs provide a detailed five year income and expense plan, including a 34 percent reduction of CDP APF FTE, that is tied to the DoD expansion plan.
6. Future plans include a "Managing Your MEO Guidebook", N46 audits of MEOs, and a Child/Youth Management System (CYMS) that will interface with ABM and SAP/MICROS and NMCI.

SECTION D MWR NONAPPROPRIATED FUND (NAF) PERSONNEL PROGRAM

1. The NAF personnel program has been built around the same decentralized philosophy as the rest of MWR. The local MWR Director, under the direction of the base commanding officer, has authority to hire, terminate, compensate, discipline, and reward employees within broad policy guidelines. The NAF personnel program has been designed for maximum local flexibility while maintaining employee protection required by law and DoD regulations. Oversight and support for this program is provided by NPC through the NAF Personnel and Benefits Branch. PERS-65 POC can be reached at DSN 882-6704 or COMM 901-874-6704.

2. Civil Service (GS) employees in NAFI activities are subject to the same rules as all other civil service employees on the base. PERS-65 will work with local Human Resource Offices in providing assistance and advice if problems unique to the NAFI arise within the MWR GS work force.

3. Several personnel services are available to the local CO from PERS-65 (upon request). One of which is recruitment assistance for filling key MWR positions. PERS-65 can provide full-service advertisement, interview, and selection support designed to lift the administrative workload off the local command while still giving the CO total control over who is selected.

4. PERS-65 centrally administers all NAF employee benefit programs on behalf of field activities to achieve the most effective combination of cost and coverage. Eligible NAF employees can participate in the benefits program, which offers competitively priced health, life, and disability insurance, along with a retirement and tax deferred savings and investment plan (401K plan).

5. PERS-65 administers a central NAF insurance program for the MWR system. This program protects MWR assets worldwide and pays claims for property and liability losses suffered by MWR activities through both self-insured and commercially insured sources. The program also covers workers compensation costs and makes unemployment compensation payments. PERS-65 can provide assistance in reducing these costs (i.e., return to work program, timely completion of paperwork, etc.).

6. Cost for the benefit and insurance programs are passed to the local level based on a standard formula and are managed within budget expense levels approved by the MWR/NEX Board of Directors. More detailed information on the MWR personnel and benefits programs is contained in SECNAVINST 5300.22C and BUPERSINST 5300.10.

SECTION E**MWR FACILITIES**

1. Command facility improvement initiatives supporting MWR programs and services can be accomplished using both APF and NAF. The general benchmarks for selecting the proper funding source are as follows:

a. APF [Operation and Maintenance, Navy (O&M,N) and MILCON] are authorized for general fitness and mission related (Category A) activities such as gyms, courts, fields, fitness centers, training pools, child care centers, etc. Facilities eligible for APF are listed in NAVCOMPT Manual Volume 7, Section III: Budget Policy for Construction, paragraph 075530.

b. Facility renovation and repair involving code compliance requirements (i.e., electrical, fire, etc.); handicap accessibility requirements; and environmental standards (i.e., asbestos abatement, lead paint, etc.) are authorized APF support, usually accomplished using O&M,N funds.

c. NAFs are used to support revenue generating (Category C and selected Category B) MWR activities such as marinas, bowling centers, golf courses, clubs, hobby centers, etc.

2. Nonappropriated Fund Projects

a. Under the profit sharing plan (PSP), projects under \$200,000 requiring the use of NAFs are funded from locally generated MWR/NEX profits or from local NAF depreciation cash flow. NAF eligible project requirements beyond the funding capability of the local activity may be nominated to the echelon II command for capital subsidy support. Funding priorities are established by the local activity and their respective echelon II command. Local station cash profits, and the NEX profits paid directly to the station (25 percent of total local profit) are the funding sources.

b. NAF major construction projects (NAF over \$200,000) supporting MWR requirements are identified by local activities with nominations sent to PERS-65. A formal nomination package titled Internal Needs Validation Study (INVS) has been developed and distributed to all commands and regions. Eligible MWR projects are screened and rated by the chain-of-command and compete for system-wide funding.

c. Nominated projects are evaluated through a three-tier assessment process (i.e., the local activity, echelon II, and program manager) leading to a program manager developed facility

project plan (construction, renovation, and repair requirements), which is presented to the MWR/NEX BOD for approval. Final execution approval of NAF major new construction (over \$500,000) is provided by Congress.

