

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

AIR FORCE INSTRUCTION 65-107

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Financial Management

***NONAPPROPRIATED FUNDS
FINANCIAL MANAGEMENT
OVERSIGHT RESPONSIBILITIES***

COMPLIANCE WITH THIS REGULATION IS MANDATORY

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This instruction implements Air Force Policy Directive (AFPD) 65-1, *Management of Financial Services*, by assigning responsibilities and explaining procedures for Financial Management oversight for all Nonappropriated Funds including civilian welfare and special Nonappropriated Fund Instrumentalities under the jurisdiction of the Chief of Staff of the Air Force (to include the AF Academy Athletic Association). This instruction applies to all active component, AF Reserve, Air National Guard, and AF Reserve Officer Training Corps personnel. This instruction does not apply to funds managed by the Board of Directors of the Army and Air Force Exchange Service (AAFES), chaplain funds, and patrons' and prisoners' trust funds. It does not apply to private organizations' funds or funds established for employees of government contractors. This publication may be supplemented at any level, but all supplements must be routed to the Office of Primary Responsibility above for coordination prior to certification and approval and should be limited in nature as the stated duties in this publication take precedence for utilizing available man hours of the Nonappropriated Fund Financial Analyst. Send comments and suggested improvements on AF Form 847, *Recommendation for Change of Publication*, through channels, to the Office of Primary Responsibility office. The authorities to waive wing/unit level requirements in this publication are identified with a Tier (T-0, T-1, T-2, or T-3) number following the compliance statement. See AFI 33-360, *Publications and Forms Management*, for a description of the authorities associated with the Tier numbers. Submit requests for waivers through the chain of command to the appropriate Tier waiver approval authority, or alternately, to requestor's commander for non-tiered compliance items. Ensure all records created as a result of processes prescribed in this publication are maintained in

accordance with AF Manual (AFMAN) 33-363, *Management of Records*, and disposed of in accordance with AF Records Information Management System Records Disposition Schedule.

SUMMARY OF CHANGES

This instruction has been substantially changed and should be reviewed in its entirety. This revision incorporates changes as a result of the activation of the AF Installation and Mission Support Center (AFIMSC) and realignment of AF Services Activity (AFSVA) under AFIMSC, changes generated from Major Command Services reorganization to AFSVA, changes due to Major Command Financial Management and Comptroller reorganization, and changes generated from a working group established to maximize the effectiveness of the Nonappropriated Fund Oversight program. With additional changes currently being assessed, the Assistant Secretary of the Air Force for Cost and Economics, Business Management Division (SAF/FMCEB) anticipates further changes will be necessary in the near future but has updated the instruction to most accurately reflect the program at this point in time.

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Chapter 1

RESPONSIBILITIES

1.1. Headquarters United States AF-Level Responsibilities. Assistant Secretary of the Air Force for Financial Management and Comptroller (SAF/FM) oversees Nonappropriated Fund financial analysis, monitors compliance with financial policy/guidance, and financial management throughout the AF. SAF/FMCEB responsibilities are listed below.

1.1.1. AF Directives. Review and coordinate on all AF directives containing accounting, financial management, banking, and related reporting policies for Nonappropriated Funds.

1.1.2. Training and Technical Guidance. Provide training and technical guidance to all Nonappropriated Fund Financial Analysts, AF-wide as well as installation comptrollers. This includes briefings at conferences, workshops, and schools; and the development of training aids. As required, conduct AF Reserve Command (AFRC)/United States AF Academy (USAFA)/AFIMSC Staff Assistance Visits.

1.1.3. Programs and Templates. Assist in development of, or coordinates on, templates and/or computer-based programs used by field Nonappropriated Fund Financial Analysts in accomplishment of their responsibilities.

1.1.4. Nonappropriated Central Fund Budgets. Review and coordinate on central fund Nonappropriated Fund budgets.

1.1.5. Financial Analysis. Perform financial analyses of AF Services financial results in support of the AF Services Council, AF Nonappropriated Fund Finance Committee and Services Audit Committee, and/or other oversight committees as necessary.

1.1.6. Audit Focal Point. Serve as the SAF/FM audit focal point for AF Services Public Accountant Contract Audits.

1.1.7. Accounting Liaison. Serve as liaison with the Defense Finance and Accounting Service on Nonappropriated Fund financial and accounting issues.

1.1.8. Prior Period Equity Adjustments. Review and approve/disapprove AF Nonappropriated Fund prior period equity adjustment requests; extraordinary items account adjustments; and use of closure installation general ledger account codes.

1.1.9. Accounting and Reporting Systems. Monitor, through the Services Nonappropriated Fund governance process, accounting and reporting systems development efforts to ensure compliance with existing policy/guidance.

1.1.10. Management Control Reviews. Develop Management Control Reviews, as necessary, to include guidelines and questions in conjunction with AFSVA. Coordinate draft Management Control Review package with AFSVA, AFIMSC, and AF Services Resources and Requirements Division, and the final Management Control Review package will be approved by SAF/FMCEB and Air Force Services Resources and Requirements Division. SAF/FMCEB will distribute Management Control Reviews to installations and/or AFRC/USAFA/AFIMSC for completion.

1.1.11. Advisor Roles. Serve on the AF Nonappropriated Fund Facilities Panel and AF Civilian Welfare Fund Board as an advisor.

1.1.12. Lodging Rates. Review, analyze, and coordinate on Lodging Rate packages which result in Assistant Secretary of the AF for Cost and Economics published lodging rates.

1.1.13. Governance Roles. Plan and facilitate the Nonappropriated Fund Finance Committee, AF Services Audit Committee, and Nonappropriated Fund Investment Subcommittee meetings.

1.1.14. Fund Source Determination. Determine appropriate fund source when requested by AFSVA, AFRC/USAFA/AFIMSC, and Headquarters AF organizations.

1.2. AFRC/USAFA/AFIMSC Responsibilities. The Financial Manager and Comptroller oversees Nonappropriated Fund financial analysis, monitors compliance with financial policy/guidance, and reviews financial management of Nonappropriated Fund programs for subordinate installations. AFIMSC is responsible for the Nonappropriated Fund Oversight Program for the MAJCOMs, with the exception of AFRC MAJCOM and USAFA Direct Reporting Unit (DRU) which maintain their own oversight programs. Under the direction of the AFRC Financial Manager and Comptroller/USAFA Financial Management and Comptroller/AFIMSC Resource Manager, the assigned Nonappropriated Fund Financial Analyst(s) performs the following oversight tasks and functions:

1.2.1. Budget Reviews.

1.2.1.1. As necessary, review Nonappropriated Fund budgets of subordinate installations, Major Command, and AFSVA Nonappropriated Fund programs.

1.2.1.2. Review and coordinate on the installation lodging budget submission for the Air Force lodging rate package.

1.2.2. Financial Analysis.

1.2.2.1. Analyze Nonappropriated Fund financial statements and Appropriated Fund expenditure reports of subordinate installations, perform trend and performance analyses, and assess financial viability and profitability as required.

1.2.2.2. Evaluate the financial ramifications of, and make recommendations on, Nonappropriated Fund policies. Ensure related Financial Management and Comptroller oversight procedures are in place concurrent with implementation of new financial policies.

1.2.2.3. Review the Appropriated Fund support percentages for Morale, Welfare, and Recreation Categories A and B Nonappropriated Fund activities for each command.

1.2.2.4. Randomly select, examine, and critique at least one Nonappropriated Fund Summary for Commanders per quarter for each installation. This examination should ensure the Nonappropriated Fund analysis includes appropriate trend and comparative information to include comparison of actual to budgeted performance and comparison of actual performance to AF performance goals/targets. Ensure the report contains a summary of major Nonappropriated Fund Financial Analyst oversight activities, a report of Appropriated Fund support percentages, and a written narrative addressing significant variances. In addition, critique the analysis for timeliness and value-added information. Provide written feedback to installation Nonappropriated Fund Financial Analysts and FMs on the results of this review.

1.2.2.5. Review and coordinate on installation-level Nonappropriated Fund Economic Analyses and Internal Needs Validation Studies on all Nonappropriated Fund programs.

1.2.3. Audits.

1.2.3.1. Review installation-level Force Support Squadron (FSS) Public Accountant Contract Audit, AF Audit Agency, Department of Defense, Inspector General, and U.S. Government Accountability Office audits which affect oversight of Nonappropriated Fund assets and programs. Review management comments to audit findings. Review and track quarterly audit progress reports to ensure corrective actions are complete and satisfy audit findings/recommendations. Identify internal control trends/deficiencies, and cross feed to all installation-level Nonappropriated Fund Financial Analysts to help ensure consistency of actions.

1.2.3.2. Coordinate on all AFRC/USAFA/AFIMSC and installation-level non-concurrences to Nonappropriated Fund Instrumentality audit findings and recommendations. Track all audit non-concurrences to resolution.

1.2.3.3. Prepare the Public Accountant Contract Audit Semiannual Status Report. Submit the report to SAF/FMCEB and AFSVA Legal Division no later than 15 May (1 Oct-31 Mar) and 15 November (1 Apr-30 Sep) each year. This report is a compilation of the installation reports outlined in [paragraph 2.7.5.](#) detailing the status of the Public Accountant Contract Audit findings.

