

**BY ORDER OF THE COMMANDER
AIR EDUCATION AND TRAINING
COMMAND**



**AIR FORCE INSTRUCTION 34-201
AIR EDUCATION AND TRAINING COMMAND
Supplement 1
19 NOVEMBER 2001**

Services

USE OF NONAPPROPRIATED FUNDS (NAFS)

"HOLDOVER"

"The basic publication has changed; impact on supplemental information is under review by the OPR. Users should follow supplemental information that remains unaffected."

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

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AFI 34-201, 1 October 1999, is supplemented as follows:

Submit two copies of proposed supplements to this instruction to the Chief, Resource Management Division (HQ AETC/SVF), for approval before publication. Maintain and dispose of records created as a result of processes prescribed in this publication in accordance with AFMAN 37-139, *Records Disposition Schedule* (will become AFMAN 33-322, Volume 4).

This supplement does not apply to the Air National Guard or Air Force Reserve Command.

SUMMARY OF REVISIONS

This document is substantially revised and must be completely reviewed.

2.2.1. Authority to approve the establishment and disestablishment of isolated unit funds (IUF) is delegated to the Air Force Reserve Officer Training Corps, Comptroller (HQ AFROTC/CCR), for AFROTC detachment and summer encampment IUFs and to Air Force Recruiting Service, Comptroller HQ AFRS/RSSF), for AFRS IUFs. Budgets and internal needs validation studies (INVS) are not required for AFROTC and AFRS IUFs. The approving office will maintain documentation of the required approval; documentation is not required to be maintained at the unit.

2.2.2. Submit all requests and requirements for higher headquarters approval or determination to HQ AETC/SV.

2.3.1. Submit requests to establish base nonappropriated fund instrumentalities (NAFI) to HQ AETC/SVF. Include an income and expense budget, 5-year NAF requirements budget, cash flow budget, and INVSs.

2.4.1.2. If the NAF custodian is relieved of duty for any reason, notify HQ AETC/SVF in writing.

2.6.4.2. Custodians will send one copy of the approved minutes (including out-of-session actions and budgets with full justification) to HQ AETC/SVF not later than the 15th calendar day of the month before the beginning of the new fiscal quarter.

3.1.3.1. See paragraph 2.3.1. of this supplement for additional requirements.

4.1.2. Contact the resource advisor on the availability of appropriated funds (APF) for items or services authorized through APF sources.

4.2.1. Submit a report of commander-approved NAF expenditures for APF-authorized equipment and supplies with the quarterly financial statement (RCS: HAF-SV[Q]7407, Nonappropriated Fund Financial Statement) to HQ AETC/SVFA.

4.3.4. This authority is delegated to the installation commander. The expenditure level must be within the capability of the Morale, Welfare, and Recreation Fund (MWR) without affecting MWR core programs. The expenditures to support these events should be programmed in advance on the rolling four-quarter budget. The following applies to unit enhancement funds:

4.3.4.1. (Added) The resource management flight chief (RMFC) will develop a standard publication (wing instruction or supplement) detailing the installation's unit enhancement program. The publication will define the expenditure limits of the program, how units can obtain and spend the funds, and what items and services units can purchase. For further information, see the HQ AETC/SV web site (<https://www.aetc.af.mil/AFSV>) under Resource Management. Prior to publication, the RMFC will send a copy of the publication to HQ AETC/SVF for approval.

4.3.4.2. Unit enhancement programs are open to all military members and civilian APF and NAF employees assigned to or directly supporting the unit involved. These programs are also open to contractor employees working full-time on the installation and directly supporting the unit. Budget for an installation commander-approved dollar amount per authorized participant in the installation MWR Fund's rolling four quarters income and expense budget.

4.3.4.3. (Added) When the unit enhancement program is available to individual units, base the funding on fiscal year, end-year strength on the unit manning document or base contract. The RMFC may change the amount if mission changes occur during the fiscal year.

4.3.4.4. (Added) The RMFC will record unit enhancement program expenditures in activity code P2, Social Events, on the MWR's financial statement (RCS: HAF-SV[Q]7407).