3. Military Construction (MILCON) Program.

a. Eligibility requirements for APF and NAF project support is outlined through the Budget Policy for Construction, Section III, paragraph 075530, of the NAVCOMPT manual. This policy defines what MWR facilities should be constructed through the military construction (MILCON) program and those that should be supported through NAF resources. In general, MILCON funding is authorized for mission sustaining facilities (e.g., Category A facilities such as gymnasiums, fitness centers, athletic complexes, gear issue outlets, courts and fields, recreation centers, training pools, etc.), in addition to child development centers and overseas youth centers. Other general recreation (Category B facilities such as hobby centers, outdoor recreation areas, rental equipment outlets, etc.) and revenue producing facilities (Category C facilities such as bowling centers, marinas, golf courses, cabins/cottages, clubs, etc.) are normally constructed using NAF funds. Requirements resulting from base realignment decisions and replacements required due to "Acts of God" are eligible for APF support.

b. MILCON projects are nominated by local activities to echelon II commands for programming consideration. Requirements are reviewed and prioritized at each assessment level. Highest priority needs are forwarded by Navy for inclusion in the out-year defense budget. Extensive congressional review is associated with MILCON nominations. Under normal circumstances the MILCON process, from nomination through prioritization and congressional appropriation for construction, spans approximately five years. Forward planning is critical to obtaining MILCON project support. Program manager representatives assist resource sponsors in reviewing project nominations going to the Shore Facility Planning Board (SFPB). Following review by the SFPB, Navy requirements (inclusive of MWR) are then reviewed by NAVCOMPT for eventual inclusion in the congressional budget.

4. O&M,N Special Projects

a. The O&M,N Special Projects Program, sponsored by NPC, provides funding for APF eligible MWR projects (i.e., under \$500,000 construction or unlimited repair). Construction funding eligibility for this program is the same as that specified for MILCON projects.

b. In addition, installation or claimant O&M,N funds are authorized to maintain the structural integrity (i.e., roof, foundation, framing, etc.), address fire/safety requirements, and meet environmental/code compliance standards (i.e., electrical, handicap, asbestos abatement, etc.). Special projects frequently include both construction and repair requirements. When a special project includes both construction and repair categories, the funding threshold for repair is unlimited while the funding level for construction is \$500K, which governs the overall execution of the undertaking.

c. Commands are requested by NPC to nominate eligible MWR O&M,N projects through a bi-annual call coordinated through each echelon II command. Nominations are evaluated and prioritized by each level of the chain-of-command. Funding for requirements with the highest prioritization may be issued by NPC to the local command, Public Works Center or respective NAVFAC Engineering Field Division. These are targeted for completion during the year preceding the programmed construction year.