1.2.3.4. Follow up on all findings reported by installation Nonappropriated Fund Financial Analysts in accordance with [paragraph 2.7.](#)

1.2.4. Staff Assistance Visits.

1.2.4.1. Annually, evaluate which installation Nonappropriated Fund Financial Analyst programs require training and improvement based on inspections, audits, investigations, FSS Nonappropriated Fund-related financial and operational data, and other available information.

1.2.4.2. Perform staff assistance visits on installation-level Nonappropriated Fund Financial Analysts, as requested.

1.2.5. Management Control Reviews.

1.2.5.1. Administer AFRC/USAFA/AFIMSC developed Management Control Review packages in conjunction with AFSVA.

1.2.5.2. Review the results of higher headquarters directives and AFRC/USAFA/AFIMSC directed Management Control Reviews completed by installation-level Nonappropriated Fund Financial Analysts. Identify potential internal control weaknesses, and provide this information to installation Nonappropriated Fund Financial Analysts. When critical systemic internal control weaknesses are identified, the AFRC/USAFA/AFIMSC Nonappropriated Fund Financial Analyst ensures each installation Nonappropriated Fund Financial Analyst follows-up. Forward a copy of the consolidated report to SAF/FMCEB for review by the Air Force Nonappropriated Fund Finance Committee.

1.2.6. Training.

1.2.6.1. Ensure newly assigned installation-level Nonappropriated Fund Financial Analysts are enrolled in the next available Nonappropriated Fund Oversight Course or elevate non-attendance to AFIMSC Resource Directorate/AFRC Financial Management and Comptroller/USAFA Comptroller.

1.2.6.2. Encourage Nonappropriated Fund Financial Analysts to attend Nonappropriated Fund, AF, Department of Defense and other accounting, audit, fraud and financial management training courses.

1.2.6.3. With SAF/FMCEB coordination, conduct Defense Communication System and on-site training (if requested) for installation Nonappropriated Fund Financial Analysts.

1.2.7. Memorandums of Agreement. AFRC/USAFA/AFIMSC Nonappropriated Fund Financial Analysts must perform command-wide Memorandum of Agreement reviews annually as detailed in AF Nonappropriated Fund Instrumentality Memorandum of Agreement Guidance and SAF/FMCEB requirements. (T-1) In addition, AFIMSC Nonappropriated Fund Financial Analysts perform an annual review of AFSVA Memorandums of Agreement. (T-1)

1.2.8. Special Morale and Welfare Responsibilities. AFIMSC Nonappropriated Fund Financial Analysts perform sample reviews and coordinate on Major Command Special Morale and Welfare quarterly reports completed by AFSVA Installation Support Resources and Requirements Division. Each quarterly review consists of sampling 25% of Major Command Special Morale and Welfare quarterly reports to achieve 100% Major Command reviews conducted by the end of each fiscal year. AFRC and USAFA Nonappropriated Fund Financial Analysts review all Special Morale and Welfare reports under their purview. (T-1)

1.2.9. Waivers to Fund Source. Review Waivers to Fund Source when Nonappropriated Funds are used in lieu of Appropriated Funds for personnel, and make appropriate recommendations to be forwarded to Headquarters AF Services (AF/A1S) and SAF/FMC.

1.2.10. Fund Source Determination Requests. Research and coordinate on fund source determination requests elevated to SAF/FMCEB.

1.3. Installation-Level Responsibilities. The Installation Financial Manager and Comptroller oversees Nonappropriated Fund financial analysis, monitors compliance with financial policy/guidance, financial management of installation FSS Nonappropriated Fund programs and chairs the Nonappropriated Fund Council Finance Committee, if established (See [Attachment 2](#)). Under the direction of the Installation Comptroller, the Nonappropriated Fund Financial Analyst should be a qualified accounting series GS-510, based on the criteria established by the Office of Personnel Management, with at least 24 hours of accounting courses. The Nonappropriated Fund Financial Analyst will perform the following oversight tasks/functions:

1.3.1. Monthly analysis of Nonappropriated Fund Instrumentality financial statements to include preliminary financial statement review. (T-0)

1.3.2. Annual Cash Control Reviews (T-0)

1.3.3. Annually conduct management control reviews and/or internal control reviews. (T-0)

1.3.4. Review of Nonappropriated Fund and Appropriated Fund budgets. (T-0)

1.3.5. Monthly review of Appropriated Fund support. (T-0)

- 1.3.6. Administer annual impartial inventories. (T-0)
- 1.3.7. Review and follow up of all FSS Nonappropriated Fund related audits/resolution of non-concurrences. (Tier-0)
- 1.3.8. Annual review of Nonappropriated Fund Purchase Card program. (T-0)
- 1.3.9. Annual review of balance sheet, subsidiaries, accounts receivable & doubtful accounts. (T-0)
- 1.3.10. Review of Nonappropriated Fund Instrumentality-related financial studies and analyses. (T-0)
- 1.3.11. Annual review of Nonappropriated Fund employee time and attendance records. (T-0)
- 1.3.12. Annual review of vending, amusement and slot machine programs. (T-0)
- 1.3.13. Annual certification of FSS Annual Statement of Assurance. (T-1)
- 1.3.14. Review of Tenants, Isolated Unit Funds, and Small Operations. (T-1)
- 1.3.15. Annual review of Nonappropriated Fund Instrumentality Memorandums of Agreement. (T-0)
- 1.3.16. Analysis and meeting participation for Commander's Nonappropriated Fund Sustainment Program. (Tier-0)
- 1.3.17. Review Nonappropriated Fund Instrumentality Financial Operating Instructions. (T-1)
- 1.3.18. Review Special Morale & Welfare Requests/Reports. (T-1)
- 1.3.19. Review and coordinate on Prior Period Equity Adjustment requests. (T-1)
- 1.3.20. Review and coordinate on waiver requests. (T-1)
- 1.3.21. Review installation lodging budget submission for the rate package. (T-1)
- 1.3.22. Review requests to Establish, Merge, or Dissolve Nonappropriated Fund Instrumentalities. (T-1)
- 1.3.23. Miscellaneous Reviews as needed. (T-1)

Chapter 2

PROCEDURES

2.1. Analysis of Nonappropriated Fund Instrumentality Financial Statements. (Financial Management Training Aid-19, *Monthly Financial Statement Analysis*). Prior to the preparation of the financial analysis, the Nonappropriated Fund Financial Analyst is responsible for reviewing the preliminary financial statement from online access. (T-0) If access is unavailable, the FSS Resource Manager can provide the Nonappropriated Fund Financial Analyst with appropriate accesses and locations of data/financial information to complete the review. Review the preliminary financial statement by spot checking for obvious discrepancies, tracing selected areas back to source documents and provide results to the FSS Resource Manager in sufficient time for potential changes to be posted prior to hard close each month. (T-0) The Nonappropriated Fund Financial Analyst prepares a financial analysis using the AF Services automated Nonappropriated Fund Budget and Financial Analysis System each month. (T-0) The analysis is based upon financial statements and reviews of operating conditions compared to approved budgets, and AF standards. The Nonappropriated Fund Financial Analyst analyzes significant budget-to-actual variances and coordinates with applicable activity managers and flight chiefs to determine causes and recommended corrective actions. (T-0) To be effective, the Nonappropriated Fund Instrumentality's financial plans require control. An important control lies in periodic comparisons of the Nonappropriated Fund Instrumentality's budgets with actual results.

2.1.1. The AF Services Nonappropriated Fund Budget and Financial Analysis System. The system is used to produce the Nonappropriated Fund Income and Expense budgets, and may be used to produce the cash flow and Nonappropriated Fund Requirements Budget. The program is also used to produce different reports which can be used to analyze trends, variances, and problem areas for all levels of management. Reports such as the Budget versus Actual Net Income Adjusted for Depreciation Report, Budget Variance Percentage, Trend Analysis for cost of labor and cost of sales by cost center, and Cost Center Analysis Reports are useful supplemental tools to aid in the financial analysis review.