4.3.5. Defraying the cost of refreshments at NAF employee recognition ceremonies is delegated to the installation commander and may not be further delegated. All employees who are eligible should attend the function.

4.5. At base level, the RMFC will follow up to make sure property is properly disposed of (as approved by the commander) and associated disposal documents are complete and properly signed by authorized personnel. IUF custodians will list serviceable property that is excess to the IUF's needs and select the best disposal method from the options shown in AFI 34-204, *Air Force Services Logistics Support Program*, Chapter 5.

5.2.2. Authority to approve the transfer of NAF assets from a base-level NAFI to a NAFI of the same type at another AETC base is delegated to the AETC Vice Commander (AETC/CV).

5.7.1. Authority to accept contributions, donations, and commercial sponsorship in the form of donated or contributed money, other goods, or services valued up to and including \$25,000, is delegated to the installation commander. Maintain a copy of the approval in the life-of-the-fund file.

6.2.1. The support group commander or higher must sign all grant requests after they are approved in the installation NAF council minutes. Requests must include (1) the current acid test ratio, (2) the amount of available cash above the 1.25 to 1 acid test ratio, (3) a copy of the current approved NAF requirement budget (updated) exclusive of items already purchased and items funded by the MAJCOM, (4) the MWRF cash flow forecast for the next 12 months, and (5) the Capital Requirements Tracking Report (updated). The documentation required for each request includes DD Form 1391, **FY_ Military Construction Project Data**, package (front page, detailed cost estimate, and site plan), INVS, and proforma financial analysis. Submit each request to arrive at HQ AETC/SVF not later than 60 calendar days before the scheduled AETC NAF Council. Suspense dates are normally 1 June and 1 December.

10.2.1. Submit requests for waivers requiring Air Force-level approval through HQ AETC/SV.

11.3. A military installation is considered to have adequate MWR support if it is within 15 miles driving distance from a unit *and* has at least one of the following core programs: (1) sports fields and/or courts, (2) physical fitness and/or multipurpose recreation programs, (3) sports and recreation equipment checkout programs, and (4) consolidated club with an onsite feeding capability.

11.6. Management procedures for AFROTC unit IUFs and AFRS IUFs are in **Attachment 8 (Added)**, this supplement.

12.2.2.1. Use AETC Form 418, **Special Morale and Welfare Expenditure Report**, for the quarterly report. Complete the report, using the instructions in **Attachment 9 (Added)**, this supplement. Ensure reports include sufficient detail to permit meaningful review for compliance, agree with the dollar amounts reported on the financial statements for the corresponding quarter, and are signed by the appropriate commander. Completed reports must arrive at HQ AETC/SVF not later than 25 calendar days after the end of the each quarter. HQ AETC/SVF will review and consolidate the reports for further review by the AETC/CC. Expenditures will be flagged as "improper" if they violate specific published guidance or as "questionable" when the expenditure is not specifically prohibited, but creates the appearance of impropriety. Commanders will be notified when either instance occurs and will take steps to prevent its recurrence.

12.2.3. Special morale and welfare (SM&W) expenditure requests should be submitted to the commander or delegated alternate through the NAF financial analyst and RMFC.

12.2.5. Installation commanders will determine the quarterly SM&W expenditure limits and include them in the MWRF budget.

12.3.3.2. The commander will appoint an independent person to conduct an inventory each fiscal year. This person should perform the inventory by the end of the third quarter of the fiscal year and send copies of the results of this inventory to the supporting Services and Comptroller offices.

12.4. Even if APFs are not available, in most cases purchases that qualify for APF support are not authorized to be purchased under the commander's SM&W authority. However, there are a few limited exceptions; for example, meals for commanders or their representatives at community leader hosted functions, seasonal decorations in dining halls, and some awards authorized by AFI 36-2805, *Special Trophies and*

Awards. In these cases, APFs must be requested and their nonavailability documented before using the commander's SM&W expenditure authority. An excellent beginning reference point for determining the appropriate funding source is the *Commander's Guide to Special Morale and Welfare (SM&W) and Related Expenditures*, provided at the HQ AETC/SVF web site (<https://www.aetc.af.mil/AFSV>) under Resource Management.

