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SECRETARY OF THE AIR FORCE**

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Supplement 1**

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Contracting

**NONAPPROPRIATED FUND (NAF)
CONTRACTING PROCEDURES**

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

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This manual implements AFPD 64-3, *The Nonappropriated Fund Contracting System*, and AFI 64-301, *Nonappropriated Fund Contracting Policy*, by providing guidance and procedures for Air Force NAF contracting. Major command (MAJCOM), field operating agency (FOA), and direct reporting unit (DRU) supplements must be coordinated through Air Force Nonappropriated Fund Purchasing Office (AFNAFPO) and approved by Deputy Assistant Secretary (Contracting), SAF/AQC. Purchases with nonappropriated funds are authorized in AFI 34-201, *Use of Nonappropriated Funds*, and AFI 65-106, *Appropriated Fund Support of Morale, Welfare and Recreation and Nonappropriated Fund Instrumentalities*.

(AFRC) The OPR for this supplement is HQ AFRC/LGCM (Ms. Kay Leaphart). This supplement implements and extends the guidance of Air Force Manual (AFMAN) 64-302, 3 November 2000. The AFI is printed word-for-word without editorial review. Air Force Reserve supplementary material is indicated by "(AFRC)" in boldface type. This supplement describes Air Force Reserve Command procedures to be used in conjunction with the basic instruction. Upon receipt of this integrated supplement discard the Air Force basic.

SUMMARY OF REVISIONS

This document is substantially revised and must be completely reviewed.

Includes periodic reviews of MAJCOM NAF purchasing programs by AFNAFPO. Changes authority for annual inspection to Services Squadron commander or equivalent. Increases threshold of small purchases using purchase orders up to \$100,000. Raises the competition threshold to \$5,000 for small purchases. Includes purchases of food items for resale including branding. Incorporates best value as a method of

purchasing for requirements over \$100,000. Allows contracting officer to determine maximum time for contracts not subject to the Services Contract Act (SCA). Increases the dollar amount of verbal confirmation of additional funds against original purchase requests (PR). Incorporates legislative authority that allows DoD agencies and NAFIs to enter into contracts for goods and services. Adds **chapter 9**, Credit Card Purchases and **chapter 13**, Electronic Commerce in NAF Purchasing.

(AFRC) This revision updates Annual Review, paragraph **2.8.**, and adds paragraph **4.2.6. (added)** A bar (|) indicates changes from the previous edition.

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Chapter 1

NAF REQUIREMENTS

1.1. Waivers to NAF Procedures. Waivers to NAF procedures (from field activities) set forth in this manual must be obtained from the Air Force Nonappropriated Fund Purchasing Office (AFNAFPO). Waivers to NAF procedures (from AFNAFPO) set forth in this manual must be obtained from The Deputy Assistant Secretary (Contracting), SAF/AQC will approve waivers requested by AFNAFPO.

1.2. Letters of Appreciation to Commercial Firms . Letters of appreciation to contractors for performance associated with a specific contract or program sponsored by the NAFI are allowable as long as such letters do not imply or infer the contractor's products or services are promoted or endorsed by the NAFI.

1.3. Master Library. Each NAF purchasing operation shall have available, either via hard copy or electronically, a complete set of the Commander's Smart Buy Program (CSBP) catalogs. NAF purchasing personnel are responsible for ensuring that the appropriate activity managers have access to these catalogs.

1.4. Review Meetings. The head of the installation Services function (e.g., squadron commander, division chief, or equivalent) will periodically (but not less than annually per AFI 64-301, paragraph 3.1) meet with operating personnel to identify ways and means of improving NAF contracting procedures and to review the CSBP and purchasing reports generated through the NAF purchasing system.

1.5. NAF Purchasing Training. Personnel delegated purchasing duties must receive formal training from AFNAFPO. Government purchase cardholders will receive training by the issuing authority. The Resource Management Flight Chief (RMFC) will maintain records of such training. The RMFC will ensure NAF purchases are made in accordance with current directives and guidance.

1.6. Suspended or Debarred Firms. Suspended or debarred firms may not be considered sources of supply.

1.7. Legal review. Legal review will be obtained for protests, terminations, contract disputes, contract claims, and ratifications (see paragraph [12.8](#)).

Chapter 2

NAF CONTRACTING OFFICER TRAINING AND PURCHASING AUTHORITY

2.1. Training. A NAF contracting officer warrant is required for contracting authority. Personnel must complete certain mandatory contracting courses to qualify for a contracting officer appointment.

2.1.1. The Services squadron commander, division chief, or equivalent recommends and provides complete justification for the appointment of a NAF contracting officer. The request for appointment must be submitted in writing and include the person's name, grade, position title, phone and fax numbers, and duty address.

2.1.2. The request for appointment must be forwarded to the applicable Major Command Directorate of Services (MAJCOM/SV) for review and recommendation of approval before being forwarded to AFNAFPO.

2.1.3. Contracting Officer appointments are issued by the Director of NAF Purchasing, Headquarters Air Force Services Agency (HQ AFSVA/SVC). The delegation of contracting authority is commensurate with the applicant's training and experience; and shall not be exceeded.

2.1.4. Contracting Officer appointments shall be reviewed annually by the Services squadron commander, division chief, or equivalent. The Services squadron commander, division chief, or equivalent will forward requests for termination to AFNAFPO when the appointment is no longer required.

2.2. Limited Warrants. A limited warrant is restricted to \$5,000 or \$25,000 on open market nonresale purchases. When the Service Contract Act (SCA) and Davis Bacon Act (DBA) apply, then the warrant is limited to \$2,500 and \$2,000 respectively. General Services Administration (GSA) is the exclusive authority to lease office space.

2.2.1. \$5,000 NAF contracting officer appointment. To qualify, the applicant must have at least 1 year of Services experience or 1 year of contracting experience with the government or industry. In addition, the individual must complete the NAF contracting curriculum offered by AFNAFPO.

2.2.2. \$25,000 NAF contracting officer appointment. The applicant must meet the criteria set forth in paragraph [2.2.1.](#) and complete two additional contracting courses approved by AFNAFPO.

2.2.3. Further Limitations:

2.2.3.1. Petty cash-controls are established by the Directorate of Financial Management and Comptroller, HQ AFSVA/SVF.

2.2.3.2. Construction-limit is \$2,000 CONUS, \$5,000 overseas.

2.2.3.3. Nonpersonal services-limit is \$2,500 CONUS, \$5,000 overseas.

2.2.3.4. Interior design service-limit is \$2,500 CONUS, \$5,000 overseas.

2.2.3.5. Concessionaire contracts for services-limit is \$2,500 CONUS, \$5,000 overseas.

2.2.3.6. Training services-limit is \$2,500 CONUS, \$5,000 overseas.

2.2.3.7. Use of the government purchase card (see [chapter 9](#)).

2.3. Unlimited Contracting Officer Authority . Individuals holding a \$5,000, \$25,000, or an unlimited appointment, have unlimited authority (no monetary limit) to purchase the following (subject to funds availability):

- 2.3.1. Resale items.
- 2.3.2. Items for bingo prizes, door prizes, and any other items that would fall under the category of prizes.
- 2.3.3. Delivery orders issued against NAF, GSA, or other Indefinite Delivery/Indefinite Quantity (ID/IQ) type contracts where allowed.
- 2.3.4. Purchases from government entities, e.g., commissaries, exchanges, other Air Force Services or Department of Defense (DoD) activities.
- 2.3.5. Transportation associated with purchases of supplies or services when shipped Free on Board (FOB) origin.
- 2.3.6. Entertainment contracts.
- 2.3.7. Concessionaire contracts for commodities, open house events, and tickets and tours.
Purchases for bonafide emergencies outside of normal operational hours or away from the installation (e.g., aero club aircraft repair).
- 2.3.8. Direct buys for transportation tickets (airlines, bus, etc.) and all lodging facilities including any food requirements associated with lodging. (Contracting officer shall seek best value for the NAFI.)
- 2.3.9. Individual service contracts.
- 2.3.10. Consignment contracts.
- 2.3.11. Purchases of tickets associated with events and tours.
- 2.3.12. Aircraft lease agreements.

2.4. NAF Contracting Officer Delegations. NAF contracting officers may delegate (in writing) purchasing authority to NAF or appropriated fund personnel (APF) as follows:

- 2.4.1. Delivery orders against AFNAFPO contracts issued under the NAF electronic purchasing system.
- 2.4.2. Calls against Blanket Purchase Agreements (BPA).
- 2.4.3. Execution of Entertainment Contracts.
- 2.4.4. Government Purchase Card purchases (see [chapter 9](#)).
- 2.4.5. Unless otherwise provided for in this regulation, only a Contracting Officer can enter into a contract that obligates the nonappropriated fund instrumentality (NAFI) to pay for goods or services.