2.1.2. The Commander's Summary Report. The Commander's Summary is a monthly report which the Nonappropriated Fund Financial Analyst partially generates from the AF Services Nonappropriated Fund Budget and Financial Analysis System. (T-0) It is a compilation of financial data that identifies actual to budget variances, Acid Test Ratio, and Air Force goals for all established activities. The summary report is a financial analysis and includes a narrative identifying activities with significant variances and losses. The narrative should include specific areas of operation that contribute to the variances/loss, to include root causes and recommended corrective actions. The Acid Test Ratio is included in this report and is also reviewed as part of the AF Commander's Nonappropriated Fund Sustainment Program (see [paragraph 2.16](#)). Review other ratios such as cost of sales, cost of labor, and inventory turnover rate as necessary. Appropriated Fund percentages for Morale, Welfare, and Recreation Category A and B activities are also included in the Commander's Summary Report. (T-0)

2.1.3. Appropriated Fund Support to MWR. The Nonappropriated Fund Financial Analyst is responsible for using Commander's Resource Integration System/Defense Enterprise

Accounting and Management System and the Nonappropriated Fund financial statements to calculate Appropriated Fund percentages for Morale, Welfare, and Recreation Category A and B activities as well as Overhead Appropriated Fund support. (T-0) When the Nonappropriated Fund Financial Analyst computes support percentages using the Appropriated Fund Goals Spreadsheet and reviews support using Financial Management Training Aid-17, *Review of Appropriated Fund Support to Services* on the Nonappropriated Fund Oversight SharePoint, they identify and report discrepancies to the FSS Resource Manager for corrective action. (T-0) Ensure all Morale, Welfare, and Recreation activities are classified into one of the three activity funding categories (“A”, “B”, or “C”) in accordance with AFI 65-106, *Appropriated Fund Support of Morale, Welfare, and Recreation and Nonappropriated Fund Instrumentalities*. (T-0)

2.1.4. Ratio Analysis. When significant cost of goods sold and cost of labor percentage standards are not met, the Nonappropriated Fund Financial Analyst, FSS Resource Manager, activity manager and flight chief discuss reasons for variances. The explanation includes causes and corrective actions. The Nonappropriated Fund Financial Analyst includes explanations in the analysis. Follow the procedures in AFI 34-202, *Procedures for Protecting Nonappropriated Fund Assets*, to resolve any inventory variance resulting from simple or gross negligence or willful misconduct. Consider storeroom variances (differences between actual and recorded inventory), other than those resulting from administrative or bookkeeping errors, to be suspected losses and resolve them according to AFI 34-202.

2.1.5. Signatures. After completing the analysis (working with FSS activity managers, flight chiefs and the Nonappropriated Fund Accounting Office as necessary), the Nonappropriated Fund Financial Analyst coordinates the analysis with the FSS Resource Manager and sends it to the Installation FSS Commander/Director for review and comment. (T-0) The FSS Commander/Director may return the analysis with comments to the Nonappropriated Fund Financial Analyst for completion. The final analysis is signed (written or electronic) by the Nonappropriated Fund Financial Analyst, FSS Resource Manager, Installation Comptroller and the FSS Commander/Director. (T-0)

2.1.6. Coordination and Forwarding of Reports. No later than the last working day of the month that follows the end of the reporting period, the Nonappropriated Fund Financial Analyst forwards the signed Commander’s Summary through appropriate staffing to the Installation Commander, or designee. (T-0) A copy of the coordinated analysis should be kept on file. Installations (with the exception of AFRC and USAFA) are required to submit/upload a copy of the monthly Commander’s Summary to AFIMSC/Nonappropriated Fund Financial Analyst Program SharePoint portal once the final analysis has been signed (written/electronic) by the Nonappropriated Fund Financial Analyst, FSS Resource Manager, Installation Comptroller and FSS Commander/Director no later than the last working day of the month that follows the end of the reporting period. (T-0) The same signatures are required for AFRC and USAFA, however, those organizations do not have to upload the Commander’s Summary to the AFIMSC/Nonappropriated Fund Financial Analyst Program SharePoint portal. (T-0)

2.1.7. Policies and Guidance. The Nonappropriated Fund Financial Analyst evaluates the financial ramifications of, and makes recommendations on, proposed Nonappropriated Fund Instrumentality financial policies and/or guidance. (T-0) The Nonappropriated Fund Financial Analyst ensures related Financial Management oversight procedures are in place

concurrent with implementation of new Nonappropriated Fund Instrumentality financial policies and/or guidance. (T-0)

2.2. Cash Control Reviews.

2.2.1. Cashier Report Reviews (Financial Management Training Aid-09, *Annual Audit of Cashiers' Reports*). The Nonappropriated Fund Financial Analyst performs a review of at least two consecutive business days' cashiers' reports annually for each Nonappropriated Fund activity including Lodging operations. (T-0) The review includes cash accountability, register/point-of-sale readings, control of prenumbered forms, review of established written procedures, and review, if warranted, proper distribution to general ledger account codes (i.e., 234XXXX, 507XXXX, 792XXXX). Review two consecutive business days' AF Form 1875, *Nonappropriated Fund Individual Cashier's Reports* and AF Form 1876, *Consolidated Cost Center Reports* or equivalent(s). Trace information on *Individual Cashier Reports* to information on *Consolidated Cost Center Reports* or equivalent(s). Ensure the consolidation is proper, complete and accurate. (T-0) Balance the day's reports for each activity to the deposit reported on the AF Form 1878, *Central Cashier Deposit Receipt*. (T-0) Detailed procedures for conducting the review can be found in SAF/FMCEB's Financial Management Training Aids, AFI 34-202, and AFI 34-209, *Nonappropriated Fund Financial Management and Accounting*. Follow up on all open items to validate action has been taken. (T-0) The Nonappropriated Fund Financial Analyst forwards serious discrepancies through the FM to the FSS Commander/Director. (T-0) Additional Cashier Report reviews should be accomplished, as necessary, in activities where serious discrepancies are identified.

2.2.2. Surprise Cash Counts (Financial Management Training Aid-11, *Cash Controls*). The Nonappropriated Fund Financial Analyst conducts annual surprise cash counts at all supported Nonappropriated Fund activities. (T-0) The count should be unannounced and include all change funds, imprest funds, cash equivalents, and receipts on hand within the activity. The Nonappropriated Fund Financial Analyst verifies the cash counts conducted in activities controlled by a general change fund cashier includes all banks that have not been issued to other cashiers. (T-0) The Nonappropriated Fund Financial Analyst or designated individual performing the cash count should determine whether to count banks already issued. 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. (T-0) A surprise cash count includes 1) the assurance that written procedures are established for handling and safeguarding funds; 2) only authorized personnel have access to cash; 3) change fund levels are in accordance with approvals; 4) cash should be stored in an approved storage container in accordance with AFI 31-101, *Integrated Defense*; and 5) other listed internal controls are also met. The Nonappropriated Fund Financial Analyst provides results of these reviews in writing to FSS management to include the activity manager, flight chief and the FSS Resource Manager. (T-0) The Nonappropriated Fund Financial Analyst forwards serious discrepancies through the Installation Comptroller to the FSS Commander/Director. (T-0) During the annual review, the Nonappropriated Fund Financial Analyst also reviews/monitors the activity managers' quarterly surprise cash counts to verify the cash counts are accomplished as specified in AFI 34-202. (T-0) The Nonappropriated Fund Financial Analyst may conduct special reviews of cash controls and additional surprise cash counts, as necessary, in activities where serious discrepancies are identified.

2.2.2.1. In accordance with AFI 34-202, when it is not practical or economical to travel to satellite or off-installation activities to conduct surprise cash counts, the Nonappropriated Fund Financial Analyst may request the Installation Comptroller or site commander to appoint an independent individual on-site to conduct the surprise cash count at each location. See AFI 34-202 for accounting procedures pertaining to satellite or off-installation activities.

2.3. Conduct Management Control Reviews and Internal Control Reviews. (Financial Management Training Aid-12, *Internal Management Control Reviews* and Financial Management Training Aid-20 *Local Internal Control Reviews*). Conduct higher headquarters developed Management Control Reviews and locally developed reviews of FSS internal controls of Nonappropriated Fund Instrumentalities and associated Nonappropriated Fund activities. (T-0)

2.3.1. Management Control Reviews. Management Control Reviews provide detailed examination of Air Force internal control systems and are narrowly focused reviews. Perform field work and prepare supporting work papers. (T-0) Discuss findings with activity manager and indicate an estimated completion date in the report. (T-0) Provide an out brief with FSS Commander/Director, coordinate with Mission Support Group Commander, report results to installation level FSS, Installation Comptroller, AFRC/USAFA Comptrollers or the AFIMSC Resource Manager (as applicable), and AFSVA Financial Management and Comptroller Division and Installation Support Division. (T-0) Follow up on all open items. (T-0)

2.3.2. Internal Control Reviews. Internal Control Reviews can be locally developed by the Nonappropriated Fund Financial Analyst or FSS personnel. FSS develops and performs Internal Control Reviews by independent qualified FSS personnel or the Nonappropriated Fund Financial Analyst. Each review should have a clear objective.

