



DEPARTMENT OF THE NAVY

OFFICE OF THE SECRETARY
1000 NAVY PENTAGON
WASHINGTON, DC 20350-1000

IN REPLY REFER TO

SECNAVINST 5420.171B
AAUSN
6 August 1999

SECNAV INSTRUCTION 5420.171B

From: Secretary of the Navy

Subj: NAVY DEPARTMENT EMPLOYEES' RECREATION AND WELFARE FUND

Ref: (a) SECNAVINST 7548.1
(b) NAVSO P-3520
(c) BUPERSINST 12990.1

Encl: (1) Guidance for the Operation of Navy Department Non-appropriated Fund Welfare and Recreation Programs

1. Purpose. To provide:

a. Policy regarding the Navy Department Employees' Recreation and Welfare Fund (NDERWF), NDERWF Board, and NDERWF Advisory Council.

b. Information on the administration and operation of the NDERWF and organized recreation associations of offices, bureaus, and commands.

c. Guidance in the administration of nonappropriated funds utilized to support these activities.

This instruction has been substantially revised and should be reviewed in its entirety.

2. Cancellation. SECNAV Instruction 5420.171A.

3. Background. The NDERWF provides financial support to qualifying employees' recreation and welfare programs and assures proper and effective utilization of recreation and welfare (non-appropriated) funds by member headquarters' activities in the National Capital Area. Funds to support the Navy Department recreation and welfare activities are received from the DoD Concessions Committee.

4. Membership

a. Officers of the NDERWF:

Chairperson: Assistant for Administration to UNSECNAV
(AAUSN)

Treasurer: Appointed by the AAUSN

Executive Secretary: Appointed by the AAUSN

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b. Members of the NDERWF Board:

AAUSN
Director Navy Staff (DNS)
Director of Administration and Resource Management,
MARCORPS (DAR)

c. Members of the NDERWF Advisory Council:

President of Council: NDERWF Executive Secretary
Presidents of Recreation Associations
Command Master Chiefs or Equivalent

5. Responsibilities

a. The responsibilities of the NDERWF officers are:

(1) Review annual audits of nonappropriated fund programs operated by the member headquarters' activities, and, when funds are requested from the NDERWF, review the activity budget for the fiscal year covered in the fund request. Annual audits, under the provisions of references (a) and (b), are required of all headquarters' activities regardless of whether or not the activities receive financial support from the NDERWF.

(2) Determine the eligibility of activities to participate in the NDERWF.

(3) Provide policy and procedures for receipt, disbursement, and accounting of monies in the NDERWF.

(4) Establish criteria for the use of recreation and welfare (nonappropriated) funds by member activities and the withdrawal of unused or improperly used funds allocated by the NDERWF.

(5) Review new and revised constitutions and by-laws of nonappropriated fund programs operated by member headquarters' activities.

b. The members of the NDERWF Board shall ensure the equitable distribution of available NDERWF monies to qualifying recreation associations, and for assuring proper and effective utilization of recreation and welfare (nonappropriated) funds by

eligible headquarters' activities. The NDERWF Board will also ensure financial support for department-wide headquarters' recreation sport programs. The board shall meet twice annually.

c. The members of the NDERWF Advisory Council shall ensure that requests for funds from headquarters' recreation associations to the NDERWF are submitted as soon as possible after the close of the fiscal year but not later than 1 January 2000. Recreation and welfare activities are supervised as command functions by the head of each activity. Therefore, the representatives on the NDERWF Advisory Council shall be the official responsible for command civilian recreation association and a command representative for continuity and official liaison on welfare and recreation matters. The council shall meet twice a year at the request of the Council President.

6. General Criteria. Unless specifically authorized otherwise, the NDERWF is administered in accordance with policies and regulations applicable to nonappropriated fund activities as prescribed by references (a) and (b). Its income and replenishment are derived from the DoD Concessions Committee and other sources approved by the NDERWF Board. In the administration of the NDERWF:

a. Funds are allocated to qualifying member activities for utilization in a manner to provide the greatest benefit to the largest number of employees, rather than activities or services benefiting a few.

b. Military personnel in the qualifying member activities are eligible for the recreational activities and services sponsored by monies received from the NDERWF.

c. Disbursements are made by check authorized by the Chairman, NDERWF.

d. Auditors designated by the AAUSN will audit the NDERWF at least biennially

e. The investment of cash in excess of current requirements in time deposits or savings accounts in institutions insured by the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, National Credit Union Administration, as appropriate, or invested in U.S. Government Securities is authorized.

