



DEPARTMENT OF THE NAVY
COMMANDER NAVY REGION SOUTHWEST
937 NO. HARBOR DR.
SAN DIEGO, CA 92132-0058

IN REPLY REFER TO:

COMNAVREGSWINST 1710.4
N92
7 June 2001

COMNAVREGSW INSTRUCTION 1710.4

Subj: NONAPPROPRIATED FUND INVENTORY BOARDS

Ref: (a) DOD 7000.14-R, VOL 13
(b) OPNAVINST 11103.1B

1. Purpose. To establish inventory boards for the annual physical inventory of fixed assets, resale merchandise and consumables acquired with nonappropriated funds (NAF); verification of change funds, petty cash funds and undeposited receipts; and, to provide Regional guidelines for conducting the physical counts in accordance with references (a) and (b).

2. Background. Nonappropriated funds (NAFs) monies are derived from sources other than Congressional appropriations, primarily from the sale of goods and services to DOD military and civilian personnel and their family members. These funds are government funds. Accordingly, NAF administration is a command function. Nonappropriated fund instrumentalities (NAFIs) include: Morale, Welfare and Recreation (MWR) fund and Combined Bachelor Housing (CBH) Nonappropriated Billeting Fund (NABF).

3. Definitions

a. Fixed Assets. Fixed assets are nonexpendable and tangible and commonly referred to as Plant, Property and Equipment. Included are capital assets such as buildings and facilities; buildings and facilities improvements; vehicles; and furniture, fixtures and equipment (FF&E). These assets retain their original identity during their period of use and are not fully consumed in normal use. They are either purchased, donated, or transferred to a NAFI and have an acquisition cost of \$2,500 or more. The threshold amount is applicable to purchases after 30 September 2000. Assets purchased prior to 1 October 2000 with an acquisition cost of \$1,000 or more, will continue to depreciate in accordance with prior depreciation criteria. Acquisition cost is defined as cost plus any expenditures necessary to place those assets into use as intended, e.g., installation, freight, testing, legal fees to

establish title, and any other costs of putting the assets in the condition and location required for use.

(1) Buildings and Facilities. Buildings and facilities must cost \$2,500 or more and have a life span of 30 years.

(2) Building and Facilities Improvements. The expenditure must be \$2,500 or more and have an estimated life of 10 to 15 years.

(3) Vehicles. Vehicle(s) which cost \$2,500 or more and have an estimated life of 5 to 10 years.

(4) Furniture, Fixtures and Equipment. As one item or group, must cost \$2,500 or more (i.e., five matching chairs costing \$500 each, making the group price of like items \$2,500).

Note: CBH cannot group like items, per NAVFACENCOM 11103 ltr HBH/LG of 5 September 2000.

b. Resale Merchandise. Merchandise purchased and stored for the purpose of resale is considered an asset of the activity.

c. Consumables. Supplies and materials which, after they are issued, are immediately consumed in use or become incorporated in other property, thus losing their separate identities.

4. Policy. As a minimum requirement, all NAF fixed assets, resale and consumable inventories must be physically inventoried on an annual basis, not later than the end of each fiscal year. The results of the inventory must be reconciled with property records and the RAMCAS general ledger controlling accounts. The inventory must be accurate because the physical count is the basis of reconciliation. The physical count conducted by activity employees must be observed and verified by personnel who are not assigned to the activity. These observers and verifiers are assigned by the local Commanding Officer to the NAF Inventory Board on a temporary, collateral duty basis.

5. Responsibilities

a. The Regional MWR and CBQ Program Managers and/or the Commanding Officer shall provide inventory manpower at paygrades E-6 or GS-5 and above.

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b. The Regional NAF Support Office shall maintain an updated database of MWR and CBH fixed assets acquired with NAF/NABF.

c. MWR/CBH Site Managers shall maintain a database for retail and consumable items.

d. Inventory Board members shall observe and verify physical counts.

e. Command Evaluation shall provide technical supervision of inventory procedures, cash verification and reconciliation of inventory results with the applicable balance sheet accounts of the NAFI activities.

7. Action

a. The Regional MWR Program Manager shall, through the:

(1) Regional NAF Support Office Manager, establish the cut-off date for the sale and receipt of goods and materials. The cut-off date for the receipt of retail merchandise may be set two or three days earlier than the close of the accounting period to permit the arrangement and pre-inventory of stock prior to the inventory date. All merchandise received prior to the receiving cut-off date will be included in the inventory. Merchandise received after the cut-off date will be included.

(2) Regional MWR Operations Manager shall coordinate with base/installation Site Managers the dissemination of specific inventory instructions to employees at least 10 days prior to the physical inventory. These instructions shall prescribe:

- Counting and listing procedures that will be used.
- Inventory count forms
- Pricing of inventory (weighted average or first-in first-out (FIFO)).
- Transaction cut-offs.
- Personnel assignments.
- Working hours.

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b. Site Managers shall ensure that the following preparatory steps are made prior to the inventory date:

(1) All NAF fixed assets meeting the criteria for inventory are tagged as NAF properties.

(2) All merchandise on the selling floor and warehouse are arranged, sorted and consolidated by identical merchandise and price line to facilitate counting and listing. Merchandise sold but being held for pick-up will be segregated from regular stock and shall not be included in the inventory.

(3) All merchandise shall be properly marked with the cost price.

(4) All merchandise returned by patrons and for which credit has been given, shall be properly marked and included in the appropriate departmental inventory.

(5) With the exception of cartons retained for packaging of merchandise on display, all empty cartons shall be removed from the selling floor, warehouse or storeroom and collapsed so that they will not be included in the inventory count.

(6) Inventory sheets shall be prepared by department for all items. To the maximum extent possible, inventory sheets will list the items according to the manner in which they are physically arranged at the inventory site. Nomenclature shall identify the items to be inventoried. All sheets shall be dated, pre-numbered, and accounted for.

(7) Inventory sheets shall be distributed to the individuals assigned to conduct the inventory.

c. Recommended physical count procedures shall include:

(1) Whenever possible, an individual familiar with departmental stock will be assigned as counter.

(2) The count proceeds from left to right, top to bottom, in book-reading fashion.

(3) Normally, a team of two people do the work. One should call and inspect the inventory while the other (recorder) enters in ink the quantities on the inventory sheets.

(4) During the course of the inventory, the verifier must conduct independent test checks to ensure maximum accuracy and integrity of the count.

(5) Items found to be on hand, which were omitted from the inventory sheet, must be recorded by the inventory team, provided such items can be positively identified as activity-owned property.

(6) Inventory count sheets must be extended and footed by the Regional NAF Accounting Office.

(7) After the inventory count sheets have been extended and footed, the inventory sheets will be summarized in value and compared against the book inventory.

d. Cash Counts

(1) A member of the inventory team shall verify by actual count the change fund, petty cash fund, and undeposited receipts. The total amount of each fund verified must be compared against the official custody letter of the fund.

(2) All non-cash items should be documented on a locally developed form and retained.

(3) I.O.U.'s and post-dated checks will not be regarded as cash.

(4) Paid petty cash vouchers awaiting replenishment are counted as cash items.

(5) The fund custodian must be continuously present during the count and must affirm the return of the cash funds to his/her possession.

8. Implementation Date. Upon receipt of instruction.



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