12.4.1. The individual recognition item presented for routine occasions, like retirements, is considered a memento and subject to the \$20 limitation, including a corsage or boutonniere for the spouse of the promotee or retiree. Mementos currently in stock with a value greater than the \$20 may continue to be used until the supply is exhausted. The total cost of all mementos presented to a person for a single occasion, including any enhancements (framing, engraving, etc.), will be considered when applying the dollar limit. AETC bases and supported units are authorized to support promotion and retirement functions. Spending limits are \$150 for general officers, \$100 for colonels and chiefs of special staffs, and \$50 for all others. (Limits apply to the grade the individual is being promoted to and includes the cost of the memento.) This program also applies to civilians at equivalent grade levels. Farewell receptions (excluding a memento) should not be supported with SM&W funds unless they are held in conjunction with presenting the departee with an official award, such as the meritorious service medal or the Air Force commendation medal. Spending limits are the same as for promotions and retirements.

12.4.4. Providing flowers is not authorized according to the *Commander's Guide to Special Morale and Welfare (SM&W) and Related Expenditures*, Table 1, Rule 77.

12.4.5. Commanders may provide SM&W support for memorial observances, excluding light refreshments (*Commander's Guide to Special Morale and Welfare [SM&W] and Related Expenditures*, Table 12.1, Rule 51) upon the death of:

12.4.5.1. (Added) A military member or civilian employee of that organization or members of the immediate family. Immediate family is defined as in-laws who reside in the member's household as well as the member's spouse, children (natural born or adopted), parents, brothers, and sisters.

12.4.5.2. (Added) Distinguished leaders of the local community and certain appropriate retired military members with strong ties to the base or organization.

12.4.6. Carefully determine the appropriate funding source. Two determining factors in deciding the appropriate funding source (that is, official representation funds or SM&W authority) are (1) the guest ratios indicated in AFI 65-603, *Official Representation Funds—Guidance and Procedures*, and (2) who the designated guest of honor is. Additionally, an excellent beginning reference point is the *Commander's Guide to Special Morale and Welfare (SM&W) and Related Expenditures* provided by HQ AETC/SVF.

12.4.8. Change of command functions are held to introduce the new commander to the organization and local community leaders as deemed necessary. The maximum dollar limits for change of command functions (to include all costs associated with the function) are as follows:

12.4.8.1. (Added) For Air University, HQ AFRS, Headquarters, Air Force Personnel Center, numbered Air Force, Air War College, and general officer wing commanders--\$800.

12.4.8.2. (Added) For major forward operating agency (Air Force Services Agency, Air Force Manpower and Innovation Agency, etc.) commanders--\$600.

12.4.8.3. (Added) For wing commanders--\$500.

12.4.8.4. (Added) For training, operating, and support group commanders--\$400.

12.4.8.5. (Added) For all others--limits are based on the size of the organization and the commander's position in relation to those listed in paragraphs **12.4.8.1. (Added)** through **12.4.8.4. (Added)** However, expenditures should not exceed \$2 per attendee or a total of \$250, whichever is less.

12.6.2. Submit a memorandum request for clarification to HQ AETC/SVF.

12.7. (Added) Forms Prescribed. AETC Forms 412, 417, 418, and 419.

12.8. (Added) Forms Adopted. DD Form 1391.

NOTE: The following are added:

References (Added)

AFI 34-204, *Air Force Services Logistics Support Program*

AFI 37-139, *Records Disposition Schedule* (will become AFMAN 33-322, Volume 4)

Commander's Guide to Special Morale and Welfare (SM&W) and Related Expenditures, located at <https://www.aetc.af.mil/AFSV> under Resource Management

Abbreviations and Acronyms (Added)

AO—action officer

INVS—internal needs validation studies

Attachment 8 (Added)

MANAGEMENT OF AFROTC AND AFRS IUFs

A8.1. Overview. An IUF provides Services benefits to isolated units not having convenient access to onbase Services programs. This attachment is a guide for managing IUFs at AFROTC unit and summer encampments and AFRS units. If you have questions or there are situations (procurement limits, use of APFs, etc.) not covered in this guidance, ask HQ AETC/SVF for guidance. (AFRS IUFs should follow the normal Recruiting Service chain of command, but AFROTC IUFs should contact HQ AETC/SVF directly.)