SECTION F NONAPPROPRIATED FUND (NAF) PROCUREMENT POLICY

1. MWR NAF Contracting is governed by BUPERSINST 7043.1A, (Procurement Policy for Nonappropriated Fund Activities). The provisions of this instruction apply to all MWR activities for which CHNAVPERs is the Program Manager. PERS-65 POC can be reached at DSN 882-6686 or COMM 901-874-6686.
2. Purchasing staff must successfully complete contracting training before they can be warranted and certified as a NAF contracting officer. All NAF contracting warrants are issued by PERS-65 when requested by the installation commanding officer.
3. **The MWR Director has no APF contracting authority.** All APF contracts must be handled by Supply/Public Works in accordance with the Federal Acquisition Regulations (FAR).
4. Under 10 USC 2783, personnel who violate NAF procurement regulations are subject to the same penalties as those who violate APF regulations. DoD policy is to encourage reporting of all suspected violations. Individuals who report NAF violations are protected from reprisal. Commanding officers are responsible for prompt detection, proper investigation, and appropriate corrective action. In case of serious criminal infractions, commanding officers will refer the matter to the appropriate Defense criminal investigative organization.
5. The following types of contracts are **Authorized:**
 - a. Non-personal service contracts, e.g., instructors, officials, pool management, entertainment, maintenance, janitorial, etc., where the contractor does the work required without relying on the Government to tell him how (no direct supervision).
 - b. Concessionaire contracts, e.g., food/drink booths, souvenir sales. A concessionaire contract is basically a license, which grants a contractor the right to enter the property for a specific purpose, but not to alter government property. The right is non-exclusive and revocable at any time by the government.
 - c. Lease agreements for equipment when a lease versus purchase determination has been made to show that leasing is more cost effective than purchasing the equipment.

d. Construction/renovation contracts which do not exceed \$2,000.

e. Sole source contracts when the reason is justified and the documentation includes how the MWR Director determines the price to be reasonable. The justification must stand up to critical review.

6. The following types of contracts are **Unauthorized**:

a. Personal service contracts that create, or appear to create, an employee-employer relationship, which in effect circumvent government hiring policies and also raises potential tax reporting problems for MWR.

b. Concessionaire contracts which allow the contractor to alter government property or which gives the contractor exclusive right to use the property.

c. Leases of government land because such contracts are illegal without specific congressional authorization. Even if a waiver is granted, the statutes (10 USC 2667 and 40 USC 303b) mandate that rents be deposited in the Treasury, and the statutes do not authorize the acceptance of improvements and services as payment.

d. Construction/renovation/architectural/engineering services contracts over \$2,000 must be handled as prescribed in NAVFAC facility acquisition directive regulation by designated APF contracting officers.

e. Contracts that result in personal gain, e.g., MWR Director's use of equipment purchased with government funds to accomplish a personal task, or contracts where the MWR Director uses his/her position to obtain personal favors, e.g., promise of future business in return for a personal favor.

f. Sole source procurements that are not documented. All sole source procurements must include substantive justification of sole source, and documentation that shows how the price was determined to be reasonable.

7. In conjunction with the Army Community and Family Support (CFS) Training Center, NPC MWR Division PERS-65 has implemented a NAF Contracting Training Program for Navy MWR. The training is being provided on a regional basis and by correspondence.

SECTION G**THE NAVY FLYING CLUB (NFC) PROGRAM**

1. The NFC program offers an opportunity to develop skills in aeronautics, including piloting, navigation, mechanics, and other related aero sciences. The NFC program is managed by PERS-65 and is designated as an MWR Category C program.
2. There are currently 20 NFCs in the program; 17 stateside and 3 overseas. Aircraft operated in the NFC program are either club owned, leased from an individual or company, or are excess military aircraft on loan for use in the NFC program.
3. Worldwide commercial aviation liability and aircraft hull coverage for all NFCs is provided by a single insurance policy that is centrally managed by PERS-65. All insurance premiums are funded by individual NFCs. Liability coverage provides protection to a single limit (or aggregate for the policy year) of \$25 million for death, or bodily injury to others, as well as to the property of others. In addition to coverage for the pilot, "others" is defined for coverage to mean those persons on the ground as well as passengers onboard the NFC aircraft. Hull or aircraft physical damage coverage provides protection for the aircraft hulls up to the declared value of each aircraft. The policy names as the "Insured," the United States of America, the United States Navy, Commander, Navy Personnel Command and all Navy Flying Clubs.
4. The viability of this program is dependent on attention to safety, command commitment to support, and intense efforts to minimize insurance costs. The management focus is on comprehensive operational oversight/safety reviews and rigorous requirements in safety education and techniques. NPC has adopted a biannual mandatory safety stand down policy in the spring and fall to aid commands in identifying delinquent areas in their flying club program.
5. Commanding officers should continue to closely monitor the NFC at their command, especially in terms of safety issues. The following is a list of minimal recommended requirements:
 - a. Assist insurance safety review experts in their attempt to correct safety discrepancies.
 - b. Ensure that the command appointed maintenance, operations, and safety advisors fully comply with their duties and responsibilities as outlined in the NFC program operating instruction.

c. Implement an open-door policy so that the NFC management can provide timely (i.e., at least monthly) reports and updates regarding club concerns and problems.