2.5. Dollar Limitations. Total dollar value of a contract is based on the aggregate sum whether it includes revenues or expenses of the NAFI. Contracting officers and requirements generating personnel shall not split requirements to circumvent the dollar limitations.

2.6. Emergency Purchases. If bonafide emergencies arise outside of normal business hours, individuals may execute emergency purchases to mitigate loss, damage, or interruption in service. Individuals must document the reason for the emergency and notify the NAF contracting officer the first working day after the purchase. (Note: IAW AFI 34-201, paragraph 4.1.6., when APFs are authorized, use of NAFs to purchase in an emergency must be certified by the wing commander.)

2.7. Warrants not Required. Personnel are not required to have warrants to make Special Morale and Welfare (SM&W) purchases under the commander's SM&W expenditure authority, petty cash purchases, or purchases from other NAFIs.

2.8. Annual Review. The Services squadron commander, division chief, or equivalent will certify on an annual basis that adequate controls are in place and that NAF contracting is being conducted in accordance with current directives. Certifications for the previous fiscal year will be submitted to HQ AFSVA/SVC, NLT 30 Nov each year. The servicing contracting office (SCO) may be requested to perform a review of NAF purchasing to serve as the basis for the commander's certification.

2.8. (AFRC) See paragraph **4.2.6. (added)**

2.9. AFNAFPO Review . The AFNAFPO will conduct periodic reviews of installation NAF purchasing programs.

Chapter 3

NAF PURCHASING PROCEDURES USING THE COMMANDER'S SMART BUY PROGRAM (CSBP)

3.1. Central Purchasing Requirements . Essential Products Program (EPP) contracts are mandatory. Requests for waivers to an EPP contract shall be submitted in writing to AFNAFPO. Nonappropriated Fund Purchasing Agreements (NPA) shall be used as primary source of supply for other requirements.

3.2. Selection of EPP Sources. Selection of a contractor for this program may be determined by competitive solicitations or by an internal selection process (by an evaluation panel) from current NPA holders. When a selection is made from an NPA source, a written determination shall be included in the contract file supporting best value to the Air Force NAFI. The operational director or designee and the contracting director or designee are required to sign this supporting document.

3.3. Interior Design Projects. Interior design projects change the design of a room or building. Interior design projects are purchased through AFNAFPO. A requirement is considered an interior design project when a minimum of three elements of a room are changed (e.g., carpeting, draperies, lighting, wall art, furniture). Interior design projects and furniture requirements that involve Customer's Own Material (COM) will be forwarded to AFNAFPO for purchase. Projects that involve minor construction shall be sent to the SCO. Carpet selected for indoor use requires flammability certification prior to purchase. For interior design projects that exceed \$1M see AFI 64-301, paragraph 7.

Chapter 4

SERVICING CONTRACTING OFFICE (SCO)

4.1. SCO Responsibility. The SCO will provide contracting support, technical advice and oversight to NAF activities as requested.

4.2. Contracting Support. The SCO shall use the guidance and procedures of this manual as the method of contracting in support of local NAF requirements. The SCO will provide contracting support for the following:

- 4.2.1. Projects that are funded with a combination of APFs and NAFs (the SCO will use Federal Acquisition Regulation (FAR) procedures).
- 4.2.2. Service contracts that exceed NAF purchasing authority.
- 4.2.3. Construction contracts that exceed NAF purchasing authority.
- 4.2.4. NAF requirements placed against APF indefinite-delivery contracts.
- 4.2.5. Special requests for contracting support or technical assistance.
- 4.2.6. (Added-AFRC) Annual surveillance of NAF Contracting with a written report furnished to the installation SV and HQ AFRC/SVF. This report will be the basis for the commander's certification required in paragraph [2.8](#).

4.3. Appropriated Fund Purchases. Delivery orders citing APFs cannot be issued against NPAs. However, the contracting officer may use an NPA holder as a source for APF requirements.

4.4. Repair of Aero Club Aircraft. The SCO will obtain at least two repair cost estimates for aircraft repair from Federal Aviation Administration (FAA) licensed aircraft repair firms. The solicitation will advise offerors that no award will be made if it is determined the aircraft is not economical to repair or if a decision is made to accomplish repairs in-house.

- 4.4.1. The SCO will provide the repair estimates, including price and terms or conditions, to the local aero club manager. The manager submits the estimates and required photographs of the damage to the HQ AFSVA, Directorate of Programs for repair authorization.

Chapter 5

SPECIAL NAF REQUIREMENTS

5.1. NAF Contracting Requirements. The FAR, DoD supplements (DFARS), and Air Force FAR supplements (AFFARS) do not apply to NAF procurement except as required by this manual and AFI 64-301. Only those clauses required by law or otherwise stated in this manual shall be mandatory. FAR procedures may be used as guidance in support of NAF purchasing processes.

5.2. Protests. AFNAFPO makes determinations on protests for contracts executed centrally. The contractor has 10 days from the date of a decision by AFNAFPO to appeal to Contract Support, Deputy Assistant Secretary (Contracting). Protests filed at base level will be resolved by the NAF contracting officer. All protests will be reviewed by the servicing legal office prior to the contracting officer's decision. Contractor appeals of the contracting officer's decision must be filed within 10 days from the contracting officer's decision and will be forwarded to AFNAFPO. Appeals forwarded to AFNAFPO must be accompanied with a background paper outlining the facts, a copy of the contract and all related documents, and a proposed reply. The Director of NAF Purchasing will be the decision authority on appeals. Protests involving NAF contracts (except when issued by an APF buying office) are not subject to the jurisdiction of the General Accounting Office (GAO) or courts. Comptroller General decisions and this manual are primary sources of authority for deciding protests.

5.3. Architect & Engineering (A&E) Services. AFNAFPO will establish the dollar limits for associated contracts and delivery orders.

5.4. Construction Contracts. Construction contracts executed by AFNAFPO may be executed using the FAR as a guideline. However, the process for acquiring construction may be based upon standard commercial practices if such practices are in the best interest of the NAFL. Such commercial standards may include a total turnkey service, including construction with the same firm that provided the A&E design. For contracts exceeding \$1M see AFI 64-301, paragraph 7.

5.5. Purchase Orders/Contracts. Unilateral purchase orders (except for resale) shall not exceed \$100,000. The contracting officer shall issue bilateral purchase orders or formal contracts for requirements exceeding \$100,000 or where otherwise determined appropriate. Unilateral purchase orders for resale items may be issued for any amount.

5.6. Competition and Sources. Competition, not otherwise required, shall be obtained when the contracting officer can not make a determination of price reasonableness.

5.6.1. Purchases up to and including \$5,000. Competition is not required for purchases up to and including \$5,000. The contracting officer's signature constitutes certification that prices are fair and reasonable. Price lists or other public offerings of products and services (including past orders) should be reviewed by the contracting officer when there is doubt that prices are fair and reasonable. (See [chapter 9](#) for limitations concerning the use of the government purchase card.)

5.6.2. Purchases exceeding \$5,000. At least two sources shall be solicited for requirements estimated over \$5,000 and up to and including \$100,000. Written or electronic solicitations will be issued to a

minimum of three qualified sources for requirements exceeding \$100,000. If only one bid is received then the contracting officer shall include a written memorandum outlining the basis of price reasonableness.

5.7. Resale/Rental (open market). Competition is not required for resale or rental items. When competition is not obtained the contracting officer will prepare a determination of price reasonableness and include the determination in the contract file.

5.7.1. Food purchases under resale. Standard commercial practices concerning the purchase of food items apply to NAF purchasing. Branding is a commonly accepted concept in food services. Brand name food items may be purchased without further competition and established as standard presentations (e.g., core menus and core recipes) within food operations. Food items in general (whether they are directly provided to the consumer or they are part of the recipe) may be considered items for resale; however, competition may be in the best interest of the NAFI in certain cases. Price reasonableness must be determined when purchases are made outside the NAF Prime Vendor program.

5.7.2. Rental item purchases without competition. The decision to purchase brand name items for rental without competition is made by the contracting officer in coordination with the requesting activity. For rental items not driven by brand name preference, the contracting officer shall compete the requirement if it is in the best interest of the NAFI.

5.7.3. Other items. Equipment, supplies and other items that generate revenues by virtue of their function (such as amusement machines, vending machines, and bingo prizes) may be purchased without competition. When competition is not obtained, the contracting officer will determine price reasonableness and include this determination in the contract file.

5.8. Brand Name/Sole Source. Written justification for brand name/sole source purchases shall be provided by the requesting activity. A determination will be made by the contracting officer whether there is sufficient justification to purchase the brand name or from the sole source. Sole source requests may be validated by publicizing the requirement. When competition is not obtained the contracting officer will determine price reasonableness and include the determination in the contracting file.

5.9. Selection Processes for Requirements Exceeding \$100,000. Selection processes for purchases exceeding \$100,000 may be through written proposals (ordinarily using AF Forms 2640 and 2641, **Non-appropriated Fund Contract Award**), electronic proposals, and may include oral presentations by prospective contractors.