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f. The NDERWF provides for surety bonding coverage adequate to protect the NDERWF only. Bonded and general liability insurance for naval headquarters' civilian employee recreation associations in the Washington, D.C. area must be obtained individually as required by reference (c).

g. Administrative support and ordinary expenses of NDERWF are provided by the AAUSN. Unusual expenditures that may be required to carry out NDERWF responsibilities may be authorized and funded as special items by the Chairperson, NDERWF.

7. Action. Addresses will utilize the criteria outlined here for requesting and using nonappropriated funds in the operation of civilian recreation and welfare programs within their offices, bureaus, and commands. Enclosure (1) provides information on the operation of organized recreation associations and furnishes guidance in the administration of nonappropriated funds utilized to support these activities.

8. Reports. The reporting requirements contained in this instruction are exempt from reports control per SECNAVINST 5214.2B.

Richard Danzig

Distribution:

SNDL A1 (Assistant for Administration, Under Secretary of
The Navy)
A2A (Chief of Naval Research)
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SECTION 1 - Authorized Use of Funds

1.1. Programs Receiving NDERWF Support. The following programs are eligible to receive support from the NDERWF.

a. Recreation and welfare activities sponsored by qualifying member recreation associations of Navy Department headquarters' offices, bureaus, and commands.

b. Bonding for NDERWF only.

c. Administrative expenses approved by the Chairperson.

1.2. Examples of Approved Programs. Funds received from the NDERWF may be utilized for, but not limited to, the following types of programs:

a. Social affairs, such as dances, picnics, Christmas celebrations, and similar group activities.

b. Athletic events, such as participation in bowling, softball, tennis, golf, and basketball.

c. Recognized hobby groups, such as clubs devoted to marksmanship, art, stamps, music, etc.

d. Support of loan facilities for recreation equipment, such as fishing gear, athletic equipment, or other reusable items of general interest.

e. Normal administrative expenses incurred in supporting the above activities.

The use of funds to support activities that do not fall into the general categories outlined above may result in the withdrawal of already allocated funds and the refusal of additional allocations. In order to avoid misunderstanding, a prior review by the Chairperson of proposed questionable activities is suggested.

1.3. Governing Principles for Financial Support. The following principles are applied by the NDERWF in considering requests for financial support. These principles shall be accepted by receiving groups as binding upon them, not only in the use of funds received from the NDERWF, but for all other funds collected from the general membership.

a. Allocation of Funds

(1) Office, Bureau, or Command Employee Groups. Funds for the recreation and welfare program of an office, bureau, or command shall be allocated to the qualifying member recreation association.

(2) Department-wide activities. Funds for the support of recreation and welfare activities which cross headquarters' office, bureau, or command lines shall be funded by the NDERWF

b. Nondiscrimination. Funds shall be used to support only those activities for which all Navy Department employees are eligible without regard to race, color, religion, sex, national origin, age, or disability. Restrictions based on race, color, religion, sex, national origin, age, or disability shall be grounds for withdrawal by the NDERWF of already allocated funds and refusal of additional allocations. No use may be made of the name, sponsorship, or facilities, by or for any employee recreational organization practicing discrimination based on race, color, religion, sex, national origin, age, or disability.

c. Expenditures for Individuals. No funds shall be used for social affairs in honor of a particular individual, nor for the purchase of anything of intrinsic value, as opposed to token value, for a specific individual. The NDERWF has approved a limitation on expenditures for token value gifts not to exceed \$75 to any individual.

d. Maintenance of Records. It is NDERWF policy that all nonappropriated funds available to member recreation and welfare associations whether allocated by the NDERWF, received from sale of membership, or from other sources, are to be maintained in a central account with sufficient records to permit an annual audit.

SECTION 2 - Request for Funds from the NDERWF

2.1. Fund Requests. Requests for allocation of funds from the NDERWF must be submitted to the Chairperson, NDERWF not later than 1 January after the beginning of each new fiscal year. The Chairperson will review the requests and, after determination of the amounts to be allocated, will forward to the approved activities, on a semi-annual basis, one-half of the annual amounts approved. The chief or deputy of the activity requesting funds must sign the letter of transmittal forwarding the fund request. Fund requests should be addressed to the Chairperson, Navy Department Employees' Recreation and Welfare Fund at the following address:

Chairperson, Navy Department Employees' Recreation and
Welfare Fund
Assistant for Administration (UNSECNAV)
1000 Navy Pentagon
Washington, DC 20350-1000

