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# THESIS

MORALE, WELFARE AND RECREATION:  
A FINANCIAL MANAGEMENT GUIDE FOR THE  
FIELD ACTIVITY COMPTROLLER

by

Patrick R. Wenn

June, 1992

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**MORALE, WELFARE AND RECREATION:  
A FINANCIAL MANAGEMENT GUIDE  
FOR THE FIELD ACTIVITY COMPTROLLER**

by

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Submitted in partial fulfillment  
of the requirements for the degree of

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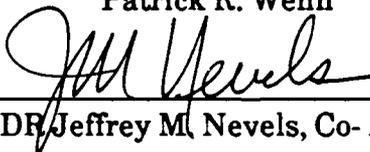
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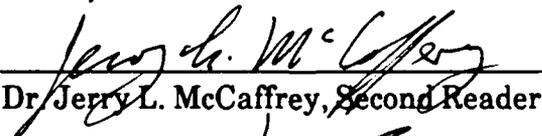


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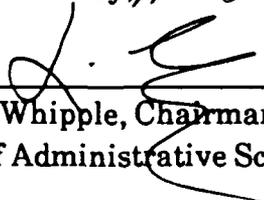
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## ABSTRACT

The focus of the thesis is to identify the functions and responsibilities of the Navy field activity comptroller, and to develop a comprehensive financial management guide of the Morale, Welfare and Recreation program. Specifically, the thesis examines the role of the comptroller in the distribution, management and budgeting of MWR funds, determines MWR comptroller requirements and offers useful and practical recommendations to effectively budget and manage MWR funds. The MWR Financial Management Guide will be incorporated in the Practical Comptrollership Course (PCC) offered by the Naval Postgraduate School in Monterey, CA and offered to comptrollers in the field as a management tool.

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## I. INTRODUCTION

### A. PURPOSE

The purpose of this thesis is to develop a comprehensive management guide of Morale, Welfare and Recreation (MWR) policies and procedures for field activity comptrollers. In addition, this guide will provide practical ideas and concepts which will enable a comptroller to manage MWR appropriated funds and advise the commanding officer on MWR funding issues. The MWR Management Guide will be included in the Practical Comptrollership Course (PCC) offered at the Naval Postgraduate School in Monterey, California, and is primarily intended for use by PCC students when relieving field activity comptrollers or as a routine management guide.

The MWR Management Guide, when implemented, should give a broad perspective of MWR policies and procedures for the field activity comptroller and a thorough understanding during the relieving process and turn-over procedures. In addition, the MWR Management Guide can be used by comptrollers to advise and guide commanding officers in MWR funding matters and situations, and can be used by newly reporting comptrollers to determine the effectiveness of the current comptroller's MWR program.

## **B. PROBLEM STATEMENTS**

The Morale, Welfare and Recreation program is essential to the United States Navy and has proven to be the cornerstone through which commanding officers can address personnel and family matters in a positive manner. The program directly affects the physical, physiological and social well being of sailors and marines. This support may be in the form of fitness equipment or specialized recreation programs for afloat units, or they may be youth centers, child care centers, craft shops, bowling alleys, or golf courses for shore commands. Whether afloat or ashore, whether for the sailor or the dependent, the Morale, Welfare and Recreation Program provides wholesome outlets and release from the pressures of military service and thereby directly contributes to retention and readiness. As such, the MWR program is an extremely important tool in that it has a direct impact on meeting the commanding officer's goals and objectives.

The job of the field activity comptroller is to monitor the financial management of the MWR program with the guidance of the commanding officer. The comptroller reports directly to the commanding officer and acts as financial advisor on the budgetary aspect of the program's operations. It is imperative that the comptroller understands the budgetary process so that the command's priorities and goals can be accomplished.

Many Naval officers, especially from the line community, are detailed to Navy field activity comptroller positions with

little, if any, practical financial management experience. They are tasked with assuming all responsibilities and duties of a field activity comptroller in a relatively short time frame. The newly reported comptroller, whether military or civilian, may be overwhelmed by the functions of the comptroller, especially with all of the complexities of the comptrollership process. With the high volume of directives, manuals, and various departmental instructions governing MWR operations, the new comptroller is faced with filtering out the critical information necessary for managing a quality MWR program budget. This thesis attempts to provide a guide for the comptroller in the control, distribution, and understanding of the MWR program, and an overview of his/her responsibilities.

### **C. BACKGROUND**

The Morale, Welfare and Recreation Program Management Guide is intended to be used for two purposes. As the title indicates, one is a comprehensive guide of MWR policies and procedures for field activity comptrollers. Second, the guide will be incorporated as a chapter in the text used for the Practical Comptroller Course and Financial Management in the Armed Forces (MN3154). Both classes are offered at the Naval Postgraduate School, Monterey, California. The current textbook contains very little on the MWR program and does not sufficiently cover the aspects or importance of MWR. Past

textbook contains very little on the MWR program and does not sufficiently cover the aspects or importance of MWR. Past comptroller students and past MN3154 students have expressed a need for a comprehensive chapter of MWR policies and procedures. The area of research will be to collect all pertinent instructions, manuals, and data and incorporate this information in one publication.