5.9.1. Best Value. Best value is the concept that allows award to the offeror providing the greatest value to the NAFI. One or more factors are evaluated using multiple distinctions of merit. Award need not be made to the lowest price offeror. For best value source selections, an acquisition strategy meeting will be conducted to plan the best value strategy, establish evaluation criteria, and determine participants in the evaluation and award. The acquisition strategy meeting shall be conducted prior to the issuance of the solicitation.

5.9.1.1. Solicitations shall inform offerors of the format required for the submission of a proposal. Contents will be limited to only that material needed to fairly evaluate offers.

5.9.1.2. Solicitations shall use past performance as an evaluation factor. Poor past performance ratings may be the basis for denial of award.

5.10. Contractor Responsibilities. Before award of any contract, the contracting officer must determine the responsibility of the firm that is being considered for award. By signature awarding a contract, a contracting officer certifies that the contractor has been determined to meet the responsibility standards in FAR 9.104-1.

5.11. Design Inclusion Provision. A firm that designs or specifies projects (or its subsidiaries or affiliates) may compete for a contract to provide items for that project if the contracting officer determines that it meets the business objectives of the requesting activity and is in the best interest of the NAFI.

5.12. Use of NPAs, GSA and other Government Contracts. Delivery orders may be placed against these contracts (when authorized by the terms of the contract) without further competition and with unlimited dollar authority.

5.13. Performance Period of NAF Contracts or Agreements. Contracts subject to the Service Contract Act (SCA) are restricted to 5 years. Maximum time for contracts not subject to the SCA will be determined by the contracting officer. Contracts which exceed 10 years in duration must be supported by the contracting officer's determination that it is in the best interest of the NAFI. Contracts for leases of real property are unlimited.

5.13.1. BPAs. There is no specific time limit on BPAs; however, each BPA should state the effective beginning and ending dates of the basic period. BPAs may include option periods to extend their duration.

5.14. Buying Products and Services from the Blind and Disabled. Activities will be aware of the products on the mandatory "Procurement List" and will place orders for these products with the people who are blind and severely disabled. Contracting officers shall follow procedures as set forth in FAR Part 8.

5.15. Buying from Federal Prison Industries Inc. The Federal Prison Industry is mandatory for certain products or classes of products/services. Contracting officers shall follow procedures set forth in FAR Subpart 8.6 when acquiring these products/services.

5.16. Purchase of Hazardous Materials . Orders or contracts which include the purchase of hazardous materials shall include FAR 52.223-3, *Hazardous Material Safety Data*, by reference or in full text. Orders shall identify where safety hazardous sheets should be submitted. All purchases of hazardous material must be coordinated in advance with the Hazardous Materials Pharmacy (see AFI 32-7086, *Hazardous Materials Management*).

5.17. Controlled Medical Substances. Controlled medical substances purchased for the base veterinarian shall include the veterinarian's Drug Enforcement Agency (DEA) number. If the veterinarian does not have a DEA number, he or she shall order medical substances from base medical supply.

Chapter 6

CONTRACT PROVISIONS

6.1. Clauses and Certifications. Contracts, orders, and agreements funded exclusively with NAFs shall contain only those clauses and certifications required for the purpose of complying with Federal law, DoD requirements, and protecting the interests of the NAFI. The electronic purchasing system contains the approved contract formats, minimum clauses and certifications to be used for NAF purchases. In addition, the AFNAFPO web site contains the minimum clauses and certifications. Commercial literature and agreements may be incorporated as part of NAF contracts and orders providing they do not conflict with a federal requirement or immunity. Legal review shall be obtained when commercial literature/agreements are incorporated into NAF contracts.

6.2. Purchases Using NAFs and APFs . For purchases using both NAFs and APFs, the acquisition will be conducted by an APF buying office using FAR procedures. Solicitations which allow for award of separate APF and NAF contracts or pricing schedules will contain appropriate NAF clauses and provisions for the NAF part of the acquisition. When FAR clauses are used in NAFI contracts, the contracting officer will delete references to "Government" and substitute "NAFI".

Chapter 7

PURCHASE REQUEST (PR)

7.1. PR Guidance. Purchase requests shall as a minimum identify the requesting NAFI (e.g., Randolph AFB Morale Welfare & Recreation (MWR) fund), the requirement, and requested delivery date. PRs for services should be submitted with a performance work statement (PWS) or statement of need (SON). PRs will be submitted using any form determined acceptable by the contracting officer.

7.2. Numbering Purchase Requests. Numbering of PRs should be configured to identify base name, branch of service, cost center code, fiscal year, and first line item number of a particular PR. The PR numbers will be compatible with NAF Purchasing software. Cost center codes and NAF identifications are provided in the NAF Financial Management and Accounting AFMAN 34-214, *Procedures for Nonappropriated Funds Financial Management And Accounting* (will convert to AFMAN 34-414).

7.2.1. Purchase Request Register. A register for purchase requests and resulting purchase orders shall be maintained electronically or manually.

7.2.2. Funds Availability. All purchase requests must contain certification of funds availability (signed by an individual with fund certification authority) before purchasing action is initiated.

7.2.3. Distribution of Purchase Requests. The preferred method of distribution is through the electronic NAF purchasing system.

7.3. Authorization of Additional Funds Against Original PRs. Any contracting action that requires more funds than originally authorized cannot be executed without certification that funds are available. Additional NAFs are obtained by the contracting officer before commitment of NAFs to settle claims. Freight and other miscellaneous costs not included in the resulting order/contract are not considered part of the funding estimates submitted on the PR. Additional funds may be cited by way of an additional PR or written verification from an authorized individual. Verbal confirmation is authorized for additional funding that does not exceed \$500. AFNAFPO has authority to exceed PR funding for overseas locations by 10 percent without the requestor's approval.

Chapter 8

SOLICITATIONS AND AWARD

8.1. Solicitations. Solicitations may be written or verbal depending on the dollar value/complexity of the requirement. Contracting officers will provide identical information to all prospective offerors in the bidding process. Written solicitations may be structured as a request for quotation (RFQ) or a request for proposal (RFP). Responses to RFQs are not binding on the offeror. An RFP will be issued when a binding offer is needed and will bear the signature or electronic certification of an official in the company authorized to commit the firm. The offer will become a binding contract when accepted and signed by the NAFI contracting officer. Solicitations may be transmitted and received electronically and have the same binding effect as a written solicitation. The NAF Electronic Purchasing System will provide necessary formats to forward to prospective offerors electronically or manually.

8.1.1. Over \$100,000. Written solicitations will be used for open market purchases exceeding \$100,000.

8.1.2. Change in NAFI requirements. If there are changes in the requirement before or after receipt of quotations or proposals the contracting officer will notify offerors of the change. If the quotations or proposals are not yet due, an amendment will be sent to all firms that received the solicitation. If the deadline for quotations or proposals has passed, send the amendment only to those firms that responded. The contracting officer will make a written determination if the changes are significant enough to warrant canceling the entire solicitation and resoliciting.

8.2. Synopsis. Synopsis is not a requirement for NAF purchases. However, the contracting officer may synopsisize requirements when it is determined to be in the best interest of the NAFI. The contracting officer will determine the appropriate length of time for publicizing NAF requirements.

8.2.1. Solicitation and contract award notices for synopsisized NAF purchases shall include the following as the last part of the notice to be published: "This is a nonappropriated fund purchase and it does not obligate appropriated funds of the United States Government. Nonappropriated funds are generated by the military community through the sale of goods and services and the collection of fees and charges for participation in military community programs. This purchase does not involve federal tax dollars." Contract award notices are not a mandatory requirement for NAF purchases.

8.3. Pricing Summaries and Price Negotiation Memorandums (PNM). After the receipt of offers, the contracting officer may award based on the initial quotations/proposals, or conduct negotiations. When price reasonableness can be supported by adequate competition (two or more technically acceptable offers), no further documentation is required. When only one offer is received or found to be technically acceptable, the file will include a short summary of facts in a pricing summary supported by catalog references, price lists, previous history, or other publications that support the price reasonableness of the offer. Use a PNM when price negotiations are conducted to establish fair and reasonable pricing for purchases that involve a binding offer. Communications with offerors will be conducted openly and fairly without affording any offeror a competitive advantage.

8.4. Award. If factors other than price alone are used as a basis of award, then these factors shall be identified in the solicitation with their order of importance in selecting an offer for award (see paragraph [5.9.1.](#)).

8.4.1. Purchases up to and including \$100,000. Using price and other factors as the basis of award, the contracting officer will document the file with the rationale for making award to a particular contractor.

8.4.2. Purchases over \$100,000. Using price and other factors as the basis of award, the contracting officer will prepare a written summary of the analysis of all offers showing the results of the evaluation in relation to price, technical factors, and past performance (when it is used as part of the evaluation criteria). This document will be marked "Source Selection Sensitive" and will not be released to the public.