2.2. Format and Content of Fund Requests. A request for allocation of funds from the NDERWF must include the following items:

a. Fund Requirements. The recreation association requesting funds shall prepare an annual program fund requirement in a format similar to the sample furnished as Appendix A, and submit it as part of the fund request forwarded to the NDERWF. A statement indicating sources and amounts of revenue received during the reporting year, and a listing of all expenditures made shall support the request for funds. (See Appendix E.) Also, the request should include a proposed budget for the subsequent year incorporating (a) estimated income (by source), (b) itemization of planned expenditures, and (c) location and number of civilian and military personnel on board at the end of each fiscal year (departmental and field offices in National Capital Region, if any, should be itemized and separately identified).

b. Audit Report. An acceptable report of audit, as required by paragraph 358 of reference (b), made within 6 months prior to the request or at the end of the previous fiscal year must be included as part of the fund request submitted to the NDERWF (See Appendices A through E). The letter transmitting the fund

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request, signed by the chief or deputy of the activity requesting funds, should contain an explanation of action taken or to be taken in response to recommendations made in the audit.

c. List of Officers. A listing of officers scheduled to take office at the beginning of the fiscal year covered by the fund request must be included as part of the request submitted to the NDERWF. It is NDERWF policy that the installation of officers of all recreation associations be effective the first date of the new fiscal year.

d. Constitution and By-Laws. A copy of a new or revised constitution and by-laws must be included as part of the fund request submitted to the NDFRWF. If no changes were made in the constitution and by-laws during the prior year, a statement should be made in the transmittal letter that no changes were made.

SECTION 3 - Administration and Control of Funds

3.1. General. A Government instrumentality is an activity authorized to operate by legislative authority or regulations, approved by the Secretary of the Navy for the morale, welfare, and recreation of military and civilian employees and their dependents, the funds of which are controlled by and accounted for by military or Government civilian employees of the Navy acting on behalf of the Government. All nonappropriated funds supporting recreation and welfare activities meeting the criteria of Government instrumentalities are Government funds, and as such, are subject to all laws, rules, and regulations established for the control of Government funds. The recreation associations located in the departmental and headquarters' offices of the Navy Department are instrumentalities of the Government and are required to conform to the policies, procedures, and requirements contained herein.

3.2. Management Policies, Principles, and Accounting System. The accounting developed for use by all morale, welfare and recreation activities is contained in reference (b), FINANCIAL MANAGEMENT POLICIES AND PROCEDURES FOR MORALE, WELFARE AND RECREATION PROGRAMS (NAVSO P-3520). This document contains explanations of nonappropriated fund and accounting terminology, internal control procedures, operational principles, financial management and planning, a chart of accounts with appropriate directions for their use, sample bookkeeping entries, and various accounting forms. Submit requests for copies of NAVSO P-3520 to the Commander, Navy Inventory Control Point, 700 Robins Avenue, Philadelphia, PA 19111-5098.

3.3. Audit Requirements. Financial and related records will be audited not less frequently than once a year. In order to comply with the requirements of the NDERWF in the submission of fund requests, the annual audit should be conducted during the last half of the fiscal year and planned for completion as soon as possible at the end of the fiscal year. Internal audits and financial oversight are the responsibility of the chief or deputy of the office, bureau, or command.

3.4. Dances, Parties, Picnics, and Special Events. The person or persons designated to have charge of dances, parties, picnics

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and special events will reconcile the number of tickets sold with the cash collected. A special report will be prepared for each event outlining total expenditures with invoices and/or prepared statements substantiating purchases, together with total number in attendance and breakdown of ticket sales and other income. The person in charge of the event and, if appropriate, the person who verified the ticket sales and amount of cash collected, will sign the report. For audit purposes, all tickets should be serially numbered and a record maintained of the total number of tickets produced, number sold, and unsold tickets retained until an audit is conducted. All proceeds received from an event will be deposited in the accounts of the association and not be utilized to cover expenses of the event.

3.5. Accountability of Association Owned Equipment. Many recreation associations purchase fishing equipment, softball equipment, golf clubs, etc., for use by the members of the association. Memorandum records will be maintained of all such equipment that show a description of the equipment, date purchased, purchase price, and other pertinent data. A signed custody receipt will be obtained from the individual receiving the equipment. The receipt will be returned to the individual when the equipment is returned. Physical inventories of the equipment will be taken annually prior to the audit of the accounts.

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SECTION 4 - NDERWF Funded Programs

4.1. Bond Coverage. The Chairperson, NDERWF provides for the purchase of a bond to provide protection for NDERWF funds only.