6. For additional information, refer to OPNAVINST 1710.2E. A new NFC instruction (BUPERSINST 1710.22) will be available for distribution soon.

SECTION H**THE NAVY MWR TRAINING PROGRAM**

1. Job related training for MWR personnel is available from the PERS-65 MWR Training Branch.

a. Courses are available in the following topic areas:

- MWR Senior Managers Financial Management
- MWR Manager
- Management Skills Training (MASTR)
- Cost Control for Clubs and Messes
- Recreation and Mess Central Accounting (RAMCAS)
- NAF Fiscal Oversight and Internal Controls Review
- Fleet Recreation Management
- Course Manager Certification
- Customer Service Facilitator/Coordinator
- Achieving Extraordinary Customer Relations
- Controlling Alcohol Risks Effectively (CARE)

b. Workshops, seminars, and conferences currently include:

- World-wide MWR Director Meetings
- MWR Director Seminar
- Support Services Managers Workshop
- MWR Program Manager Workshops
- Child Development Workshops
- Navy Meeting in conjunction with National Parks and Recreation Association
- Navy MWR Meeting in conjunction with the American Logistics Association MWR Expo (biennial)
- Army Culinary Skills Courses (catering, quick service and full service)
- Training Video Lending Library (MWR Training Branch Media Resource Center)

c. The Training Branch serves as the point of contact for workshops conducted by other NPC MWR Division Branches.

2. Courses are offered regionally through a published schedule and are available upon request at each command. Workshops, seminars, and conferences are announced by PERS-65 Training Branch or Echelon II notices. For more information, contact MWR Training Branch at DSN 882-6717 or 901-874-6717.

SECTION I**NAVY MOTION PICTURE SERVICE (NMPS)**

1. The NMPS distributes entertainment motion pictures on 8mm videotape to 575 ships of the Navy, Military Sealift Command, NOAA, and the Coast Guard. Monthly shipments of approximately sixteen tapes are provided to each ship in the fleet and may be kept for the duration of each movie's three year lease period, after which they must be returned to NMPS for disposal. The tapes are not for use in private quarters and may not be taken ashore, except for use on a berthing barge.
2. NMPS provides a synopsis card for each movie that includes title, program number, cast, brief plot summary, rating, running time, lease expiration date, and information about the film regarding language, violence, and sexual content. This information should be used by the movie officer when planning the schedule. While no movie may be edited in any way, the commanding officer has the final word on whether a particular movie shall be shown. Movie scheduling should demonstrate sensitivity to the diverse programming preferences and tastes of all shipboard personnel.
3. Videotapes are shipped by NMPS via Priority Mail, which is traceable and insured for \$100.00 per each box, regardless of the number of tapes inside. Return shipments to NMPS must use a traceable means and each box must be insured for \$100.00.
4. Ships are responsible for maintaining positive security over movie tapes at all times. Loss or unauthorized duplication of tapes may result in JAGMAN investigation. NMPS sends each ship a semi-annual inventory for comparison with the actual on-board inventory; discrepancies must be reported to NMPS. Each ship should maintain a program turnover folder to include program regulations, shipping and insurance records, and other related information for training, reference, and guidance.
5. Service to shore commands is on 8mm videotape or 35mm film and is provided to 150 sites within the Navy, Marine Corps, and Coast Guard in the United States and overseas. This service is also made available to the U.S. State Department foreign Embassies and Consulates.
6. The most important thing new commanding officers should be aware of regarding the movie program is that the Navy does not own the prints and videocassettes it distributes. They are leased from and remain the property of the motion picture companies and distributors with whom NMPS has contracts for distribution and exhibition in our non-theatrical military

market. All movie materials are protected under U.S. Copyright Law and SECNAVINST 5870.4, and may not be duplicated, edited, or loaned out for private use at any time.