8.5. Purchase Orders (PO). POs are unilateral offers to buy items on the open market at specified prices and other terms and conditions. POs are binding when the firm accepts the offer either by signing the order or initiating performance.

8.5.1. PO Forms. Use the template provided in the NAF electronic purchasing system. If automated ordering is not available, then the AF Form 2209-1, **Nonappropriated Fund Order for Supplies or Services**, will be used. Commercial vendor literature/business agreements may be attached as part of the order; however commercial business agreements shall be reviewed by legal.

8.6. Confirmation Orders. Orders may be issued orally with follow-on written orders confirming the oral requirements. The written order will contain the date and individual with whom the verbal order was placed.

8.7. POs Outside the United States. In the event of inconsistency in the translation between terms of a contract written outside the United States, the English definition shall take precedence.

8.8. Delivery Orders (DO). A DO is an order written against an existing contract or agreement. Terms and conditions set forth in the basic contract will apply to delivery orders issued. Competition is not required when issuing a delivery order.

8.8.1. Blanket Delivery Orders (BDO). A BDO provides a way of ordering undetermined quantities of supplies and services through prepriced contracts. The order should specify a time frame in which calls will be valid against the BDO as well as the individuals authorized to make the calls. The total estimated dollar amount to be used during the specified time will be identified on the order.

8.9. Numbering of Contracts/Orders. The numbering system shall be consistent with the NAF Electronic Purchasing System to provide an audit trail of contracts/orders issued against individual purchase requests.

8.10. Equal Low Quotes or Proposals. Negotiation with responsible offerors should be used to break a tie. After further negotiations, if there is still a tie, award shall be made by a drawing witnessed by a minimum of two individuals. Offerors may be invited to attend the drawing. Document the contract file with the names and addresses of persons witnessing the drawing.

8.11. Debriefings. Debriefings to unsuccessful offerors will be conducted following award if determined appropriate by the contracting officer.

Chapter 9

NAF GOVERNMENT PURCHASE CARD

9.1. Introduction. The government purchase card is used to make purchases for official government use (AFI 34-275, *Air Force NAF Government Purchase Card Program*). The purchasing thresholds for the card are determined by AFNAFPO in coordination with the HQ AFSVA, Directorate of Financial Management and Comptroller. Government purchase cards are the preferred method of acquiring standard commercial items within the dollar thresholds set forth in this manual.

9.2. Functions and Responsibilities. At base level, the installation RMFC is the Agency Program Coordinator for the installation Services squadron and serves as the focal point for coordinating the applications, issuance and destruction of cards, establishment of reports and administrative training. At MAJCOM level, the MAJCOM/SVF serves as the Agency Program Coordinator, and at HQ AFSVA, the Director of Financial Management and Comptroller performs overall management of the credit card program.

9.2.1. The RMFC oversees the NAF Government Purchase Card Program and establishes installation level guidelines. The RMFC outlines authority of cardholders by issuing letters designating authority and appointing cardholders. Prior to receiving a government purchase card, cardholders receive a letter of appointment outlining responsibilities and indicating the maximum amount for each purchase. The nonappropriated fund financial analyst (NAFFA) shall perform an annual review of all cardholder accounts and document the results of their findings.

9.3. Training. Training is managed by the installation RMFC. Training should address policies and procedures pertaining to small purchases, the use of the credit card and ethical standards. The training may be conducted by NAF contracting officers, senior procurement personnel, or the RMFC. All cardholders shall be familiar with the requirements of this manual and the credit card Standard Operating Procedures (SOP) developed by the Air Force Services Agency.

9.4. Dollar Limitations/Restrictions. The RMFC is responsible for overseeing the execution of purchasing transactions to ensure they do not exceed the individual cardholder's dollar limitations and that the card is being used only for authorized government transactions. The limitations set at installation and MAJCOM level must not exceed the overall thresholds established through AFNAFPO (i.e., each installation or MAJCOM may set its own thresholds as long as they do not exceed the dollar amounts set forth in this manual).

9.4.1. The purchasing card may be used to purchase supplies, equipment, and non-personal services. Individual transactions may not exceed \$2,500 except as follows:

9.4.1.1. For purchases from the Commissary, the Army and Air Force Exchange Service (AAFES), and printing services from the Defense Automated Printing Service (DAPS) the limit is \$25,000 per transaction.

9.4.1.2. Cardholder accounts may be established by training and education program managers with a single purchase limit up to \$25,000. The purchase card does not replace the DD Form 1556, **Request, Authorization Agreement, Certification of Training and Reimbursement**.

9.4.2. Warranted contracting officers may use the government purchase card as a method of payment (specify purchase card as method of payment on written order) on purchase orders/delivery orders up to the limit of their warrant. Card limits shall be adjusted by the local card approving authority to meet mission needs and maximize use of the card.

9.4.3. The government purchase card shall not be used for the following:

9.4.3.1. Personal Purchases.

9.4.3.2. Use as a travel card for official government travel.

9.4.3.3. Cash Advances.

9.4.3.4. Rental or lease of land or buildings.

9.4.3.5. Purchase of hazardous/dangerous items such as explosives, munitions, toxins, firearms.

9.4.3.6. Items designated for purchase with APFs.

Chapter 10

BLANKET PURCHASE AGREEMENTS (BPAS)

10.1. BPA. BPAs provide a method of purchasing supplies and services on a recurring basis when the use of the government purchase card is not practicable. NAF contracting officers negotiate BPAs.

10.1.1. Description of Agreement. The performance period (see paragraph **5.13.1.**) and firm fixed pricing arrangements will be mutually agreed upon by the contractor and the contracting officer and shall be contained in the agreement.

10.1.2. The contracting officer shall provide the contractor a list of individuals or position titles authorized to place calls against the BPA. The list will include maximum call limitations. BPAs will be accomplished by using the same format as purchase orders and will include the clauses required for purchase orders. BPA numbering will be compatible with the NAF electronic purchasing software and local controls.

10.2. Review. Annual review of BPAs shall be performed by the contracting officer to monitor compliance and to determine if continuance of the agreement is warranted.

10.3. Prepriced and Unpriced BPAs. The contracting officer is responsible for determining whether a prepriced or unpriced BPA should be established. Products or services that fluctuate in price on a frequent basis are usually established as an unpriced BPA. The contracting officer should attempt to ensure adequate competition is available when establishing sources that qualify for BPAs.

10.3.1. The contracting officer shall approve price lists or negotiate firm fixed pricing for pre-priced BPAs. Approved price lists will contain the effective dates and a copy will be maintained with the BPA.

10.3.2. Distribution. Copies of the price list or negotiated prices for services shall be dated and distributed to the applicable activities. The activities shall not solicit additional pricing discounts against the pre-negotiated prices. However, voluntary price reductions are acceptable if offered by the contractor.

10.3.3. Items not covered by the BPA are not eligible for purchases under the BPA. Requirements for these items should be referred to the contracting officer for future inclusion under the BPA.

10.3.4. Documenting Calls. Calls against BPAs should be documented by the activity using AF Form 1408, **NAF Call Register** and AF Form 1409, **NAF Purchase Order/Contract/PR Register**. Electronic or manual registers are sufficient as long as they provide the minimum information needed to issue payment. Other controls may be established by the contracting officer as necessary.

10.3.4.1. Sales slips, invoices, delivery tickets, and other commonly accepted documents may be used by the activity to verify receipt of goods. Discrepancies shall be noted. Documentation shall be forwarded to the appropriate paying office to support payment.

10.3.5. Administration of BPA Calls. The activity that placed the call is responsible for follow-up action as it relates to delivery, cancellation, and other related matters. Problems that cannot be resolved will be referred to the contracting officer.

10.3.6. Description of Agreement. Use the template provided in the NAF electronic purchasing system. If the BPA is accomplished manually, then the agreement shall contain as a minimum: pricing, identification of items covered, delivery terms, contracting officer's signature, dollar call limitations, individuals or positions authorized to place calls against the BPA, and mandatory clauses identified in this manual.

10.3.7. Payment. Consolidated payments shall be made on a monthly basis. The specific time and conditions of payment are established within the terms of the BPA. BPAs for commodities subject to accelerated payment under the Prompt Payment Act (meat, perishables, etc.) shall contain appropriate payment provisions.

Chapter 11

SPECIAL TYPE CONTRACTS AND AGREEMENTS

11.1. Formats. Use of the formats provided in the NAF electronic purchasing system for the special contracts and agreements is mandatory. Apply the guidance on the special contracts and agreements discussed in this chapter. Use contract clauses required by [chapter 6](#) and other applicable clauses.

11.2. Entertainment Contracts. Commercial entertainment may be purchased noncompetitively. Fair and reasonable pricing should be determined by the contracting officer. Legal review is required if changes are made to the format. The contractor's social security number is required on the signature page to process appropriate Internal Revenue Service (IRS) forms.