SECTION 5 - GENERAL INFORMATION AND POLICIES

5.1. Taxes. The chiefs of the office, bureau, or command are responsible for assuring that their individual recreation associations fulfill their responsibilities regarding reporting and payment of all required local and Federal taxes. The NDERWF has made arrangements for an exemption from the D.C. sales tax. There are other taxes, however, for which the various associations may have an individual responsibility for payment. For example:

Maryland State Sales Tax/Virginia State Sales Tax
Federal Excise Taxes (on purchases)
Federal Amusement Tax (which may be applicable for some recreation association-sponsored activities, e.g., dances, cocktail parties, etc.)

Because of the varying circumstances, the NDERWF cannot and will not assume responsibility for compliance by the individual recreation associations. Tax advice should be obtained from legal officers in your office, bureau, or command, or from local and Federal tax offices. Should any of the associations fail to assume responsibility in this area and, by such failure, embarrass the Department, it is possible that the NDERWF will find it necessary to withdraw its support of the organization. Also, such adverse publicity could be serious enough to jeopardize the entire departmental recreation and welfare program.

5.2. Exemption from D.C. Sales Tax. At the request of the NDERWF, the District of Columbia Government has determined that the Navy's departmental recreation and welfare programs, which receive support from the NDERWF, are entitled to exemption from the D.C. Sales Tax. The tax exemption number is 806-09960-06, and vendors are likely to request that this number be furnished at the time of purchase. Furthermore, it is likely that exercising the tax exemption will be facilitated if the purchase is made by a check drawn against the association's account. Officials or members of the association are not covered by this exemption, and must not use it when making purchases for personal use.

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5.3. Payment of Officers. No salary or compensation will be made to officers or Department of Defense (DoD) personnel associated with the operations of a headquarters' recreation and welfare activity affiliated with or under the jurisdiction of the NDERWF.

5.4. Bank, Savings and Loan, and Credit Union Deposits of Non-appropriated Funds. Nonappropriated funds will only be deposited in financial institutions insured by the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration. Deposits in excess of \$100,000 must be collateralized in accordance with Treasury Circular 176 (see Appendix B, NAVSO P-3520).

5.5. Disestablished Recreation Associations. When a recreation association, which has received allocations from the NDERWF is disestablished, all remaining assets of the association will be turned over to the NDERWF. If an association is dissolved, the NDERWF will be advised. Upon receipt of such advice, the NDERWF will appoint a representative to assist the association with dissolution proceedings. Remaining assets of the association will include all cash balances after payment of all debt, any outstanding accounts receivable, and all inventories of equipment, materials, etc.

5.6. Records Management. All records pertaining to the administration of the NDERWF and organized headquarters' recreation associations will be maintained and disposed of in accordance with Disposal of Navy and Marine Corps Records (SECNAVINST 5212.5D)

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NAVXXX RECREATION ASSOCIATION
PROGRAM FUND REQUIREMENTS

<u>RECREATIONAL PROGRAM OR EVENTS</u>	<u>FUNDS REQUIRED 1/</u>		
	FY ____ Actual	FY ____ Estimated	FY ____ Estimated
<u>DANCES. PARTIES. BANQUETS</u>	\$	\$	\$
<u>SPORTING EVENTS:</u>			
Bowling	\$	\$	\$
Golf	\$	\$	\$
Softball	\$	\$	\$
<u>RECREATION AND ATHLETIC EQUIPMENT</u>	\$	\$	\$
<u>TICKET SUBSIDIES</u>	\$	\$	\$
<u>PICNICS</u>	\$	\$	\$
<u>MISCELLANEOUS</u> (Should include only items small in amount not re- lated to the program, such as "Bank Service Charges")	\$	\$	\$
<u>ESTIMATED CASH BALANCE</u> (beginning of new fiscal year)			
<u>ANTICIPATED REVENUE: 2/</u>			
Membership Dues			\$
Dances, Parties, Banquets			\$
Ticket Subsidies			\$
<u>SUB TOTAL REVENUE</u>			\$
Grant Requested From NDERWF 3/			\$
<u>TOTAL AVAILABLE</u>			\$
Less: Estimated Cash Balance (end of fiscal year)			\$
<u>TOTAL PROGRAM ESTIMATE</u>			\$
REQUEST FOR NDERWF ALLOCATION: 3/			\$

- 1/ Show cost only - do not include income
- 2/ Show anticipated revenue from all sources
- 3/ Must be equal