7. Complete guidance concerning administrative and operational procedures necessary to participate in the Navy Entertainment Movie Program is contained in BUPERSINST 1710.15.

SECTION J**NAVY PERSONNEL COMMAND (NPC) MWR
FINANCIAL MANAGEMENT**

1. NPC Financial Management Branch provides MWR financial management (budgeting, accounting, payroll, and banking) through automated support systems for NAFs and APFs.

a. A few key points of interest for commanding officers are listed below:

(1) MWR is dual funded with both APF (O&M,N) and NAF. Different sets of rules and funding processes exist for each type of funds,

(2) MWR is similar to a business in that Category C activities are profit generators. Category B are community support operations and should break even. Category A, mission essential programs require full APF support since they don't generate revenue,

(3) MWR NAF financial operations are required to be profitable annually with profits used to fund recapitalization. MWR is not like a private sector company trying to maximize profits, but rather needs a modest profit so it can recapitalize while offering attractive prices of products and services to Navy personnel,

(4) MWR is a part of the installation BOS budget. Its APF funding stream is affected by the POM process and budget/execution processes. On the NAF side, an annual budget is developed that is endorsed by the commanding officer, reviewed by the region (if appropriate), claimant, and program manager, and approved by the MWR/NEX Board of Directors.

b. Key things to watch are:

(1) MWR execution versus both APF and NAF budgets.

(2) NAF cash balance cannot be negative. Entering negative cash is a violation akin to spending appropriated funds you do not have (10 USC 1517). Conversely, excess MWR cash also should not be accumulated. It should be programmed for the benefit of base military personnel and the replacement, renovation, or construction of MWR Category B and C facilities.

(3) Monthly NAF financial statements are provided to the base via the MWR Director. Commanding officers should be briefed on the fund and budget execution status.

(4) MWR was funded in POM98 to pay 100 percent of authorized APF total expense in Category A and 65 percent in Category B.

2. PERS-65 POC can be reached at DSN 882-6592 or COMM 901-874-6592.

SECTION K UTILIZATION, SUPPORT, AND ACCOUNTABILITY

1. Utilization, Support, and Accountability (USA) was implemented in November 1997 for use beginning in FY98. The USA procedure is designed to aid in the efficient and cost-effective execution of operation and maintenance APF in support of MWR programs. Funds provided through the USA practice shall not be used to circumvent prohibited uses of either APF or NAF. The initial expenditure of NAFs must relate to the mission of MWR and must be an expenditure specifically authorized for APF support.

2. At the beginning of each fiscal year, a Memorandum of Agreement (MOA) must be established and signed by the commanding officer, base comptroller, and MWR Director to outline the expenditures that will be funded with APF using the USA procedure. APF funds must be obligated via a DD Form 1149 before the NAF expense is incurred. The original MOA may be modified at any time during the same fiscal year. Labor costs authorized for APF support are one of the most beneficial uses of the USA procedure.

3. For further information, refer to ASN, FM&C letter dated 7 Nov 97 regarding the USA practice or contact PERS-652 at DSN 882-6612/6614 or COMM 901-874-6612/6614.