2.3.2.1. When performed by the Nonappropriated Fund Financial Analyst, the Nonappropriated Fund Financial Analyst prepares supporting documents as necessary. (T-0) Discuss results with the activity manager. (T-0) Report results to the FSS Resource Manager, the FSS Commander/Director, and the Installation Comptroller. (T-0) For significant findings, it may be necessary to report results to the Mission Support Group Commander, the Nonappropriated Fund Council which assists in oversight of installation Nonappropriated Fund Instrumentalities (see AFI 34-201, *Use of Nonappropriated Funds*), Security Forces, Office of Special Investigations and others, as appropriate. Follow up on all open items. (T-0)

2.3.3. Briefing. The Nonappropriated Fund Financial Analyst provides results and recommendations to the Nonappropriated Fund Finance Committee, if established, and the Nonappropriated Fund Council. (T-0)

2.3.4. Frequency. Each fiscal year the Nonappropriated Fund Financial Analyst performs or participates in either a Management Control Review or an Internal Control Review. (T-0)

2.4. Review Nonappropriated Fund and Appropriated Fund Budgets. (Financial Management Training Aid-10, *Budget Review*). The Nonappropriated Fund Financial Analyst reviews Nonappropriated Fund and Appropriated Fund budgets of all supported activities. (T-0) Provides analysis and feedback to FSS management on proposed budgets. (T-0) Coordinates on all budgets before presentation to the Nonappropriated Fund Council and Nonappropriated Fund Finance Committee, if established. (T-0)

2.4.1. Budget Review Process. Three Nonappropriated Fund budgets are reviewed: the Income and Expense budget, the Nonappropriated Fund Requirements Budget and the cash flow budget. All three budgets may be generated through the AF Services Nonappropriated Fund Budget and Financial Analysis System. Activity managers and flight chiefs, with guidance from the FSS Resource Manager, establish financial goals and budgets to meet the Commander's Nonappropriated Fund Sustainment Program Net Income Adjusted for Depreciation goals and operational standards, if realistically achievable. The FSS Resource Manager should forward all activity and consolidated Nonappropriated Fund Instrumentality budgets to the Nonappropriated Fund Financial Analyst for review and coordination at least ten workdays prior to presentation to the Nonappropriated Fund Council and Nonappropriated Fund Finance Committee, if established. The Nonappropriated Fund Financial Analyst reviews budgets quarterly to ensure they are realistic and attainable. (T-0) The Nonappropriated Fund Financial Analyst discusses concerns and recommended changes with activity managers, flight chiefs, FSS Resource Manager and/or FSS Commander/Director. (T-0) Unresolved issues should be identified to the Nonappropriated Fund Council and Nonappropriated Fund Finance Committee, if established.

2.4.2. Nonappropriated Fund Income and Expense Budget. The FSS Resource Manager uses the budget module of the automated AF Services Nonappropriated Fund Budget and Financial Analysis System to consolidate each activity's income and expense budget into a Nonappropriated Fund Instrumentality budget for each established Nonappropriated Fund Instrumentality. The Nonappropriated Fund Financial Analyst reviews all budgets and revisions based on historical data, program changes and Air Force standards and goals. (T-0) The Nonappropriated Fund Accounting Office should retain the budget supporting documentation and provide copies to the Nonappropriated Fund Financial Analyst when requested. This documentation should contain, at a minimum, justification for significant changes in income or expense categories over the prior fiscal year, payroll computations, and explanations for any differences from Air Force standards or goals.

2.4.3. Nonappropriated Fund Requirements Budget. This budget is a five-year projection of large expenditures for equipment, furnishings, facility projects, bulk purchases of expendable equipment and high value supply items. The Nonappropriated Fund Requirements Budget is updated quarterly. The Nonappropriated Fund Financial Analyst reviews and coordinates on the Nonappropriated Fund Requirements Budget, verifies the Nonappropriated Fund cash flow budget (including Nonappropriated Fund Requirements Budget totals) and reviews projected impacts to Current and Acid Test Ratios. (T-0) The Nonappropriated Fund Financial Analyst verifies authorized Appropriated Fund requirements are not included for Nonappropriated Fund funding unless a waiver has been approved. (T-0)

2.4.4. Nonappropriated Fund Cash Flow Budget. The cash flow budget reflects anticipated changes in the level of cash and shows expected inflows and outflows of cash for a period of time. If the projected cash balance is below the acceptable Air Force standard, the FSS Commander should review projected operations and make necessary adjustments.

2.4.5. Appropriated Fund Budget Review. The Nonappropriated Fund Financial Analyst conducts a comparison analysis annually using historical and Appropriated Fund Execution Plan data. (T-0) The FSS Resource Manager should provide the Nonappropriated Fund Financial Analyst with a complete Appropriated Fund Execution Plan and supporting documentation for Morale, Welfare, and Recreation and Lodging requirements only. Review

the Appropriated Fund budget to verify that requirements for the same item are not included on both Nonappropriated Fund and Appropriated Fund budgets. (T-0) Verify requirements authorized Appropriated Fund support in accordance with AFI 65-106, for operational and capital needs, are included in the Appropriated Fund Execution Plan. (T-0)

2.5. Review of Appropriated Fund Support. (Financial Management Training Aid-17). The Nonappropriated Fund Financial Analyst reviews the Commander's Resource Integration System or Defense Enterprise Accounting and Management System execution report monthly for reasonableness, and consistency, and identifies problem areas to the appropriate FSS management level for resolution. (T-0) See appropriate AFSVA and Financial Management training aids regarding Appropriated Fund support to Nonappropriated Fund Instrumentalities. Commander's Resource Integration System and Defense Enterprise Accounting and Management System are web-based query, reporting, and analysis tools. To receive access to these systems complete DD Form 2875, *System Authorization Access Request* for each system and forward to the local Comptroller Squadron Point of Contact and fulfill any necessary training required. Execution reports should be reviewed for reasonableness using historical data and guidance from AFI 65-106.

2.5.1. Appropriated Fund Support Computation. The Nonappropriated Fund Financial Analyst is responsible for calculating Appropriated Fund support percentages for Morale, Welfare, and Recreation Category A and B activities each month. (T-0) The percentages are included in the Commanders' Summary (**paragraph 2.1.2.** and **paragraph 2.1.3.**) and percentages and documentation are input to the Air Force Installation and Mission Support Center SharePoint. (T-0) In addition, Child and Youth percentages are computed and reported separately. (T-0)

2.5.2. Supporting Documents. The Nonappropriated Fund Financial Analyst verifies that the following reviews were performed by the FSS Resource Manager: (T-0)

2.5.2.1. A semi-annual review of the civilian pay query report that lists employees by Social Security Number and is grouped by cost center including total payroll costs for Morale, Welfare, and Recreation and Lodging (i.e., Defense Finance & Accounting R60 Report, Civilian Pay Desire Report, or Civilian Personnel Business Objects Report).

2.5.2.2. A periodic review of the Unit Personnel Management Roster to validate Morale, Welfare, and Recreation, Fisher House Fund, and Lodging military employees are assigned to the correct cost center.

2.5.2.3. An annual review of the Utility Sales Agreement for Morale, Welfare, and Recreation, Civilian Welfare Fund, and Lodging established with Civil Engineering to ensure appropriate charges are made by reviewing the method of computing charges, which takes into consideration any renovations and new facilities with more efficient energy use (only in the Continental United States). Also included is a review of the Memorandum of Understanding between Civil Engineering and FSS to ensure it is in place and current.

2.6. Impartial Inventories. (Financial Management Training Aid-08, *Impartial Inventories*) An impartial observed inventory for each activity is required annually. The Nonappropriated Fund Financial Analyst prepares a schedule for annual impartial inventories of fixed assets, storerooms, and salable merchandise, including point-of-sale inventories. (T-0) All resale

inventory observations include inventory level analysis. (T-0) The inventory team observes the activity manager or designee perform the actual physical inventory. (T-0)

2.6.1. Schedule. The Nonappropriated Fund Financial Analyst prepares the schedule at the beginning of each fiscal year. (T-0) Schedule inventories at seasonal activities in a month when the activity is open. (T-0)

2.6.2. Coordinate. The Nonappropriated Fund Financial Analyst coordinates the annual impartial inventory schedule with the FSS Commander/Director. (T-0) This allows the FSS Commander/Director to notify activities of the dates when either their inventory is scheduled to be observed or if they are tasked to provide impartial inventory team members. Coordinated copies of the schedule are provided to the activities, flight chiefs and the FSS Resource Manager. (T-0) Ensure activity managers are sent reminder notices prior to impartial inventories, including the dates and times team members are scheduled to be briefed on their responsibilities. (T-1)

2.6.3. Inventory Team. Personnel assigned impartial inventory duty should be experienced with inventory procedures and independent of the activity being inventoried. The FSS Commander/Director, at their discretion, may request a military detail from within their organization to perform an impartial inventory.

2.6.4. Inventories. The impartial inventory team leader should ensure the activity staff takes a complete and accurate inventory and notes the general security of the facility and physical inventory. Where possible, the team leader should be senior in grade or rank to the manager of the activity being observed. See Financial Management Training Aid-08 for additional guidance and an outline detailing the team's responsibilities. When using military personnel, the FSS Commander/Director should appoint the detail in writing.

2.6.5. Inventory Analysis for Resale Operations.

2.6.5.1. The Nonappropriated Fund Financial Analyst annually performs an inventory analysis of all resale operations. (T-0) The written report is forwarded to the FSS and Comptroller Squadron leadership. (T-0) Analysis verifies compliance with established in-use maximum inventory ceiling levels, inventory turnover to avoid dead stock, Cost of Goods Sold analysis and other related analysis as necessary. (T-0) Coordinate with the activity manager to provide detailed explanations for significant variances. (T-0)

2.6.5.2. Inventory Turnover. The inventory turnover rate shows the number of times inventory turned over during a given period. As a general rule, keep the amount invested in inventories to a minimum.