	<u>LOCATION</u>	<u>CIVILIAN</u>	<u>MILITARY</u>	<u>TOTAL</u>
Departmental Personnel				
Field Office - "A"				
Total				

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DEPARTMENT OF THE NAVY
Office of Naval Activity
Washington, D.C. 20350-1000

SAMPLE AUDIT REPORT

From: (Office Conducting Audit)
To: Commander, Naval Activity

Subi: Audit of NAVXXXX Recreation Association for the year ended
30 Sep ____

Ref: (a) NAVXXXX ltr Jan ____
(b) SECNAVINST 5420.171B

End: (1) Audit Report

1. In response to the request contained in reference (a), and under the provisions of reference (b), and audit of the operations of the NAVXXX Recreation Association was performed for the year ending 30 Sep ____.

2. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

3. In our opinion, the financial records of the NAVXXX Recreation Association present fairly the financial transactions of the Association as of 30 Sep ____, except as noted in the audit report furnished as enclosure (1).

(signed)

XXXXXX XXXXXXXX

Appendix B
to Enclosure (1)

Review of
NAVXXX Recreation Association
Financial Records and Procedures
for Period 1 Oct ____ to 30 Sep ____

1. Accounting Records

a. Inconsistencies found relating to entries in the accounting records and recommended changes are as follows:

(1) Income is presently recorded in the general ledger in the 500 series of accounts. Income should be recorded in accounts in the 400 series of accounts and expenses in the 500 series of accounts.

(2) Purchase of trophies is recorded to account 519 and engraving of trophies is recorded to account 520. Inasmuch as both costs represent the cost of trophies, all such costs should be recorded to account 520.

(3) Cash is being deposited too infrequently. Cash should be deposited daily or not less frequently than twice a week. If impractical to comply with this requirement, it is recommended that official approval be requested to deviate from this requirement.

(4) Check #216 dated 28 Aug ____, amount \$6.20, payable to Champion Trophies, Inc., is outstanding. Inasmuch as Champion Trophies has stated that the account has been paid, it is recommended that a stop order be issued for this check.

(5) The general ledger accounts reflected numerous erasures. Good accounting practices do not permit erasures. Erroneous entries will be ruled out and initialed by the Treasurer, and the entry made correctly.

(6) The Financial Statement apparently was not prepared from the general ledger accounts. It is recommended that all financial statements reflect the status of funds as indicated by the general ledger accounts.

(7) To relieve the Treasurer of the responsibility of contacting individual recreation associations to effect collec-

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lections due for planned events and simplify posting to the general ledger, it is recommended that a member of each committee established for a special event be made responsible for effecting collections for that event and forwarding such collections to the Treasurer.

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NAVXXX Recreation Association
Bank Reconciliation
as of 30 Sep ____

Bank Balance as of 30 Sep ____ \$1,718.07

Outstanding Checks:

Number	Date	Amount	
216	9/28/	\$ 6.20	
223	3/28/	150.00	
224	3/29/	750.00	\$906.20

Book Balance as of 30 Sep ____ \$ 811.87

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NAVXXX Recreation Association
Revenue and Expenditures for the Period ending 9/30/____

	<u>Income</u>	<u>Expense</u>	<u>Profit or (Loss)</u>
<u>Assets at Beginning of Accounting Period</u>			
Cash Balance at 9/30/ __	\$3,277.13	\$	\$3,277.13
<u>Income During Accounting Period</u>			
Navy Department Recreation and Welfare Fund	\$2,455.00	\$	\$2,455.00
<u>Income and Expenses of Activities Conducted During Accounting Period</u>			
Purchase and Sale of Admissions	\$287.45	\$ 287.45	
Coronation Ball	188.25	2,958.25	(2,770.00)
Council Buffet	276.00	463.50	(187.50)
Banquet of Champions	682.00	1,214.55	(532.55)
Advance Tickets to Opening Day Baseball Game		750.00	(750.00)
<u>Franchise & Recreational Charges</u>			
Tennis Franchise and Use Fees		159.75	(159.75)
<u>Athletic Equipment & Trophies</u>			
Golf Equipment and Trophies		299.68	(299.68)
Tennis Equipment and Trophies		212.88	(212.88)
Bowling Trophy Engraving		6.20	(6.20)
<u>Miscellaneous</u>			
Transportation		1.70	(1.70)
Total Income	\$7,165.83		
<u>Less: Total Expenses</u>	\$6,353.96	\$6,353.96	
Cash Balance and Operating Surplus as of 9/30/____	\$ 811.87	\$	\$ 811.87

Appendix E
to Enclosure (1)