SECTION L**SHIP'S STORE AND AFLOAT MWR**

1. The Navy ship's store program serves Sailors at sea by offering personal goods and services, on-board amusement machines, laundry facilities, and barber shops. The ship's store is a part of the Supply Department. The distribution of ship's store profits is to (1) afloat MWR operations (80 percent); (2) to Navy Personnel Command to fund MWR expenses that directly benefit the fleet (16 percent); and (3) provided to the NEXCOM ships store program office (4 percent) to pay ship's store expenses not authorized to be paid with APF. Ships with 500 or fewer active duty members retain all of the ships store profits except those used to pay the NEXCOM assessment.
2. Profits generated by the ships store program have always been the primary source of funding for the afloat recreation program. The afloat recreation program typically consists of a wide range of fitness and general welfare and recreation activities such as sports competitions, ticket/tours programs, picnics, etc.
3. While the ship's commanding officer and the Navy chain-of-command is responsible for the administration, supervision, and operation of the afloat MWR program, the Chief of Naval Personnel (PERS-65) is the program manager for both the ashore and the afloat MWR programs by providing technical direction and program standards. PERS-65 also centrally funds the afloat MWR program while the ship is in a pre-commissioning, commissioning, and shipyard status.
4. Ships without a ship's store are provided with unit allocation funding in the amount of \$50.00 per active duty member, per year, to fund MWR requirements. Unit allocation funding requests are submitted annually to PERS-65 via the ship's type commander. In addition, NPC provides non-interest bearing NAF loans to ships to purchase recreation equipment and vehicles when such requests are favorably endorsed by the chain-of-command.
5. NAVSUP Publication 487 (Ship's Stores Afloat) and BUPERSINST 1710.16 (Administration of Recreation Programs Afloat) provides detailed information concerning this program.

SECTION M THE MWR AND NEX PROFIT SHARING SYSTEM

1. The Mission of the Navy Exchange (NEX) is twofold. One part is to provide quality retail and customer services to the local Navy community at reasonable prices, and the other part is to provide supplemental funding to MWR. The MWR/NEX Board of Directors determined that 70 percent of NEX dividends would go to MWR with NEX retaining 30 percent. An MOU between the Program Managers (PERS-65) and (NEXCOM) is developed annually to specify the amount of dividends to be distributed. MWR dividends are then further distributed for three purposes as described below:

a. Twenty-five percent of the total NEX profit is distributed to the stations where they are earned.

b. A portion is set aside with NPC to pay for centrally funded MWR facility projects for the field. Most of these projects (for Category C) are over \$500,000 and are reportable to Congress.

c. The balance of NEX profit distribution funds remaining after the two above requirements are met are provided to the Echelon II commands. The major use of Echelon II funds is for recapitalization, with the balance used for funding operational subsidies.

SECTION N**NAVY MWR NAF FINANCIAL STANDARDS**

1. Red Flag Status. In 1989, the Chairman of the House Armed Service Committee (HASC) MWR Panel emphasized that improved accountability controls should be in place to ensure the chain-of-command is provided with advanced warning of potential base-level NAF financial problems. In response, NPC (PERS-65) implemented the Negative Cash Policy (CNPC ltr 7000 PERS-72 of 14 Mar 90). The policy called for Echelon II's to develop detailed action plans for MWR funds experiencing a deficit (negative central bank account) or negative cash position.

a. The entire local MWR fund will be in Red Flag status if each of the following conditions is true:

(1) The fund's current month acid test ratio is below 1:1. [This shows the fund is unable to pay its current liabilities with its liquid assets (cash or current assets easily convertible to cash).]

(2) The entire MWR fund is operating at a net loss for the rolling year, i.e., the last twelve months. (Reporting net results on a rolling year vice year-to-date basis eliminates the seasonal business cycle distortions on long-term profitability.)

b. Also, any fund with a negative cash position will be considered in Red Flag status.

c. An individual Category C activity will be in Red Flag status if it has a cash-basis rolling year loss greater than or equal to \$50,000. Activities with a cash-basis rolling year loss less than \$50,000 are in a "yellow" status and may receive attention from PERS-65 as well.

2. Each quarter, the echelon II with funds/activities in Red Flag status will be officially notified by NPC (PERS-65) via letter. This correspondence will request the echelon II to require each affected local commanding officer to develop a detailed plan of action to correct their unprofitable MWR business practices within six months. Individual Category C activities that cannot successfully execute a corrective action plan should be considered by the chain-of-command for consolidation, downsizing or closure.