2.6.6. Briefing and Reporting Results. At the conclusion of the observed inventory, the inventory team or team leader should brief the Nonappropriated Fund Financial Analyst on results of the inventory and discrepancies observed. After receiving the property or resale memorandum from the inventory team, the Nonappropriated Fund Financial Analyst discusses the certification with the FSS Resource Manager, flight chief, and activity manager. (T-0) The FSS Resource Manager reviews and investigates all variances in accordance with AFI 34-202. (T-0) The Nonappropriated Fund Financial Analyst forwards written results to the FSS Commander/Director and the Comptroller. (T-0) The Nonappropriated Fund Financial Analyst follows up on discrepancies listed by the team leader. (T-0) The Nonappropriated Fund Financial Analyst follows up to ensure the FSS

Resource Manager completes account write-offs within 30 days of the physical inventory or within 30 days of investigation completion, where applicable. (T-0)

2.6.7. Special Morale and Welfare Stock Items. Special Morale and Welfare items include refreshments, mementos and other Special Morale and Welfare items, in accordance with AFI 34-201. The Nonappropriated Fund Financial Analyst verifies the FSS Resource Manager conducts an annual inventory. (T-0) The Nonappropriated Fund Financial Analyst is not responsible for administering a Special Morale and Welfare inventory; however, the Nonappropriated Fund Financial Analyst can assist with observation if time permits. The FSS Resource Manager provides a copy of the annual Special Morale and Welfare inventory to the Nonappropriated Fund Financial Analyst for verification. (T-0)

2.6.8. Point-of-Sale Inventory. The Nonappropriated Fund Financial Analyst verifies that at a minimum, an annual independent physical inventory is conducted for each perpetual inventory point-of-sale system as required by AFI 34-209. (T-0)

2.6.9. Below-Cost Pricing. With the advice of the FSS Resource Manager and Nonappropriated Fund Financial Analyst, the FSS Commander/Director may authorize below-cost sales for slow-moving or excess inventories when recommended by the activity manager.

2.7. Review and Follow up on all FSS Nonappropriated Fund-related program Audits/Resolution of Nonconcurrences. (Financial Management Training Aid-13, *Resolution and Follow-Up on Public Accountant Contract Audits*). The Nonappropriated Fund Financial Analyst reviews and follows up on all findings that result from previous reviews and audits. (T-0) Follow-up includes FSS Nonappropriated Fund related program reviews of all Nonappropriated Fund Financial Analyst findings and all outside audits conducted by agencies, such as, AF Audit Agency, Public Accountant Contract Audit, Department of Defense, Inspector General and U.S. Government Accountability Office audits. Procedures for follow-up include two reviews at the installation level before forwarding to higher headquarters. The Nonappropriated Fund Financial Analyst conducts a quarterly review with the FSS Resource Manager of all open items with estimated completion dates within that quarter. (T-0) If findings are not closed, establish a new estimated completion date and provide written rationale for not meeting original estimated completion date and results to the Comptroller and the FSS Commander/Director. (T-0) During the next quarterly review, if action has not been taken to close the finding from the previous review, inform the Comptroller and provide written results through the Mission Support Group to the Installation Commander. (T-0) After the third review if the same findings remain open, the Installation Comptroller forwards the report to the AFRC Financial Manager and Comptroller or AFIMSC Resource Manager for resolution. (T-0) USAFA has no need to forward for a mid- level review as it is a DRU performing its own Nonappropriated Fund Oversight. The AFRC/AFIMSC Nonappropriated Fund Financial Analyst initiates a review at the command level to resolve the issue. (T-0) If no resolution is reached to close the issue within 6 months, forward the matter to SAF/FMCEB. (T-0) The Nonappropriated Fund Financial Analyst responsibilities are as listed below.

2.7.1. Attendance at in briefs and out briefs. Attends all Nonappropriated Fund related program audit in briefs and out briefs to Installation, Mission Support Group, and FSS Commanders. (T-0)

2.7.2. Management Responses. Evaluates the adequacy of management responses to audit findings and recommendations. (T-0)

2.7.3. Corrective Actions. Tracks corrective action until closed to ensure compliance. (T-0)

2.7.4. Non-concurrence. Coordinates on all audit non-concurrences and tracks them to resolution. (T-0)

2.7.5. Audit Status Reports. Provides quarterly installation Public Accountant Contract Audit status reports to AFRC Comptroller or AFIMSC Resource Manager. (T-0) Since USAFA is a DRU, there is only one report which is submitted semi-annually as detailed in 1.2.3.3.

2.8. Review of Nonappropriated Fund Purchase Card Procedures. (Financial Management Training Aid-14, *Review of Purchase Card Procedures for Nonappropriated Fund Purchases*). The Nonappropriated Fund Financial Analyst thoroughly examines internal controls procedures in local operating instructions and guidelines established by the Program Coordinator (usually the FSS Resource Manager) and ensures their reviews encompass account set up documentation, cardholders' records, and all applicable Nonappropriated Fund Purchase Card reports and supporting documents. (T-0) Instructive "best practice" guidance on conducting reviews that comply with applicable internal controls procedures can be found in Financial Management Training Aid-14. See below for a breakout of the Nonappropriated Fund Financial Analyst responsibilities for this review.

2.8.1. Review Nonappropriated Fund Purchase Card Program Coordinator Documentation. Review Installation Program Coordinator delegations of authority to approving officials and cardholders, training documentation, spending limits and merchant code records, as well as Installation Program Coordinator corrective procedures taken when needed. (T-0)

2.8.2. Review Cardholder Documentation (25% of cardholders but no less than 2). Review verification of cardholder documentation regarding purchases, reconciliation processes, and dispute processes. (T-0)

2.8.3. Review Approving Official Documentation. Review and verify documentation of alternate approving official assignment, timely transaction approvals, removal of cardholder accounts, and adherence to budgetary limits. (T-0)

2.8.4. Review Nonappropriated Fund Accounting Office Documentation. Review and verify reconciliation of the Case Management and Investment Program draws with cash in bank and accruals for outstanding purchases that did not post to the online system as well as verification the Nonappropriated Fund Accounting Office receives the locally devised "outstanding items" list from cardholder in accordance with local monthly close-out procedures per AFI 34-275, *AF Nonappropriated Fund Government Purchase Card Program*. (T-0)

2.9. Review Balance Sheet and Subsidiary Accounts with In-depth Review of Accounts Receivable/Doubtful Accounts. (Financial Management Training Aid-18, *Annual Verification of Balance Sheet and Subsidiary Accounts* and Financial Management Training Aid-06, *Nonappropriated Fund Financial Analyst Review of Accounts Receivable*). The Nonappropriated Fund Financial Analyst reviews balance sheet accounts and their respective subsidiaries to validate reconciliation to the general ledger. Review supporting documentation for accuracy,

validity, and timeliness. (T-0) Subsidiary accounts provide a breakdown of the reflected totals on the balance sheet. The Nonappropriated Fund Financial Analyst verifies annually that the Nonappropriated Fund accounting office reconciles installation level controlled subsidiary accounts to their general ledger control accounts. (T-0) This review does not include reconciling the accounts. (T-0) Begin the review process after the financial statements have been completed for the period and the Nonappropriated Fund Accounting Office has completed the reconciliation of accounts. (T-0) The Nonappropriated Fund Financial Analyst provides the FSS Resource Manager the summary of results; if unresolvable discrepancies exist, provide a copy of the statement to the FSS Commander/Director, Nonappropriated Fund Council, and the Finance Committee, if established. (T-0) The Nonappropriated Fund Financial Analyst verifies action is taken to investigate variances according to AFI 34-202. (T-0)

2.9.1. Review Accounts Receivable and Doubtful Accounts.

2.9.1.1. Nonappropriated Fund Financial Analysts' review of Nonappropriated Fund Customer Accounts Receivable: In-house customer Accounts Receivable are only authorized for activities with recurring payments for membership or charges for sales/services on a very limited basis so the need for Nonappropriated Fund Financial Analyst reviews should be minimal.

2.9.1.1.1. A special function contract held at the end of month and remaining unpaid at month end may be temporarily recorded into accounts receivable. It is removed in the next month when the pro-rata sheet, which identifies individual participants and their share of the cost, is received. If not collected during this time, the amount is written off as detailed in AF Services guidelines. Nonappropriated Fund Financial Analysts review locally established Operating Instructions on uncollected special functions. (T-0) If customer accounts exist other than for the exceptions noted above, management must explain their existence and take appropriate action to remove them from accounts receivable (T-1).

2.9.1.1.2. All other categories of receivables, e.g., Other Nonappropriated Fund Instrumentality, Major Command/AF, Outside Agency, (general ledger account codes 113 - 119) for installation controlled accounts should be reviewed and verified as well.

2.9.1.2. Nonappropriated Fund Financial Analyst Review of Written Off Accounts and Allowance for Doubtful Accounts (general ledger account codes 120 and 121 installation controlled accounts). At least annually, the Nonappropriated Fund Financial Analyst conducts a review of the validity of all Nonappropriated Fund Instrumentality account write-offs for the year in which the review is conducted. (T-0) The Nonappropriated Fund Financial Analyst follows the guidance provided in AFI 34-202 and validates the allowance for doubtful accounts. (T-0) Include estimated write-offs of recoured accounts and returned checks based on historical data, in accordance with AFI 34-209. (T-0) This review includes, but is not limited to, adequacy of collection actions (when a installation responsibility), compliance with policies, and adherence to local Operating Instructions.