11.2.1. Contracting with booking agents shall utilize the same format prescribed for contracting directly with entertainment acts. Obtain legal review for contracts with agents.

11.3. Aircraft Lease Agreement Format. The contractor's social security number is required on the signature page to process IRS forms. Legal review is required when a change is made to the lease format.

11.3.1. The club cannot operate the aircraft until written approval is obtained from HQ AFSVA. When approval has been obtained, the contracting officer will submit a copy of the completed lease agreement to HQ AFSVA for inclusion in the Air Force Insurance Program. Extension of leases should be forwarded to HQ AFSVA.

11.4. Flight and Ground Instructors Contract Format. These contracts may be entered into noncompetitively. The contracting officer is responsible for determining fair and reasonable pricing. The contractor's social security number or tax identification number is required on the signature page to process appropriate IRS forms. Legal review is required when a change is made to the contract format.

11.5. Individual Service Contracts (ISCs). These contracts may be entered into noncompetitively. The contracting officer is responsible for determining fair and reasonable pricing. Insurance should be considered where unique risks are associated with the services to be performed. These contracts are awarded to specified individuals for their unique skills, experience, or knowledge in performing a service for the NAFI. Consider the Twenty Common Law Factors in [attachment 2](#) to determine whether an employer-employee relationship will result. Legal review is required when a change is made to the contract format.

11.5.1. An ISC will meet, as a minimum, the following criteria:

11.5.1.1. Only the individual specified on the contract will perform the service.

11.5.1.2. Payment should be based on a fixed amount or per job basis (do not pay on a per hour basis).

11.5.1.3. The ISC cannot exceed one year.

11.5.1.4. The ISC does not create an employer/employee relationship (e.g., supervision by a government employee).

11.5.2. Rights, benefits, and privileges that NAFI payroll employees accrue do not apply to a person who furnishes services under an ISC.

11.5.3. Do not use ISCs in the following situations:

11.5.3.1. For services that the individual is obligated to provide the NAFI as a result of his or her military or civilian employee position.

11.5.3.2. For construction services.

11.5.3.3. For services by an employee of the activity where performance of the service would create a conflict of interest.

11.6. Nonpersonal Services. A nonpersonal service contract is negotiated with a contractor (individual, corporation, etc.) for services that do not require unique skills, and the individual or individuals performing the service are not specified within the performance work statement of the contract. The Service Contract Act may apply to nonpersonal services.

11.6.1. For services that amount to \$2,500 or less, the contractor must pay its employees at least minimum wage. Services in excess of \$2,500 require wage rates covering service employees. Requirements over \$2,500 shall be forwarded to the local servicing contracting office for purchase.

11.7. Consignment Contract, Charter Flight/Tour Desk Concessionaire Contract, and Ticket Consignment Agreement. Legal review is required if the prescribed format is changed in any of these contracts.

11.8. Concessionaire Contract Format. Concessionaire contracts will be approved at one level above the Services squadron commander (Support Group Commander or equivalent). Obtain legal review if the prescribed format is changed.

11.8.1. Concessionaire contracts stipulate a fixed return to the NAFI or provide for a percentage of the income. The gross amount (income to NAFI and income to contractor) is used in determining the contract amount.

11.8.2. Obtain advance approval from HQ AFSVA to operate a club, golf course, bowling center, child care center, other services activities, or any part thereof through a contract.

11.9. Contracting for Construction Services. Construction requirements shall not be split to circumvent dollar limitations set forth in [chapter 2](#). Government or NAFI furnished supplies and equipment are not included to determine contract value.

11.9.1. Coordinate construction services with the Base Civil Engineer (BCE) prior to issuing a purchase order. When necessary, make arrangements for BCE inspectors to inspect and accept the work.

11.10. Contracting for Training and Education. When NAFs are authorized to contract for vocational training and part-time college level education of NAF personnel, compete training and education needs in excess of \$5,000 among commercial firms or educational institutions, unless adequate sole source justification is included in the contract file.

11.11. Contracts with Government Employees. Contracts or lease agreements are authorized with military personnel, government employees, or business organizations substantially owned or controlled by government employees, when such contracts or leases are funded solely with NAFs. However, legal review is required to the execution of any such contracts or agreements.

11.12. Donations. NAF contracts funded completely with donations do not require competition if the donor specifies the source to be used.

11.13. Contracting with Appropriated Fund Activities. DoD agencies and NAFIs may enter into contracts or other agreements for goods or services when the contract or agreement benefits both parties. The NAFI can only enter into such a contract or agreement for goods or services related to its authorized activity/business. The benefits to each party should be documented for the contract file.

11.14. Purchasing of Advertising. See AFI 34-104, *Services Marketing and Publicity Program* (will convert to AFI 34-264).

Chapter 12

CONTRACT ADMINISTRATION

12.1. Contract Administration. Contract administration covers actions necessary to ensure compliance with the terms and conditions of the order or contract. It includes, but is not limited to monitoring contractor compliance and the resolution of problems associated with shipments (loss or damaged goods), filing claims, payments, modifications and terminations.

12.2. Receipt/Follow-up on Orders/Contracts. When the contracting office is advised that delivery did not occur, the contracting office will perform follow-up to determine the cause of delay and establish an acceptable delivery date.

12.2.1. If a contractor fails to make delivery after follow-up action, cancellation of the order/contract may be executed if it is in the best interest of the NAFI.

12.2.2. Requests for follow-up action should be within a reasonable time (7 days) after the original delivery date. For overseas activities, follow-up requests should be made within 30 days after the delivery date to the stateside port.

12.2.2.1. The delivery date identified on the order/contract for shipments overseas is the required delivery date to the port and not the final destination.

12.3. Inspection, Acceptance, and Receiving Reports. The NAFI will accomplish acceptance/rejection of goods and services within 5 working days following delivery unless otherwise specified on the order/contract. See [attachment 3](#) to file claims for the loss of or damage to intransit NAF property.

12.3.1. Receiving reports shall include acceptance by signature and date either electronically or manually. Sales slips, delivery tickets, DD Forms 250, **Material Inspection and Receiving Report**, AF Form 2209-1, electronic formats established for receiving, or other forms used commercially or internally are acceptable to verify receipt and acceptance of goods or services.

12.3.1.1. Partial shipments should be processed in a timely manner to ensure payment to the contractor. Payments shall be made for partial deliveries when authorized by the terms of the order/contract.

12.3.2. Proof-of-Shipment Procedure (Overseas only). Under the proof-of-shipment procedure, acceptance occurs when the shipment is received by the common carrier or the government representative at the Consolidation Containerization Point (CCP) or Port of Embarkation (POE). Inspection of goods is waived until receipt at final destination. Payment is made upon receipt of a proper invoice and proof of shipment.

12.4. Termination of Orders/Contracts. Only contracting officers are authorized to terminate orders or contracts. Legal review will be obtained on all termination actions.

12.4.1. Termination for convenience by the NAFI may involve costs. Any termination costs exceeding the contracting officer's warrant authority should be forwarded to the SCO or AFNAFPO for termination action.

12.4.2. Termination for default must be supported by sufficient documentation to validate default action.

12.5. Changes to Purchase Documents. Only contracting officers are authorized to make changes to contracts/purchase orders. NAF activity managers authorized to place calls can make changes to calls against BPAs provided the change is within the scope of the BPA. NAFs must be available on the PR or obtained when additional funding is required.

12.5.1. The contracting officer may make pen and ink changes to documents when the change does not affect the scope of the order/contract. The change should be initialed and dated by the contracting officer.

12.5.2. Use the SF 30, **Amendment of Solicitation/Modification of Contract**, or the format provided in the NAF electronic purchasing system to issue modifications or amendments to purchasing documents. The contracting office that issued the order/contract will make all modifications/amendments unless the written authority is delegated to another contracting office.

12.5.2.1. Modifications/amendments shall be numbered sequentially. Modification/amendment numbering shall be compatible with the NAF electronic purchasing system software.

12.5.2.2. Pen and ink changes up to and including \$250 are authorized in lieu of a formal modification. Any downward adjustments do not require a modification unless the contracting officer deems it is in the best interest of the NAFI.

12.5.2.3. Unilateral/Bilateral modifications are determined based on the nature of the change to the order/contract. Unilateral modifications require only the contracting officer's signature; whereas, bilateral modifications require the signature of the contracting officer and the contractor's authorized representative. Administrative changes usually can be accomplished with a unilateral modification; whereas, significant changes such as change in quantity, dollar adjustments over \$250, or changes in the delivery schedule require a bilateral modification. Bilateral modifications will be prepared and forwarded to the contractor for signature prior to signing by the contracting officer.