A8.2. Responsibilities:

A8.2.1. HQ AETC/SVF will provide current guidance on administering IUFs and provide allocations to IUFs.

A8.2.2. HQ AFROTC/CCR (for AFROTC unit IUFs), AFROTC field training commanders (for summer encampment IUFs), and HQ AFRS/RSSF (for AFRS IUFs) will establish and disestablish IUFs and maintain a list of authorized IUFs.

A8.2.3. HQ AFROTC/SCM (Systems Management) for AFROTC unit IUFs will maintain access to the AETC forms referenced in this supplement and a list of excess serviceable property identified by AFROTC IUF custodians for determination of need at other AFROTC IUFs.

A8.2.4. The commander will:

A8.2.4.1. Appoint a custodian (and alternate, if desired) in writing. The custodian must be a commissioned officer, a civilian (GS-8 or above), or the senior-ranking NCO for the unit.

A8.2.4.2. Sign reconciled bank statements monthly.

A8.2.4.3. Certify income and expense logs monthly.

A8.2.4.4. Appoint an individual other than the custodian to inventory fixed assets annually or on change of custodian.

A8.2.5. The custodian will:

A8.2.5.1. Administer the IUF and be responsible to the commander for properly managing, controlling, and safeguarding the IUF.

A8.2.5.2. Upon appointment, acknowledge an understanding of the standards of conduct in DoD 5500.7-R, *Joint Ethics Regulation*, and, in writing, receipt for the following assets of the IUF:

A8.2.5.2.1. Specific amount of cash on hand and in the bank. The custodian will make sure the bank statement agrees with the bank balance shown in column 8 of AETC Form 417, **Income and Expense Control Log**, and with the balances shown in the checkbook register or similar documents.

A8.2.5.2.2. Blank checks (by number).

A8.2.5.2.3. Property items with a unit cost of \$1,000 or more and a life expectancy of 2 years or more. The custodian will attach a list of such property items or a copy of each AETC Form 419, **Nonexpendable Property Control Record**, to the receipt. Property records will be maintained via AETC Form 419.

A8.2.5.2.4. High-value expendable items with a unit cost of \$300 or more. The custodian will list these items.

A8.2.5.2.5. Itemized records of the IUF.

A8.2.5.3. Report strength quarterly via AETC Form 412, **Military Strength Report**.

A8.2.5.4. Reconcile and sign bank statements.

A8.2.5.5. Maintain required documentation.

A8.2.5.6. Sign checks and withdrawals.

A8.2.5.7. Maintain AETC Form 417.

A8.3. Income. IUFs receive allocations per assigned military member per month, which is normally their primary source of income. AFROTC summer encampments at AETC bases receive \$3 per assigned military member and cadet per month as follows: (**NOTE:** These funds should not be commingled with collections from the cadets.)

A8.3.1. AFROTC summer encampments at AETC bases receive their allocations from their host-base resource management flight. The fund custodian must report assigned military strength monthly, using procedures established by the host NAF accounting office (AO). In case of error, he or she will contact the host NAF AO and follow up with a corrected report. AFROTC summer encampments will return unused IUFs to the host NAF AO at the end of the encampment.

A8.3.2. AFROTC and AFRS IUFs receive their IUF allocations from HQ AETC. AFROTC and AFRS IUF custodians must report assigned military strength for each month in the quarter to HQ AETC/SVF via electronic transmission, using AETC Form 412. Reports are due no later than the fifth workday following the end of each quarter. Allocation checks will be sent out in October of each fiscal year. If strength is not reported quarterly, the unit allocation cannot be prepared. In case of error, the custodian will contact HQ AETC/SVF and follow up with a corrected AETC Form 412.