3. While we want to keep fees affordable for the Navy community, financial profitability standards for our major business operations such as golf courses and bowling centers are

necessary if the Navy is to keep up with existing and future capital improvements.

a. Golf Courses. NPC has set a minimum five percent bottom line financial standard for Navy golf courses. Golf courses are a Category C activity and are not authorized APF funding (except at bases that are designated as isolated and remote).

b. Bowling Centers. Small centers are centers with 12 lanes or less and are classified as Category B activities. Significant APF support (up to 65 percent of authorized expenses) is authorized for these centers. A minimum three percent bottom line has been established for small bowling centers. Large bowling centers are centers with 13 lanes or more and are classified as Category C activities. APF support is not authorized for large bowling centers (except at overseas and isolated and remote locations). A 15 percent profit standard has been established for large bowling centers.

c. Food and Beverage Operations. PERS-65 has set a minimum five percent bottom line financial standard requirement for Navy Club operations. PERS-65 has also established a minimum 20 percent (before General and Administrative expenses, i.e., overhead expenses) bottom line financial requirement for Snack Bar programs. The standards are mandatory. However, major claimants have the authority to waive the standards under special circumstances. Some examples include overseas sites that have extremely high labor costs (Keflavik) due to the Status of Forces Agreements (SOFAs) pertaining to the hiring of local national labor.

4. Quarterly, echelon II commands are provided a list of bases whose golf courses', bowling programs', and food and beverage operations' financial performance are below the Navy standard and require attention and program adjustment.

5. Listed below are a number of cost control measures initiated by the field activities in recent years:

a. Labor

(1) Installation of timekeeping systems to accurately account for employees' time and reduce direct labor costs.

(2) Cross train staff to reduce the number of positions.

(3) Adjust hours of operations to eliminate periods where labor and other variable costs exceed revenue.

(4) Convert full-time and part-time positions to flexible in order to save on benefit costs (wherever possible).

(5) Reduce unnecessary middle management layers.

(6) Utilize and manage USA practice.

b. Procurement

(1) Utilize and manage USA practice.

(2) Continue strong use of the Air Force NAF Purchasing Office (AFNAFPO) contracts for high dollar value items.

(3) Expand use of the U.S. Department of Agriculture (USDA) food program for Child Development Centers.

(4) Improve planning of special event activities to take advantage of commercial vendor sponsorship (refer to sponsorship guidebook or call DSN 882-6538 or COMM 901-874-6538).

c. Other

(1) Close/consolidate under-utilized MWR programs wherever feasible.

(2) Lease equipment rather than purchase when it is economical to do so.

(3) Consolidate janitorial support within MWR.

(4) Share common facility maintenance capability with local NEX.

SECTION O NAVY MWR FISCAL OVERSIGHT REVIEWS

1. Commanding officers have responsibility for annual fiscal oversight reviews of their local MWR funds. Local commands provide ongoing audit and review coverage for vulnerable areas and functions of their MWR NAFIs by using command evaluation staff, local audit officers, separate audit boards, contracting with certified public accounting (CPA) firms, management control reviews, and/or requesting assist visits from the NPC MWR Division fiscal oversight staff. APF and/or GS personnel should be used to conduct NAfi audits, as such actions are command oversight related.

2. Commanding officers operating MWR activities are required by OPNAVINST 1700.7 series and BUPERSINST 7510.1 series to take appropriate action to correct findings and implement the recommendations of fiscal oversight reviews. For additional information, refer to BUPERSINST 7510.1 series. PER-65 POC can be reached at DSN 882-6678 or COMM 901-874-6678.

SECTION P**AUXILIARY RESALE OUTLETS (AROs)**

1. Commanding officers shall conduct an inventory of all AROs in operation at their activities. Previously authorized AROs should be evaluated and approved or disestablished by the relieving commanding officer. Unauthorized AROs already in operation and new AROs can be established only with the written concurrence of each unit commander's major claimant, who is also responsible for overseeing and monitoring the AROs operation.