12.6. Claims. The contracting officer is responsible for processing contract claims filed against the NAFI.

12.7. Payment Terms. Payment terms shall be specified on orders/contracts. The contracting officer may negotiate payment terms other than standard process terms if there is mutual agreement between the contracting parties.

12.8. NAF Ratification Procedures. The individual who committed the unauthorized purchase will prepare a detailed statement of facts and a purchase request and forward to his/her supervisor for review and action. The supervisor will review the statement of facts for adequacy and certify that the item(s)/services were received and used for an authorized purpose; that funds were available at the time the commitment was made; and indicate what actions were taken to prevent recurrence. The supervisor will forward all documentation (Employee's Statement of Facts, Supervisor's Certification, Invoice, and funded Purchase Request) to the NAF contracting officer. The NAF contracting officer will review the ratification package for adequacy, prepare the necessary contractual documents, and forward to the servicing legal office for review. After legal review, the package will be forwarded to the ratifying authority for consideration. If approved by the ratifying authority, the contracting officer will sign the contract and make appropriate distribution. If the action is not ratified the file must contain the proper method of resolving the matter.

12.8.1. Approval authority for NAF Ratifications. (See [table 12.1](#)).

Table 12.1. Approval/Disapproval Authority for NAF Ratifications.

Management level above the RMFC	\$5,000 or less
Installation commander or equivalent	Over \$5,000 up to and including \$25,000
AFNAFPO	Over \$25,000

12.9. NAFIs will (electronically or in writing) notify the AFNAFPO of any contractor terminated for default or canceled for nonperformance. Notification will identify contractor, date terminated, and reason for canceling/terminating.

12.9.1. NAFIs will notify the AFNAFPO of any contractor (associated with the CSBP) whose goods or services do not conform to contract terms and conditions.

Chapter 13

ELECTRONIC COMMERCE (EC) IN NAF CONTRACTING

13.1. Electronic Commerce (EC). EC as it applies to NAF contracting means the exchange of contracting information electronically between the NAFI and the private sector. The Internet Based Purchasing System (IBPS) or other electronic purchasing system approved by AFNAFPO will be used for purchases made by NAF activities.

13.2. Contracting Officer's Signature . Contracting documents generated by automated procurement systems may use an electronic signature to represent the contracting officer's authorization of the contract action. This authorization applies to all electronically generated contracting documents, even when EC cannot be completely executed (e.g., some contractors may not be capable of accepting EC). In this situation, the contracting office will mail the electronically generated contracting document with the option to sign the hard copy. The following conditions must be met for EC:

13.2.1. Use of personal identification codes to control access to electronic generation software and to permit only the signer use of the digital signature.

13.2.2. Transmission and storage of a discrete electronic symbol to represent the contracting officer's signature.

13.2.3. Use of a discrete authentication intended to bind, as a means of verifying the identity of the individual originating the contracting action and to validate transaction content.

13.2.4. The electronic signature is linked to the data in the signed document in such a way that modification of the data would invalidate the signature.

13.3. EC Distribution. EC contracting systems may be used to distribute contractual documents if they transmit all the information contained in the input to the reviewing system and provide an electronic signature in accordance with paragraph [13.2](#).

13.4. Electronic Creation and Storage of Contract Files. Contracting activities shall create and store contractual documents and files electronically and ensure:

13.4.1. Access to document creation software and applications are controlled.

13.4.2. Audit trails of transactions and significant events are maintained.

13.4.3. Electronic documents and files are executed by individuals acting within their authority.

13.4.4. Dates and times of all records and modifications are defined and recorded.

13.5. Forms Prescribed. As alternatives to the forms generated through the NAF electronic purchasing system the following forms may be used: AF Form 1408, **NAF Call Register**; AF Form 1409, **NAF**

Purchase Order/Contract/PR Register; AF Form 2209-1, Nonappropriated Fund Order for Supplies or Services; AF Forms 2640 and 2641, Nonappropriated Fund Contract Award.

DARLEEN A. DRUYUN,
Principal Deputy Assistant Secretary
(Acquisition & Management)

Attachment 1**GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION*****References***

AFPD 64-3, The Nonappropriated Fund Contracting System

AFJI 24-228, Report of Transportation Discrepancies in Shipments

AFI 32-7086, Hazardous Materials Management

AFI 34-104, *Services Marketing and Publicity Program (will convert to AFI 34-264)*

AFI 34-201, *Use of Nonappropriated Funds*

AFI 34-275, *Air Force NAF Government Purchase Card Program*

AFI 64-301, *Nonappropriated Fund Contracting Policy*

AFI 65-106, *Appropriated Fund Support of Morale, Welfare and Recreation and Nonappropriated Fund Instrumentalities*

AFMAN 34-214, *Procedures for Nonappropriated Funds Financial Management and Accounting (will convert to AFMAN 34-414)*

FAR, *Federal Acquisition Regulation*

FAR 52.223-3, *Hazardous Material Safety Data*

Abbreviations and Acronyms

AAFES—Army and Air Force Exchange Service

A&E—Architect and Engineer

AFFARS—Air Force Federal Acquisition Regulation Supplement

AFNAFPO—Air Force Nonappropriated Fund Purchasing Office

AMC—Air Mobility Command

APF—Appropriated Fund

BCE—Base Civil Engineer

BDO—Blanket Delivery Order

BPA—Blanket Purchasing Agreement

CCP—Consolidation Containerization Point

COM—Customer's Own Material

CSBP—Commander's Smart Buy Program

DAPS—Defense Automated Printing Service

DBA—Davis Bacon Act

DEA—Drug Enforcement Agency

DFARS—DoD Federal Acquisition Regulation Supplement

DISREP—Discrepancy Report

DO—Delivery Order

DRU—Direct Reporting Unit

EC—Electronic Commerce

EPP—Essential Products Program

EPS—Electronic Purchasing System

FAA—Federal Aviation Administration

FAR—Federal Acquisition Regulation

FOA—Field Operating Agency

FOB—Free On Board

GAO—General Accounting Office

GSA—General Services Administration

HQ AFSVA—Headquarters Air Force Services Agency

IBPS—Internet Based Purchasing System

ID/IQ—Indefinite Delivery/Indefinite Quantity

IRS—Internal Revenue Service

ISC—Individual Service Contract

MAJCOM—Major Command

MSC—Military Sealift Command

MWR—Morale Welfare & Recreation

NAF—Nonappropriated Fund

NAFFA—Nonappropriated Fund Financial Analyst

NAFI—Nonappropriated Fund Instrumentality

NPA—Nonappropriated Fund Purchasing Agreement

PNM—Price Negotiation Memorandum

PO—Purchase Order

POD—Port of Debarkation

POE—Port of Embarkation

PR—Purchase Request

PWS—Performance Work Statement

RMFC—Resource Management Flight Chief

RFP—Request for Proposal

RFQ—Request for Quotation

SAF/AQC—Deputy Assistant Secretary for Acquisitions (Contracting)

SCA—Service Contract Act

SCO—Servicing Contracting Office

SM&W—Special Morale and Welfare

SON—Statement of Need

SOP—Standard Operating Procedures

SOW—Statement of Work

Terms

Branding—The term and business approach used to enhance an existing concept or operation. Three types of branding include; National Retail Brands, In-house or Signature Brands, and Manufacturer's Brands. As referenced in this manual, branding is a method or business relationship where a product or service is obtained from a vendor with an identifiable brand name attached. The brand name may be identified with the vendor or the NAFI. Branding may include purchase incentives and ancillary support programs.

Commander's Smart Buy Program—A cooperative purchasing program between installation level NAF activities and the Air Force Nonappropriated Fund Purchasing Office.

Concessionaire Contract—A contract to furnish predetermined goods or services for sale. The concessionaire agrees to pay the NAFI a negotiated percentage of gross sales or set fees.

Construction—The term "construction" means construction, alteration, or repair (including paving, dredging, excavating, and painting) of buildings, structures, or other real property. It does not include the installation of carpet, wall covering, or draperies. Also, it does not include the manufacture, production, furnishing, construction, alteration, repair, processing or assembling of products or other kinds of personal property.

Continental United States (CONUS)—The 48 contiguous states and the District of Columbia, further defined as the United States territory, including adjacent territorial waters, located within the North American Continent between Canada and Mexico.

Contract—An agreement that creates a legal obligation. The elements of a contract are: (1) a mutual agreement; (2) between competent parties; (3) for a legal purpose; (4) involving the exchange of legal consideration; (5) which creates a mutuality of obligation to perform between the parties. The term contract as used in this manual includes, without limitation, formal bilateral contracts, purchase orders, agreements, and modifications as well as other agreements entered into by an authorized contracting officer acting within his/her authority.

Contracting Officer—A person authorized in writing, either by appointment or by position, to execute and administer contracts on behalf of a NAFI.

Delivery Order—An order issued against an existing contract.

Essential Products Program (EPP)—Mandatory contracts issued by AFNAFPO.