A8.4. Expense. In general, expenditures should directly support the overall morale and welfare of unit personnel. In addition, all personnel supported by the IUF should have reasonably equivalent access to the authorized (or similar expenditures) benefits. The following examples of expenditures are not all-inclusive; using good judgment to determine expenditures is the key: (**NOTE:** Before making the expenditure, refer questionable cases to HQ AETC/SVF for a determination of propriety.)

A8.4.1. *Authorized* expenditures include costs for services, facility fees, awards, tickets or admissions, retirement mementos (limited to \$20), equipment rentals, recreation supplies, and parties and picnics (to include spouses and bona fide guests).

A8.4.2. *Prohibited* expenditures include:

A8.4.2.1. Any use that would conflict with DoD 5500.7-R.

A8.4.2.2. Contributions to national or local charities, foundations, or similar organizations. An exception is made in the case of death of a member of the unit or his or her immediate family member when the bereaved requests donations be made to charitable organizations.

A8.4.2.3. Cigarettes, other tobacco products, or related items.

A8.4.2.4. Support for offices, work areas, or other mission requirements not related to the morale and welfare of unit personnel.

A8.4.2.5. Personal or organization greeting cards, business cards, and holiday cards (including stamps to mail such cards).

A8.4.2.6. Compensation for personnel in conjunction with their assigned duties.

A8.4.2.7. Investments.

A8.4.2.8. Loans to individuals.

A8.4.2.9. Flowers as an expression of welcome for visitors.

A8.4.2.10. Meals for government personnel in a temporary duty status.

A8.4.2.11. Mementos valued over \$20.

A8.4.2.12. Any expenditure solely for the purpose of dissipating funds when the IUF is dissolved.

A8.4.2.13. Farewell mementos other than for retirements.

A8.4.2.14. Any expenditure not mentioned in paragraphs [A8.4.2.1](#) through [A8.4.2.13](#) of this supplement, but prohibited by paragraph 4.2 of the basic AFI.

A8.5. Tax-Exempt Status. The IUF is an activity of the US Government. As such, it is entitled to all the sovereign privileges and immunities of the US as specified under the Constitution and federal statutes. Therefore, authorized purchases are not subject to state or local sales taxes. The state may have tax-exemption certificates, which may be given to vendors the fund does business with. Contact the legal office for assistance in determining the tax-exempt status of IUF purchases.

A8.6. AETC Form 417, Income and Expense Control Log:

A8.6.1. This form (log) is used to record all fund transactions and provide the necessary audit trail to ensure funds are properly used. AFROTC unit and AFRS IUF custodians will use the cash basis method to account for funds.

A8.6.2. All allocations and other income will be recorded on this log when received and all expenditures will be recorded on this log when paid. Because this log is the sole source of audit trail for expenditures, it is imperative to enter a detailed description of the precise services, supplies, or equipment purchased and the name and address of the vendor.

A8.6.3. The fund custodian must complete blocks 1 through 8 (as applicable) for all transactions, and the commander must initial and date block 9 at least every 30 days. The commander's initials indicate sanction of all entries on the log for the period between the current initialing and the preceding initialing.

A8.6.4. Block 1 (NO) is a transaction number. This is a two-part number. The first part is the calendar month (1 for January, 12 for December, etc.). The second part is the transaction series, starting with 1 each month. The first transaction for January would be 1-1, the second transaction would be 1-2, and so on. The other blocks are self-explanatory.

A8.7. AETC Form 419, Nonexpendable Property Control Record:

A8.7.1. The fund custodian must maintain a nonexpendable property listing of all fixed assets. Items costing \$1,000 or more and having a life expectancy of 2 years or more will be recorded on this listing. For control purposes, property items costing less than \$1,000 that do not lose their identity in use (such as floor fans, card tables, folding chairs, and camping equipment) may also be placed on this listing, if appropriate. For all other items, adequate ways must be established to safeguard and control expendable supplies, spare parts, and other items of high value or sensitive nature that are not maintained on the non-expendable property record.