2.9.1.2.1. Nonappropriated Fund Financial Analyst Review of Operating Instructions. The Nonappropriated Fund Financial Analyst must review all installation accounts receivable and collection procedure operating instructions

prepared by the FSS Resource Manager or designee for each operation to ensure adequacy and compliance with sound business practices. (T-0)

2.9.1.3. Nonappropriated Fund Financial Analyst Review of Lodging Fund Accounts Receivable. The Nonappropriated Fund Financial Analyst reviews the schedule of aged accounts receivable, which involves sorting receivables by their due dates in an effort to estimate the amount of uncollectible accounts for the Lodging Fund at least annually. (T-0) The accounts for Lodging are categorized by individual and agency (unit/organization). Individual accounts are subject to an advance payment guidance. Agency accounts are paid via agency government credit card or approved funding document. In accordance with AFMAN 34-214, *Procedures for Nonappropriated Fund Financial Management and Accounting*, the lodging manager is responsible for collection actions of accounts that are 30 and 60 days delinquent, unless local guidance is different. After 90 days delinquent, the FSS Resource Manager should assume responsibility for all collection actions. When the over-90 days category shows a high percentage of delinquent accounts, the Nonappropriated Fund Financial Analyst initiates a special review to determine causes and to recommend corrective actions. (T-0) The Nonappropriated Fund Financial Analyst provides the results of these reviews to the FSS Resource Manager for information and implementation of corrective actions, where necessary. (T-0)

2.9.2. Provide Annual Coordination of Nonappropriated Fund Financial Statement Certification. The Nonappropriated Fund Financial Analyst coordinates annually on the FSS Resource Manager's quarterly certification of financial statements for all Nonappropriated Fund Instrumentalities. (T-0) The certification should be true and correct to the best of their ability, in accordance with AFI 34-209. The Nonappropriated Fund Financial Analyst coordinates with the FSS Resource Manager only for the quarter in which the annual balance sheet and subsidiary accounts review is completed. (T-0) Include any and all balance sheet accounts reviewed in that particular quarter and note any unresolved discrepancies. (T-0) Some accounts are controlled and certified by the Shared Service Center so they are not included in the requirement for Nonappropriated Fund Financial Analyst review. The SSC provides centralized accounting, payments, payroll and reporting for AF Nonappropriated Fund activities excluding AAFES and Chaplain Funds. However, Nonappropriated Fund Financial Analysts are responsible for validation of installation level accounts. (T-0) The Nonappropriated Fund Financial Analyst verifies that action is taken to investigate variances, in accordance with AFI 34-202. (T-0) Provide a copy of the statement to the FSS Commander/Director, Nonappropriated Funds Council, and the Finance Committee, if established (See [Attachment 3](#) for template). (T-0)

2.10. Review of Nonappropriated Fund Instrumentality-Related Financial Studies and Analyses. As a collateral responsibility, the Nonappropriated Fund Financial Analyst assists FSS personnel in accomplishing special financial studies and analyses, related to Nonappropriated Fund Instrumentality programs.(T-0)

2.10.1. Processes for these studies. FSS is Office of Primary Responsibility for management-related areas of these studies, including:

2.10.1.1. Conducting surveys,

2.10.1.2. Developing requirements,

2.10.1.3. Determining costs,

2.10.1.4. Preparing budgets and preformat financial statements,

2.10.1.5. And calculating rate of return and payback periods for Internal Needs Validations Studies.

2.10.2. Internal Needs Validations Studies. These studies are conducted by the installation. The study consists of five parts. Utilize the guidelines and the latest proforma analysis template. (T-0) The Nonappropriated Fund Financial Analyst reviews all parts of the Internal Needs Validations Studies for reasonableness and internal consistency. (T-0) All studies are submitted with a signed electronic Staff Summary Sheet that has been coordinated through the Installation Civil Engineer, Installation Comptroller, and Nonappropriated Fund Financial Analyst, and approved by the Installation Commander.(T-0)

2.10.3. Other Financial Analysis. The Nonappropriated Fund Financial Analyst conducts other financial analysis as requested and approved by the Installation Comptroller.(T-3)

2.11. Review of Nonappropriated Fund Employee Time and Attendance Employee Records. (Financial Management Training Aid-15, *Annual Review of Nonappropriated Fund Accounting Office Nonappropriated Fund Employee Payroll*). The Nonappropriated Fund Financial Analyst audits all time and attendance records of Nonappropriated Fund Human Resources Office employees and at least 3% of the remaining Nonappropriated Fund employee time and attendance records annually. (T-0) The Nonappropriated Fund Financial Analyst reviews two to three pay periods and verifies only authorized employees are paid, payroll data is reported correctly, and proper approvals and authorizations are submitted. (T-0) The Nonappropriated Fund Financial Analyst requests a personnel query such as the *Employee Pay Rate and Tax Data* or similar query from the Human Resources Office for all Nonappropriated Fund employees and pulls additional reports and records as listed and conducts the review as detailed in the Financial Management Training Aid 15. (T-0) See below for a breakout of the Nonappropriated Fund Financial Analyst duties for this review.

2.11.1. Employee Information. Validates Nonappropriated Fund Employee Register information, i.e. Social Security Number, Cost Center, hourly pay rates, against the personnel query. (T-0)

2.11.2. Check for Ghost Employees. Verifies employee personnel query information exists for employees selected for review on the Nonappropriated Fund payroll list to ensure there are no “ghost” employees. (T-0)

2.11.3. Verify Leave. Verifies leave is properly approved and signed for and that supporting documentation exists. (T-0)

2.11.4. Findings. Provides written findings through the Comptroller to the FSS Commander/Director and FSS Resource Manager and Human Resource Officer when serious discrepancies exist. (T-0)

2.11.5. Follow-up. Follows up on recommended actions. (T-0)

2.12. Annual Review of Vending, Amusement and Slot Machine Programs. (Financial Management Training Aid-05, *Vending and Amusement Machine Control Review*). Annually reviews vending, amusement and slot machine controls to identify internal control weaknesses. (T-0) The Nonappropriated Fund Financial Analyst performs an annual independent observation

of the slot machine harvest, including kiosk funds accountability and security procedures. (T-0) The slot machine harvests are a collection of funds in the gaming machines and the kiosks are automated cashier machines that can pay out the credits from the users gaming card. The review includes all facets of the slot machine program (overseas) and vending and amusement machine operations. This includes but is not limited to controls over keys, access to cash, cash collection and accountability, inventories if Nonappropriated Fund Instrumentality-owned machines, and compliance with the terms of contractual agreements.

2.13. Certification of FSS Nonappropriated Fund Related Annual Statement of Assurance. The annual statement of assurance certification is accomplished by relying on Nonappropriated Fund Financial Analyst-related findings and all outside audits (addressed in [paragraph 2.7.](#)). (T-1) AFI 65-201, *Manager's Internal Control Program Procedures*, (paragraph 2.5.4.) discusses use of existing audits, inspections, and reviews to streamline the internal control review process. The following sources are examples that can be used to assess controls: AF Audit Agency, Department of Defense Inspector General and U.S. Government Accountability Office audits, inspections, investigations, Nonappropriated Fund Financial Analyst reviews, financial system reviews, program evaluations, self inspection programs such as the Management Internal Control Toolset, quality assessments, and management knowledge gained from daily operations. Additionally, Public Accountant Contract Audit audits can be used to assess controls. The Nonappropriated Fund Financial Analyst is responsible for certifying the annual FSS Statement of Assurance for Nonappropriated Fund-related programs. (T-1) The certification process verifies that the required internal management control system is in effect and functioning properly in accordance with AFI 34-202 and AFI 65-201. The FSS Resource Manager should provide the Nonappropriated Fund Financial Analyst with a copy of FSS Nonappropriated Fund related Annual Statement of Assurance and Manager's Internal Control Program report. The Nonappropriated Fund Financial Analyst uses the criteria stated above to prepare the certification of FSS Nonappropriated Fund Related Annual Statement of Assurance. (T-1)

2.14. Tenants, Isolated Unit Funds, and Small Operations. See AFI 34-209 for definition of "small operations", and AFI 34-201 for definition of "tenant and isolated units." The Nonappropriated Fund Financial Analyst conducts internal control reviews of tenant and Morale, Welfare, and Recreation small operation activities at least once every two years to ensure internal controls are effective and efficient. (T-1) Reviews may be accomplished more frequently if time and Temporary Duty funds permit, or if serious internal control deficiencies develop or are suspected. AFRC/USAFA/AFIMSC may supplement this requirement with further guidance. The FSS Resource Manager should prepare operating instructions to ensure adequate internal controls exist. The Nonappropriated Fund Financial Analyst reviews new operating instructions and any revisions for adequacy. (T-1)