FOB (Free On Board) Destination—Freight charges are included in the costs of supplies or figured separately as a lump sum. Risk of loss or damage during shipment lies with the contractor and the carrier.

FOB (Free On Board) Origin—Freight is prepaid and billed separately on invoice by the contractor. Claims for risk of loss or damage are between the NAFI and carrier.

Free Freight Allowed—Contractor assumes cost of freight, but claims for risk of loss or damage are between the NAFI and carrier.

Interior Design Project—A design project involving changes to at least three elements of a room (e.g., carpeting, draperies, lighting, wall art, furniture).

Nonappropriated Fund Instrumentality (NAFI)—An integral DoD organizational entity that performs a government function. It acts in its own name to provide or assist DoD components in providing morale, welfare and recreational programs for military personnel and authorized civilians. As a fiscal entity, it maintains custody and control over its nonappropriated funds. It is not incorporated under the law of any state or of the District of Columbia and it enjoys the legal status of an instrumentality of the United States.

Nonappropriated Fund Purchasing Agreement (NPA)—A fixed priced agreement, against which delivery orders are issued using nonappropriated funds.

Petty Cash—A cash fund of a fixed amount set through an advance of funds, for immediate cash payment of relatively small amounts for authorized buys of goods and services.

Purchase Order—A simplified method to buy goods or services. All necessary terms and conditions are included in the order form, and the price is obtained based on oral or written solicitations. A unilateral purchase order is where the NAFI issues an order for goods or services without express written acceptance of the terms by a the vendor. Acceptance occurs when and if the vendor performs according to the order, at which time a binding contract is formed. A bilateral purchase order is where both parties expressly agree to enter into mutual obligations (for NAF contracting, this involves obtaining a vendor's signature on a contract document before performance).

Procurement—Includes, without limitation: purchasing, renting, and leasing of real or personal property; construction (including third party financed projects), renovation and alteration of real property; and obtaining goods, equipment, and services for either direct use of the NAFI or for resale to authorized patrons. Procurement also includes functions such as selection and solicitation of sources, preparation of award of contracts, and all phases of contract administration. Procurement does not include the determination of requirements.

Qualified Source—A contractor who is normally engaged in the type of work or sells, markets, or distributes the product or service requested and from whom a valid quote could be reasonably expected.

Ratification—The act of validating an unauthorized commitment for the purpose of paying for the supplies or services provided to the government as a result of the unauthorized commitment. Unauthorized commitment as used in this section means an agreement that is not binding solely because the government representative who made it lacked the authority to enter into a contract on behalf of the government.

Real Property—Includes land and any buildings, facilities or improvements thereon.

Request for Proposal (RFP)—A request made to suppliers which communicates NAFI requirements and solicits offers which can be accepted by the contracting officer to form a binding contract.

Request for Quotation (RFQ)—Written or oral request for the purpose of obtaining price, delivery, and

related information from suppliers.

Resale Item—An item or service purchased to generate revenue, including items whose form may be changed before it is sold to a customer (e.g., carcass beef). Consignment items, prizes, and other revenue generating purchases are treated as resale items as used in this manual.

Servicing Contracting Office (SCO)—A base, central, or regional appropriated fund contracting office supporting one or more installations.

Sole Source—There is only one known source who can provide the goods or services requested

Supplies—All property, except land or interest in land. “Supplies,” as used in this regulation, means the same as “property,” “goods,” or “equipment.”

Synopsis—The publicizing of NAF purchases in the Commerce Business Daily “Synopsis of U.S. Government Proposed Procurement, Sales, and Contract Awards.”

United States—The “United States” is defined to include any State of the United States, the District of Columbia, Puerto Rico, the US Virgin Islands, Outer Continental Shelf Lands, as defined in the Outer Continental Shelf Lands Act (43 U.S.C. 1331 et seq.), American Samoa, Guam, Wake Island, Eniwetok Atoll, Kwajalein Atoll, Johnson Island, and Canton Island, but does not include any territory under the jurisdiction of the United States or any US base or possession within a foreign country.

Attachment 2**TWENTY COMMON LAW FACTORS IN INDIVIDUAL SERVICE CONTRACTS**

A2.1. Instructions . A worker who is required to comply with other persons' instructions about when, where, and how he or she is to work is ordinarily an employee. This control factor is present if the person or persons for whom the services are performed have the right to require compliance with instructions.

A2.2. Training . Training the worker by requiring an experienced employee to work with the worker, by corresponding with the worker, by requiring the worker to attend meetings, or by using other methods, indicates that the person or persons for whom the services are performed want the services performed in a particular method or manner.

A2.3. Integration . Integration of the worker's services into the overall business operations generally shows that the worker is subject to direction and control. When the success or continuation of a business depends to an appreciable degree upon the performance of certain services, the workers who perform those services must necessarily be subject to a certain amount of control by the owner of the business.

A2.4. Services Rendered Personally . If the services must be rendered personally, presumably the person or persons for whom the services are performed are interested in the methods used to accomplish the work as well as in the results, and the control factor is satisfied.

A2.5. Continuing Relationship . A continuing and regular relationship between the worker and the person or persons for whom the services are performed indicates that an employer/employee relationship exists. A continuing and regular basis may exist where work is performed at frequently recurring although irregular intervals.

A2.6. Set Hours Of Work . The establishment of set hours of work by the person or persons for whom the services are performed is a factor indicating and showing necessary control.

A2.7. Doing Work On Employer's Premises . If the work is performed on the premises of the person or persons for whom the services are being performed, that factor suggests control over the worker, especially if the work could be done elsewhere. Work done off the premise of the person or persons receiving the services, such as at the office of the worker, indicates some freedom from control. However, this fact by itself does not mean that the worker is not an employee. The importance of this factor depends on the nature of the service involved and the extent to which an employer generally would require that employees perform such services on the employer's premises. Control over the place of work is indicated when the person or persons for whom the services are performed have the right to compel the worker to travel a designated route, to canvas a territory within a certain time, or to work at specific places as required.

A2.8. Order Or Sequence Set . If a worker must perform services in the order or sequence set by the person or persons for whom the services are performed, that factor shows that the worker is not free to follow the worker's own pattern of work but must follow the established routines and schedules of the person or persons for whom the services are performed. Often, because of the nature of an occupation, the person or persons for whom the services are performed do not set the order of the services or set the order infrequently. It is sufficient to show control, however, if such person or persons retain the right to do so.

A2.9. Oral Or Written Reports . A requirement that the worker submit regular or written reports to the person or persons for whom the services are performed indicates a degree of control appropriate for an employee.

A2.10. Payment Of Business And/Or Traveling Expenses . If the person or persons for whom the services are performed ordinarily pay the worker's business and/or traveling expenses, the worker is ordinarily an employee. An employer, to be able to control expenses, generally retains the right to regulate and direct the worker's business activities

A2.11. Furnishing Of Tools And Materials . The fact that the person or persons for whom the services are performed furnish significant tools, materials, and other equipment tends to show the existence of an employer/employee relationship.

A2.12. Right To Discharge . The right to discharge a worker is a factor indicating that the worker is an employee and the person possessing the right is an employer. An employer exercises control through the threat of dismissal, which causes the worker to obey the employer's instructions. An independent contractor, on the other hand, cannot be fired so long as the independent contractor produces a result that meets the contract specifications.

A2.13. Right To Terminate . If the worker has the right to end his or her relationship with the person for whom the services are performed at any time he or she wishes without incurring liability, that factor indicates an employer/employee relationship.

A2.14. Significant Investment . If the worker invests in facilities that are used by the worker in performing services and are not typically maintained by employees (such as the maintenance of an office rented at fair value from a related party), that factor tends to indicate that the worker is an independent contractor. On the other hand, lack of investment in facilities indicates dependence on the person or persons for whom the services are performed for such facilities and accordingly, the existence of an employer/employee relationship. Special scrutiny is required with respect to certain types of facilities such as home offices.

A2.15. Realization Of Profit Or Loss . A worker who can realize a profit or suffer a loss as a result of the worker's services (in addition to the profit or loss ordinarily realized by employees) is generally an independent contractor, but the worker who cannot is an employee. For example, if the worker is subject to a real risk of economic loss due to significant investments or a bona fide liability for expenses, such as salary payments to unrelated employees, that factor indicates that the worker is an independent contractor. The risk that the worker will not receive payment for his or her services, however, is common to both independent contractors and employees and thus does not constitute a sufficient economic risk to support treatment as an independent contractor.

A2.16. Working For More Than One Firm At A Time . If a worker performs more than minimal services for a multiple of unrelated persons or firms at the same time, that factor generally indicates that the worker is an independent contractor. However, a worker who performs services for more than one person may be an employee of each of the persons, especially where such persons are part of the same service arrangement.

A2.17. Making Services Available To General Public . The fact that a worker makes his or her services available to the general public on a regular and consistent basis indicates an independent contractor relationship.