A8.7.2. An individual, independent from property custodianship and appointed by the commander, will take an inventory of the property annually. Serviceable property that becomes excess to the IUF's needs will be listed, and the best disposal method will be selected from the options listed in AFI 34-204, Chapter 5. **NOTE:** If it is economically or physically impossible to transport the property item to the servicing DRMO or if the item cannot be sold, the custodian may dispose of the property item at a local trash or waste disposal area. The disposal action should be documented, and the commander should witness the action.

A8.8. Bank Accounts:

A8.8.1. Unless waived in writing by HQ AETC/SVF, each IUF must have an account in the name of the unit at a local bank or share draft (savings or credit union) institution. Maintain such waivers as permanent documents in the IUF files in accordance with AFMAN 37-139 (will become AFMAN 33-322, Volume 4).

A8.8.2. All income will be deposited in the account, and all disbursements will be made from it. The quarterly allocation will be deposited to the account by electronic fund transfer. The IUF custodian (or designated alternate, if so appointed in writing by the commander) is the only person authorized to sign unit fund checks or drafts or to obligate funds in any other way.

A8.8.3. At the end of each monthly banking period, the custodian must reconcile the monthly bank statement. Then both the custodian and the commander must sign or initial the statement, indicating reconciliation is complete.

A8.9. Documentation. The following documentation will be maintained:

A8.9.1. A current memorandum appointing the fund custodian (and alternate, if applicable) along with the custodian's receipt of the IUF's assets.

A8.9.2. Canceled checks (if provided by banking institution), bank statements, quarterly strength reports, and IUF income and expense control logs.

A8.9.3. Correspondence to and from HQ AETC/SVF.

A8.9.4. Nonexpendable property records (AETC Form 419).

A8.10. HQ AETC/SVF Checklist. Use this checklist (available at <https://www.aetc.af.mil/AFSV> under Resource Management) to ensure compliance with current Air Force and AETC policy. Key items to review are as follows:

A8.10.1. The currency of the memorandum appointing the fund custodian.

A8.10.2. The IUF income and expense control logs for financial accuracy and propriety of expenditures.

A8.10.3. The control and condition of property purchased with NAFs.

A8.10.4. Strength accounting and reporting procedures.

Attachment 9 (Added)**INSTRUCTIONS FOR COMPLETING AETC FORM 418, SPECIAL MORALE AND WELFARE EXPENDITURE REPORT**

NOTE: The following paragraphs provide instructions for completing AETC Form 418: (Paragraph titles correspond to columns on the form.)

A9.1. Date of Event. Self-explanatory.

A9.2. Category of Event and Brief Description. Prefix each event with one of the following expenditure category titles and summarize the event in sufficient detail to permit review by the AETC/CC:

A9.2.1. Individual recognition.

A9.2.2. Civic affairs and events.

A9.2.3. Memorial observances.

A9.2.4. Welcoming and orientation.

A9.2.5. Hosting of visitors.

A9.2.6. Enhancement of environment.

A9.2.7. Conferences, workshops, and seminars.

A9.2.8. Change of command.

A9.2.9. Individual membership.

A9.3. Ref Number. Annotate the rule number that was used to justify the expenditure. See the *Commander's Guide to Special Morale and Welfare (SM&W) and Related Expenditures* at <https://www.aetc.af.mil/AFSV> under Resource Management.

A9.4. For Whom (Official Title). Provide the official title of the honoree, visitor, or other beneficiary of the expenditure. For receptions and similar events, changes of command, and conferences, include the total number of people served and the number of DoD (NO. DOD) and non-DoD (NO. NON-DOD) attendees.

A9.5. Specific Description/Quantity of Items/Services Purchased. In general terms, describe the item or services purchased. Usually a one- or two-word description will suffice (for example, mementos, refreshments, or wreaths). Itemized lists of each individual item purchased (for example, coffee, cream, sugar) are generally not required. However, for a memento, include the number purchased and the unit cost. Do not simply repeat the reason for the expenditure cited or the individuals served.

A9.6. Cost. Show the total dollar amount for each listed expenditure. Do not combine similar events hosted on different dates into one line item. Retain documents (invoices, memorandums, etc.) in the accounting office to support each expenditure.

MICHAEL A. PACHUTA, Colonel, USAF
Director of Services