2. Authorized AROs are established as Category C NAFIs subject to the Navy's policy restrictions and liability insurance requirements specified in DODI 7000.14R and OPNAVINST 4060.4. Each commanding officer is responsible for ensuring that adequate accounting and insurance records are maintained and monthly and yearly financial reporting requirements are met for each ARO.

3. Local fiscal oversight and reviews of AROs are required following the guidance in BUPERSINST 7510.1. Major claimants are responsible for scheduling and conducting periodic inspections of AROs as part of their Immediate Superior in Command (ISIC) review. NPC MWR division fiscal oversight staff and the CPA firm under contract to NPC are responsible for reporting on the fiscal condition of each ARO, and compliance with the Navy's applicable financial reporting requirements, to the host commander during their annual fiscal oversight reviews in accordance with OPNAVINST 4060.B. Refer to OPNAVINST 4060.4 for more information. PERS-65 POC can be reached at DSN 882-6624 or COMM 901-874-6624.

SECTION Q NAVY CIVILIAN MWR ACTIVITIES

1. DODINST 1015.8-R sets forth specific policies and procedures relating to the establishment, operation, and control of MWR activities and NAFIs (i.e., cafeterias and recreational activity funds for holiday parties) on DoD installations dedicated to the support of DoD civilian employees and others as authorized in DoD directives.

2. Commanding officers at local activities have responsibility for oversight and review of civilian MWR NAFIs in accordance with guidance provided in BUPERSINST 7510.1. The provisions of BUPERSINST 12990.I apply to the administration and operation of Navy civilian MWR activities. PERS-65 POC can be reached at DSN 882-6624 or COMM 901-874-6624.

SECTION R PRIVATE ORGANIZATIONS ON NAVAL INSTALLATIONS

1. Policy guidance concerning the responsibilities for private organizations on DoD installations is contained in DODI 1000.15. Private organizations are generally self-sustaining, non-federal entities, incorporated or not, and constituted or established, and operated on a DoD installation (i.e., Navy Wives' Club, etc.). The installation commander or higher authority must authorize them in writing. The organizations are run by individuals acting exclusively outside the scope of any official capacity as officers, employee, or agents of the federal government.

2. Private organizations are not a NAFI nor is there an official relationship between their activities and those of DoD personnel who are members or participants. Due to the functions they perform, these organizations are not an integral part of military organizations and therefore only require limited government supervision, as opposed to the extensive supervision exercised over NAFIs.

3. Adequate insurance shall be secured by private organizations to protect against public liability, property damage claims, and other legal actions. Proof of insurance must be provided to the commanding officer. PERS-65 POC can be reached at DSN 882-6624 or COMM 901-874-6624.

SECTION S THE MAJOR CLAIMANT'S AND REGION'S ROLE IN NAVY MWR

1. The Major Claimant's role in Navy MWR. Claimants have the same command relationship to their bases for MWR programs (including exchanges) as they do for any other command element of each base. Claimant program managers are responsible for oversight (plans, policy, and fiscal), inspections, programs, APF and NAF resources, personnel, facilities, and provide technical assistance and training support. They are the primary field contact with NPC (PERS-65) and OPNAV (N46). CINCLANTFLT and CINCPACFLT have flag representatives who sit on the Navy's Morale, Welfare and Recreation/Navy Exchange Board of Directors, which meets semi-annually. All claimants also have an MWR staff representative at the echelon II level. Claimants allocate appropriated dollars to MWR and child care as part of Base Operations Support (BOS), and assist in prioritizing project and equipment needs in competition for funds held by CHNAVPERS.

2. The Region's role in Navy MWR. The Regional MWR Program Manager and staff have a similar but subordinate role to that of the major claimant, discussed above, i.e., to provide support to and oversight of the installation MWR programs within the region. Not all bases operate within a region. Those bases that do, have a direct reporting relationship to the Regional Commander.