A2.18. Hiring Supervising, And Paying Assistants . If the person or persons for whom the services are performed hire, supervise, and pay assistants, that factor generally shows control over the workers on the job. However, if one worker hires, supervises, and pays the other assistants pursuant to a contract under which the worker is responsible only for the attainment of a result, this factor indicates an independent contractor status.

A2.19. Full Time Required . If the worker must devote substantially full time to the business of the person or persons for whom the services are performed, such person or persons have control over the amount of time the worker spends working and thereby restricts the worker from doing other gainful work. An independent contractor, on the other hand, is free to work when and for whom he or she chooses.

A2.20. Payment By Hour, Week, Month . Payment by the hour, week, or month generally points to an employer/employee relationship, provided that this method of payment is not just a convenient way of paying a lump sum agreed upon as the cost of a job. Payment made by the job or on a straight commission generally indicates that the worker is an independent contractor.

Attachment 3**FILING CLAIMS FOR LOSS OF OR DAMAGE TO INTRANSIT NAF PROPERTY**

A3.1. Applicability. These instructions apply only to property intransit that is lost or damaged. This refers to the period of time before receipt of the property by the servicing base transportation office or by the NAFI to which the shipment is intended.

A3.2. General Information.

A3.2.1. Claim Exemptions. A claim cannot be filed against:

A3.2.1.1. The government for damage, shortage, or loss of goods when transportation is provided by a DoD military component (for example, US owned vessel, aircraft, or vehicle).

A3.2.1.2. An Air Mobility Command (AMC) contract carrier, unless loss or damage occurs due to willful negligence by the aircraft crew, as provided in the contract with the contract air carrier.

A3.2.2. Free on Board (FOB) Origin Shipments. Transportation charges for FOB origin shipments are prepaid by the contractor and billed as a separate item on the invoice. Title passes to the NAFI when the goods are turned over to the common carrier (freight company) at the point of the carrier's first receipt. Any claims for loss of or damage to goods on this type of shipment are filed against the common carrier (freight company) by the requiring NAFI. The contracting officer and the servicing legal office provide assistance in filing such claims. Payment for the goods, including any invoiced contractor prepaid transportation charges, regardless of loss of or damage, are made to the contractor pending settlement of the claim, particularly in any case where delay may result in the loss of any discount.

A3.2.3. FOB Destination Shipments. Transportation charges for FOB destination shipments may be included in the cost of items, quoted as a lump sum amount, or prepaid and billed as a separate item on the invoice for payment. Risk of loss of or damage to goods on this type of shipment are filed against the common carrier by the contractor. The contractor is advised, in writing, through the contracting officer, of any discrepancies so that a timely claim can be filed. The NAFRMS must make prompt payment on goods accepted, particularly in any case where delay may result in the loss of a discount. No payment will be made for goods before acceptance.

A3.3. Claims by Continental United States (CONUS) Activities.

A3.3.1. Claims on FOB-Origin Shipments. Responsibilities of the manager or representative:

A3.3.1.1. Note any damage, shortage, or loss that is not of a concealed nature on the reverse of the carrier's delivery receipt or freight bill, then sign and date the document and obtain the signature of the carrier's representative. Such notations will include specific identification of the items determined to be over, short, or damaged, and indicate the current date. A notation, "OVER", "SHORT", or "DAMAGED", with a statement "SEE REVERSE", will be stamped or marked on the front of the carrier's delivery receipt or freight bill. The notations also will be made and signed on the reverse of the consignee's copy of the carrier's delivery receipt or freight bill.

A3.3.1.2. Contact the common carrier and request inspection of the damaged goods. The carrier may waive inspection of the damaged goods based on the information furnished concerning the extent of observed damage. If inspection is waived, request the carrier to confirm the waiver in

writing, and document the file. Obtain a copy of the inspection report when the common carrier sends a representative to inspect the goods. In any event, request disposition instructions from the freight company for the damaged goods when they cannot be used to satisfy the requirement for which they were purchased.

A3.3.1.3. Process claims with the carrier delivering the goods. A copy of the delivery receipt and any inspection report is furnished the carrier (freight company) along with the claim.

A3.3.1.4. Advise the contracting officer when replacement items are required.

A3.3.2. Claims on FOB-Destination Shipments. Responsibilities of the manager or representative:

A3.3.2.1. Indicate any damage, shortage, or loss of goods.

A3.3.2.2. Contact the delivering carrier and request inspection of damaged goods. Obtain a copy of the inspection report when the common carrier sends a representative to inspect the goods. The carrier may waive inspection of the damaged goods based on the information furnished concerning the extent of observed damage. If inspection is waived, request the carrier confirm this waiver in writing, and document the file.

A3.3.2.3. Furnish the contractor through the contracting officer, a copy of the carrier's delivery receipt (freight bill) and inspection report or carrier's letter waiving inspection (if available) so the firm can file a claim against the carrier.

A3.3.2.4. Advise the contracting officer when replacement items are required.

A3.3.2.5. Request that the contracting officer secure disposition instructions for the damaged goods from the contractor.

A3.4. Claims by Overseas Activities.

A3.4.1. Claims on Overseas Shipments. The ultimate consignee (requiring NAFI) must obtain documentary evidence from DoD transportation personnel to satisfy legal requirements for successful prosecution of valid loss or damage claims. Obtain legal assistance from the servicing legal office.

A3.4.2. Claims on FOB Origin Shipments to POE or CCP. A government representative at the POE CCP:

A3.4.2.1. Indicates any damage, shortage, or loss of goods.

A3.4.2.2. Contacts the common carrier, requests inspection and disposition instructions of the damaged goods, and obtains a copy of the inspection report if the common carrier sends a representative to inspect the goods. The carrier may waive inspection of the damaged goods based on the information furnished concerning the extent of observed damage. If inspection is waived, request the carrier confirm the waiver in writing and document the file.

A3.4.2.3. Prepares SF 361, **Transportation Discrepancy Report** ("DISREP"), and makes distribution. If a discrepancy reported on a DISREP concerning an overage, shortage, or astray freight is not resolved after 60 calendar days, puts the DISREP package together and makes distribution.

A3.4.2.4. Furnishes a copy of the carrier's delivery receipt, any inspection report, and DISREP, as applicable, to the requiring NAFI so a claim can be filed against the common carrier.

A3.4.3. Claims on FOB-Destination Shipments to POE or CCP. A government representative at the POE or CCP:

A3.4.3.1. Indicates any damage, shortage, or loss of goods.

A3.4.3.2. Contacts the common carrier, requests inspection and disposition instructions of the damaged goods, and obtains a copy of the inspection report if the common carrier sends a representative to inspect the goods. The carrier may waive inspection of the damaged goods based on the information furnished concerning the extent of observed damage. If inspection is waived, request the carrier confirm the waiver in writing and document the file.

A3.4.3.3. Prepares Transportation Discrepancy Report and makes distribution pursuant to AFJI 24-228, *Report of Transportation Discrepancies In Shipments*. A copy of the common carrier's delivery receipt, any inspection report of damaged goods, and discrepancy report are given to the contractor so the firm can furnish disposition instructions on damaged goods and file a claim against the carrier.

A3.4.4. Military Sealift Command (MSC) Shipments.

A3.4.4.1. Claims for loss of or damage to goods against MSC contract carriers are mainly limited to bulk cargo and breakbulk-type container shipments that are broken down at the port and goods shipped to more than one consignee. Other ocean cargo seavan containers seldom are opened at the Port of Debarkation (POD) unless (i) damage results during shipment, (ii) a broken seal indicates pilferage, or (iii) damage results during off-loading:

A3.4.4.1.1. If a loss of or damage to goods occurs after acceptance at the POE during storage, handling, or loading, DoD transportation personnel prepare and distribute Transportation Discrepancy Report.

A3.4.4.1.2. If a loss of or damage to goods occurs during shipment from the POE or POD or during off-loading, handling, or storage at the POD, DoD transportation personnel prepare and distribute DD Form 470, **Cargo Outturn Report**, and SF 361, **Transportation Discrepancy Report**.

A3.4.4.1.3. If loss of or damage to goods is discovered at the base after opening a sealed container and DoD transportation personnel determine that it did not occur during shipment from the POD, then DoD transportation personnel prepare a Transportation Discrepancy Report and make distribution as specified in the regulation.

A3.4.4.2. The ultimate consignee (requiring NAFI) uses the DISREP to document its claim against the MSC contract carrier, stevedoring contractor, or contractor that packed the container. Claims against a MSC contract carrier or stevedoring contractor are sent to the address provided by the servicing base transportation office.

A3.4.4.3. If loss or damage is due to faulty packaging by the contractor, a claim should be placed against the contractor for the damage, by trained purchasing people, in a fair manner, showing favor to no one person, or group, or business firm, and to the best advantage of the nonappropriated fund instrumentality (NAFI).