2.15. Annual Nonappropriated Fund Instrumentality Memorandum of Agreement Review. (Financial Management Training Aid-21, *Memorandum of Agreement Reviews*). The Nonappropriated Fund Financial Analyst reviews all new Memoranda of Agreement prior to implementation and each Nonappropriated Fund Instrumentality Memorandum of Agreement annually, with results reported to the Nonappropriated Fund Council. (T-0) The purpose of the review is to provide decision support to the Installation Commander regarding initial implementation or continuance, renegotiation, or cancellation of each Memorandum of Agreement. Completed annual reviews or summaries are submitted to the AFRC or the

AFIMSC Nonappropriated Fund Financial Analyst, as appropriate. (T-0) The review includes analysis of the costs, validation of supporting documentation and accounting procedures used, verification funding is not received for the same requirement from direct Appropriated Funds and a memorandum, and validation of benefit to Appropriated Funds and Nonappropriated Funds as detailed in the training aid. (T-0)

2.16. Commander's Nonappropriated Fund Sustainment Program. The Nonappropriated Fund Financial Analyst reviews and coordinates on initial assessments and action plans prepared by FSS management for Nonappropriated Fund Instrumentalities and Nonappropriated Fund activities that don't meet minimum financial requirements as detailed in the Commander's Nonappropriated Fund Sustainment Program guidance. (T-0) Assessments and action plans should be realistic and address root causes and corrective actions. Additionally, the Nonappropriated Fund Financial Analyst will attend and participate in proactive review meetings. (T-0)

2.17. Review of Nonappropriated Fund Instrumentality Financial Operating Instructions. The Nonappropriated Fund Financial Analyst reviews financial operating instructions and procedures for adequacy and compliance with applicable guidance. (T-1) When applicable, reviews can be done in conjunction with other reviews on the same subject.

2.18. Review of Special Morale and Welfare Requests. The Installation Comptroller or designee is responsible for coordinating on all Special Morale and Welfare expenditures. (T-1) The Comptroller certifies that Appropriated Fund Official Representation Funds are/are not authorized in accordance with AFI 65-603, *Official Representation Fund - Guidance and Procedures* and AFI 65-601, Volume 1, *Budget Guidance and Procedures*. (T-1) If Appropriated Funds are authorized, then the Installation Comptroller certifies if funds are/are not available. (T-1) If Appropriated Funds are not available, Nonappropriated Funds may only be used in accordance with AFI 34-201. (T-1)

2.18.1. Annual Recurring Event Authorization Letter. For recurring Special Morale and Welfare Nonappropriated Fund expenditures, the Comptroller coordinates on the Commander's Delegation of Authority letter to certify that expenditures are not authorized Appropriated Funds. (T-1) The Nonappropriated Fund Financial Analyst ensures the delegation letter is reviewed by the Nonappropriated Fund Council annually as detailed in AFSVA guidance. (T-1)

2.18.2. Special Morale and Welfare Quarterly Expenditure Report. Generated quarterly by the Nonappropriated Fund Accounting Office to support financial statements in accordance with AFIs 34-201 and 34-209. The Nonappropriated Fund Financial Analyst coordinates on the expenditure report and reviews reconciliation to cost centers (1600-1609) of the financial statement, in accordance with AFI 34-209. (T-1)

2.19. Prior Period Equity Adjustment Requests. The Nonappropriated Fund Financial Analyst reviews and coordinates on prior period equity adjustments. (T-1) The Nonappropriated Fund Financial Analyst verifies adjustments use Generally Accepted Accounting Principles in accordance with Financial Accounting Standards Board codification located at <https://asc.fasb.org/viewpage>. (T-0) Generally Accepted Accounting Principles are defined as a common set of accounting procedures/standards used for accounting and reporting of financial statements.

2.20. Waiver Requests. The Nonappropriated Fund Financial Analyst reviews and coordinates on waiver requests in accordance with applicable guidance in AFIs 65-106 and 34-201. (T-1) If valid, the Nonappropriated Fund Financial Analyst evaluates internal control impact and any adverse financial impact. (T-1)

2.21. AF Lodging Rate Package. The Nonappropriated Fund Financial Analyst reviews and coordinates on the installation lodging budget submission for the AF lodging rate package. (T-1)

2.22. Requests to Establish, Merge, and Dissolve Nonappropriated Fund Instrumentalities. The Nonappropriated Fund Financial Analyst coordinates on packages and actions required for establishing, merging, or dissolving Nonappropriated Fund Instrumentalities. (T-1) See AFI 34-201 for guidance. FSS personnel request approval to use the installation closure general ledger account codes from SAF/FMCEB, through AFSVA Director, Financial Management and Headquarters AF Services.

2.23. Miscellaneous. The Nonappropriated Fund Financial Analyst serves as recorder of the Nonappropriated Fund Finance Committee, when established. (T-1) The Nonappropriated Fund Financial Analyst provides input to Nonappropriated Fund financial briefings, when requested. (T-1) See [Attachment 2](#) for Nonappropriated Fund Finance Committee Charter guidance. The Nonappropriated Fund Financial Analyst conducts other financial analysis approved by the Installation Comptroller. (T-1)

Chapter 3

FINANCIAL EVALUATIONS AND REPORTING

3.1. Evaluations. Requires the Nonappropriated Fund Financial Analyst to evaluate the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable AF guidance for all assigned tasks. (T-0) The main objective is to provide reasonable assurance controls are in place to protect Nonappropriated Fund resources.

3.2. Levels of Reporting. Levels of reporting are based on two criteria: type of assigned tasks and severity of findings. For further instructive assistance, see Financial Management Training Aid-16, *Establishing and Maintaining Supporting Documentation & Reporting Responsibilities Training Aid*, for information on levels of review and other Financial Management Training Aids as applicable.

3.3. Severity of Findings. Any finding with indications of fraud, theft or irregular activity should be reported to the proper authorities such as Security Forces, AF Office of Special Investigations, FSS and Comptroller Squadron Commanders, as well as others.

John P. Roth, SES
Assistant Secretary of the Air Force
(Financial Management and Comptroller)

ATTACHMENT 1

GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION

References

- AFPD 65-1, *Management of Financial Services*, 01 July 1996
- AFI 33-360, *Publications and Forms Management*, 1 December 2015
- AFM 33-363, *Management of Records*, 1 Mar 2008
- Financial Management Training Aid-19, *Monthly Financial Statement Analysis*, April 2001
- AFI 65-106, *Appropriated Fund Support of Morale, Welfare, and Recreation and Nonappropriated Fund Instrumentalities*, 06 May 2009
- AFI 34-202, *Procedures for Protecting Nonappropriated Fund Assets*, 22 December 2015
- Financial Management Training Aid-09, *Annual Audit of Cashiers' Reports*, September 2008
- AFI 34-209, *Nonappropriated Fund Financial Management and Accounting*, 10 January 2005
- Financial Management Training Aid-11, *Cash Controls*, September 2008
- AFI 31-101, *Integrated Defense*, 5 July 2017
- Financial Management Training Aid-12, *Internal Management Control Reviews*, August 1999
- Financial Management Training Aid-20, *Local Internal Control Reviews*, January 2002
- Financial Management Training Aid-10, *Budget Review*, August 1999
- Financial Management Training Aid-17, *Review of Appropriated Fund Support to Services*, April 2001
- Financial Management Training Aid-08, *Impartial Inventories*, September 2008
- Financial Management Training Aid-13, *Resolution and Follow-Up on Public Accountant Contract Audits*, February 2012
- Financial Management Training Aid-14, *Review of Purchase Card (P-Card) Procedures for Nonappropriated Fund Purchases*, September 2008
- AFI 34-275, *AF Nonappropriated Fund Government Purchase Card Program*, 23 June 2011
- Financial Management Training Aid-18, *Annual Verification of Balance Sheet and Subsidiary Accounts*, September 2008
- Financial Management Training Aid-06, *Nonappropriated Fund Financial Analyst Review of Accounts Receivable*, September 2008
- AFMAN 34-214, *Procedures for Nonappropriated Fund Financial Management and Accounting*, 14 February 2006
- Financial Management Training Aid-15, *Annual Review of Nonappropriated Fund Accounting Office Nonappropriated Fund Employee Payroll Records*, September 2008
- Financial Management Training Aid-05, *Review Vending and Amusement Machine Controls*, September 2008

Financial Management Training Aid-21, *Memorandum of Agreement Reviews*, May 2009

AFI 65-201, *Managers' Internal Control Program Procedures*, 09 February 2016

AFI 65-603, *Official Representation Funds*, 24 August 2011

AFI 65-601, Volume 1, *Budget Guidance and Procedures*, 16 August 2012

AFI 34-201, *Use of Nonappropriated Funds*, 17 Jun 2002

Financial Management Training Aid-16, *Establishing and Maintaining Supporting Documentation & Reporting Responsibilities*, March 2000

Prescribed Forms

None

Adopted Forms

Air Force Form 847, *Recommendation for Change of Publication*

AF Form 1875, *Nonappropriated Fund Individual Cashier's Reports*

AF Form 1876, *Consolidated Cost Center Reports*

AF Form 1878, *Central Cashier Deposit Receipt*.

DD Form 2875, *System Authorization Access Request*

Terms

Acid Test Ratio—Test of short term debt-paying ability computed as Quick Assets/Current Liabilities.

Age of Inventory—Age of Inventory indicates the number of days of inventory on hand at the end of the period. It is computed as days in the period/Inventory Turnover Rate.

Cash Equivalents—Assets that can easily be converted into cash.

Category A Activities—Mission Sustaining Activities. Category A activities have virtually no capacity for generating Nonappropriated Fund revenues and are supported almost entirely with Appropriated Funds. The use of Nonappropriated Funds is limited to specific instances where Appropriated Funds support is prohibited by law or when Nonappropriated Fund support is essential for the operation.

Category B Activities—Basic Community Support Activities. Category B activities are financed with a combination of Nonappropriated Fund and Appropriated Funds resources. Because their Nonappropriated Fund revenue-generating capability is limited, these activities shall be substantially supported with Appropriated Funds.

Category C Activities—Revenue-Generating Activities. Category C activities have the highest capability to generate Nonappropriated Fund revenues and generally receive only indirect Appropriated Funds support, except as authorized by law. Overseas activities are authorized limited direct Appropriated Funds support. Military MWR and Armed Service Exchange Category C activities at designated remote and isolated locations are authorized funding under Category B rules in accordance with AFI 65-106.

Change Fund—Funds issued to cashiers in order for them to make change from cash registers or point of sale systems during cash transactions with customers.

Financial Analysis—Analysis is a continuing review and evaluation process throughout the normal course of operations, with the manager as the focal point. The objective is to spot potential problems, identify root causes, and obtain solutions.

Fixed Assets—Fixed Assets are tangible items with an individual cost of \$1,000 or more and a life expectancy of 2 years or more, which do not lose their identity through use. Includes such items as furniture, equipment, tools, machinery, facilities, major repairs and improvements, etc.

Fund Equity—Fund Equity consists of capital invested in the Nonappropriated Fund Instrumentality plus the profit or minus the loss resulting from operations since inception.

General Ledger—The general ledger is the core of the Nonappropriated Fund accounting system and provides details of all accounting entries for the current period. The system consists of control accounts for assets, liabilities, equity, income and expenses.

Imprest Funds—Petty cash funds issued and held at activity level for authorized reimbursements.

Income and Expense (Operating) Budget—A formal financial plan which reflects monthly and quarterly projected income and expenses per fiscal year. It reflects the expected outcome of management's plans and decisions in financial terms. It shows the revenue and associated expenses an activity expects to generate over a given period.

Inventory Turnover—Assists in identifying excess inventory or poor inventory management. It is computed as $\text{Cost of Goods Sold} / \text{Average Inventory}$ ($\text{Beginning Inventory} + \text{Ending Inventory} / 2$).

Net Income Adjusted for Depreciation—This management tool displays the results of operations disregarding depreciation, amortization, gain or loss on disposal of assets and extraordinary items.

Nonappropriated Funds—Nonappropriated Funds are government monies that are not appropriated by Congress and are not held within the United States (U.S.) Treasury. Military Departments and Defense Agencies generate NAFs primarily through the sale of goods and services to the DoD military, civilian personnel and their family members in conjunction with authorized Morale, Welfare, and Recreation (MWR) programs. These funds are used to support MWR programs and activities; lodging; civilian welfare; post restaurant; certain religious and educational programs; and, used for the collective benefit of military personnel, their family members, and authorized civilians. These funds are separate funds that are not recorded in the books of the Department of the Treasury.

Nonappropriated Fund Instrumentality—A NAF Instrumentality (NAFI) is a fiscal entity of the U.S. Government that is supported in whole or in part by NAFs. NAFIs are not incorporated under the laws of any state or the District of Columbia, but have the legal status of an instrumentality of the U.S. and have the same immunities and privileges as the U.S. Government in the absence of specific Federal Statute.

- (a) Federal agencies create NAFIs and regulate their activities, but they are not federal agencies or government corporations. Although a NAFI can be an integral DoD organizational entity that performs essential government functions within DoD, it

operates independently to provide or assist DoD organizations supporting military personnel and authorized civilians. As a fiscal entity, a NAFI maintains custody and control over its funds and is responsible for exercising care relative to administering, safeguarding, preserving, and maintaining those resources made available to carry out functions.

(b) NAFIs function under the umbrella of DoD, but are not considered “federal reporting entities” for the purpose of financial statement reporting. NAFI financial statements are not in any manner associated with DoD financial statements. NAFIs use proceeds obtained from business operations and activities in providing a support function to DoD.

Profit Margin—Evaluates efficiency in controlling expenses in relation to revenue. It is computed as $\text{Net Income Adjusted for Depreciation} / (\text{Sales} + \text{Activity Revenue})$.

Receipts on hand— Receipts are cash sales from current transactions, as well as money received toward a receivable.

Return on Total Assets—Indicates efficiency in the use of economic resources. It is computed as $(\text{Net Income Adjusted for Depreciation} + \text{Interest Expense}) / \text{Average Total Assets}$.

Statement of Cash Flows—The Statement of Cash Flows is a formal statement of cash received and cash paid out for the period being reported. It shows the uses and sources of cash. It is prepared by a Nonappropriated Fund Instrumentality.

ATTACHMENT 2**INSTALLATION NONAPPROPRIATED FUNDS COUNCIL FINANCE COMMITTEE
CHARTER CONTENT**

A2.1. Installation Nonappropriated Fund Councils may, at their discretion, establish a Finance Committee unless required to establish one as outlined by Commander's Nonappropriated Fund Sustainment Program criteria. The Nonappropriated Fund Council directs the functions of the Finance Committee, including how frequently the Committee meets; however, if established under Commander's Nonappropriated Fund Sustainment Program guidance, frequency of meetings will be quarterly. (T-1) Where the Installation Nonappropriated Fund Council chooses not to appoint a Finance Committee, the Council itself fulfills the responsibilities this AFI specifies for a Finance Committee unless the Commander's Nonappropriated Fund Sustainment Program directs otherwise.

A2.2. Minimum Membership.

- A2.2.1. Installation Comptroller, who serves as the chairperson.
- A2.2.2. Commander/Director, FSS.
- A2.2.3. Installation Civil Engineer.
- A2.2.4. Staff Judge Advocate.

A2.3. Organization.

- A2.3.1. The Installation Commander or equivalent will designate any other members in writing. (T-1)
- A2.3.2. The Committee meets prior to each Nonappropriated Fund Council meeting, at the call of the Committee Chairperson, and whenever outlined in the Nonappropriated Fund Council or Commander's Nonappropriated Fund Sustainment Program guidance.
- A2.3.3. A quorum is a simple majority of the voting members or their designated representatives. Committee actions require a simple majority of the voting members present.
- A2.3.4. The Committee keeps a record of all its actions and proceedings and will report its actions to the Nonappropriated Fund Council. (T-1) The Nonappropriated Fund Financial Analyst will act as recorder, provide administrative support, and maintain records for the Committee. (T-1)
- A2.3.5. The Committee may take any action within its authority, without meeting, if each member receives a written description of the matter requiring action. All voting members or their designees must have an opportunity to vote. (T-1) Such Committee actions require a simple majority of the voting members.

A2.4. Responsibilities. The Committee:

- A2.4.1. Recommends to the Nonappropriated Fund Council financial policies, standards, goals, and action plans affecting items like cash flow, Nonappropriated Fund and Appropriated Fund budgets, Nonappropriated Fund Requirements Budget, Appropriated Fund support, construction, and return on facility investments. (T-1)
- A2.4.2. Reviews financial results of operations. (T-1)

A2.4.3. Reviews significant items covered in published audits, Office of Special Investigations, and Inspector General reports, Management Control Reviews, and internal control reviews, especially those involving fraud, waste, and abuse. (T-1)

A2.4.4. Reviews mandatory Memorandum of Agreement updates. (T-1)

A2.4.5. Reviews, as required, Nonappropriated Fund Instrumentalities and Nonappropriated Fund activities for the Commander's Nonappropriated Fund Sustainment Program. (T-1)

A2.4.6. Reviews other information at the discretion of the Chairperson or as directed by the Nonappropriated Fund Council or the Installation Commander (or equivalent). (T-1)

ATTACHMENT 3

**FORMAT FOR ANNUAL COORDINATION OF NONAPPROPRIATED FUND
FINANCIAL STATEMENT CERTIFICATION**

Nonappropriated Fund Instrumentality: _____

DATE: _____

I have reviewed the reconciliation of the balances in the subsidiaries to the General Ledger control accounts, as applicable to the Nonappropriated Fund Instrumentality stated above.

The following subsidiary accounts were reviewed in this quarter:

I (have) (have not) verified that the Nonappropriated Fund Accounting Office keeps subsidiary records on balance sheet accounts and those accounts are properly reconciled to the General Ledger control account balances.

Subsidiary accounts not reconciled with the General Ledger control accounts (have) (have not) been annotated on the financial statement.

Action (has) (has not) been taken to investigate unresolved variances, in accordance with AFI 34-202, *Procedures for Protecting Nonappropriated Fund Assets*.

This certification is true to the best of my ability, with a copy forwarded to the FSS Commander/Director.

Nonappropriated Fund Financial Analyst

(Signature and Installation)