#### **D. RESEARCH OBJECTIVE AND RESEARCH QUESTION**

The research objective was to develop a comprehensive management guide of MWR policies and procedures for field activity comptrollers.

The primary research question is:

What does a field activity comptroller need to know to effectively and efficiently control and distribute MWR funds, and effectively advise the commanding officer regarding the MWR program and its funding?

Secondary questions are:

What are the field activity's requirements with respect to MWR funding?

Which aspects of the MWR program do field activity comptrollers find most difficult to control and understand?

#### **E. SCOPE**

The primary scope of this thesis will focus on the policies and procedures of the MWR program as it relates to the field activity comptroller in the control, distribution and understanding of the program. The research will address

and determine concepts and procedures and provide a firm understanding of MWR as it applies to the comptroller.

This thesis is designed to develop a reference guide for the newly reported comptroller to the field activity. It examines the duties and responsibilities of field activity comptrollers and key MWR personnel in the MWR process. It also provides an overview of the MWR process and illustrates how the field activity comptroller fits into this process.

This thesis is not intended to be a comprehensive document on the MWR program, but a overall guide for the field activity comptroller. It's scope will be sufficiently broad to familiarize the comptroller on MWR structure, procedures and processes and will include references for specific MWR topics.

#### **F. LITERATURE REVIEW AND METHODOLOGY**

Information for this thesis was obtained through two research methods: a review of current DoD and Navy MWR directives, instructions, manuals and other pertinent literature; and field research.

##### **1. Literature Review**

A thorough review of available literature was conducted to prepare a preliminary outline of the MWR guide. The review encompassed major MWR manuals, instructions and directives such as:

- Navy Comptroller (NAVCOMPT) Manual
- Navy Recreation Operational Policies (BUPERSINST 1710:11A)

- Responsibility for MWR Programs in the Navy (OPNAVINST 1700.7B)
- Financial Management Policies and Procedures for MWR Programs (NAVSO P-3520)
- Funding of Morale, Welfare, and Recreation Programs (DoD Directive 1015.6)
- Operational Policies for MWR Activities (SECNAVINST 5401.3)

## 2. Field Research

Field research included personal and telephone interviews with Navy field activity comptrollers and MWR directors. Each comptroller and MWR director was provided with a copy of the MWR guide and requested to verify it for accuracy and completeness.

These in-depth interviews included not only procedural advice, but their perspectives on management of MWR funds with emphasis on their own specific ideas as to what practices they felt necessary and effective. The level of importance of MWR topics and the relevant information that should be known by all comptrollers at the field activity level were discussed. Specifically, the comptrollers pointed out key elements, ideas and recommendations on MWR which are not documented but have proven to be successful at their respective commands. Their ideas, comments and recommendations are reflected throughout this thesis.

## G. THESIS ORGANIZATION

This thesis is organized as follows: Chapter II gives an overview of the MWR program and formulation, defines common terms related to MWR and describes sources of funding. Chapter III specifically addresses the role of the field activity comptroller in the MWR program. Chapter IV covers the summary; conclusions that were made as a result of this research and recommendations for further study. Appendix D is the actual chapter incorporated in the Practical Comptrollership Course text.

## II. OVERVIEW OF MWR PROGRAM

### A. BACKGROUND

In today's armed forces, the need has never been greater for a diverse, well-balanced and all encompassing Morale, Welfare and Recreation program to support the well being of our men and women. Quality assistance to families provided by a well-run Morale, Welfare and Recreation program is one of the key ingredients to building a quality of life which is essential for the retention of personnel in the service.

The MWR program provides a wide variety of support to various personnel. Active duty, reserve and retired military personnel and their families as well as civilian DoD employees are all eligible for these services. MWR activities are found on practically every military installation: over 900 installations in the United States and over 360 installations overseas. Some of the activities offered include:

#### RECREATION

gymnasiums  
fitness/sports  
libraries  
arts/crafts ctrs.  
swimming pools  
skill development

#### COMMUNITY SUPPORT

child development ctrs.  
youth activities

#### REVENUE GENERATORS

bowling ctrs.  
golf courses  
marinas  
skating rinks  
clubs  
movie theaters

These activities are financially supported by two means: appropriated funds (APF), which are appropriated by Congress in the annual DoD budget, and nonappropriated funds (NAF),

which are generated by Navy Exchange and MWR activities profits. Figure 1 demonstrates the levels of funding from the various sources. Total MWR program funding for all services averages \$4.1 billion per year of which \$1.3 billion is appropriated funding and \$2.8 billion is nonappropriated, self-generated funds. MWR activities employ 240,000 civilian personnel: 12,000 appropriated fund employees and 228,000 nonappropriated fund employees. This \$4.1 billion annual resource flow would rank 123rd in the "Fortune 500 " size. Navy MWR activities alone have 26,000 employees and a \$756 million annual resource flow - 404th in the "Fortune 500".

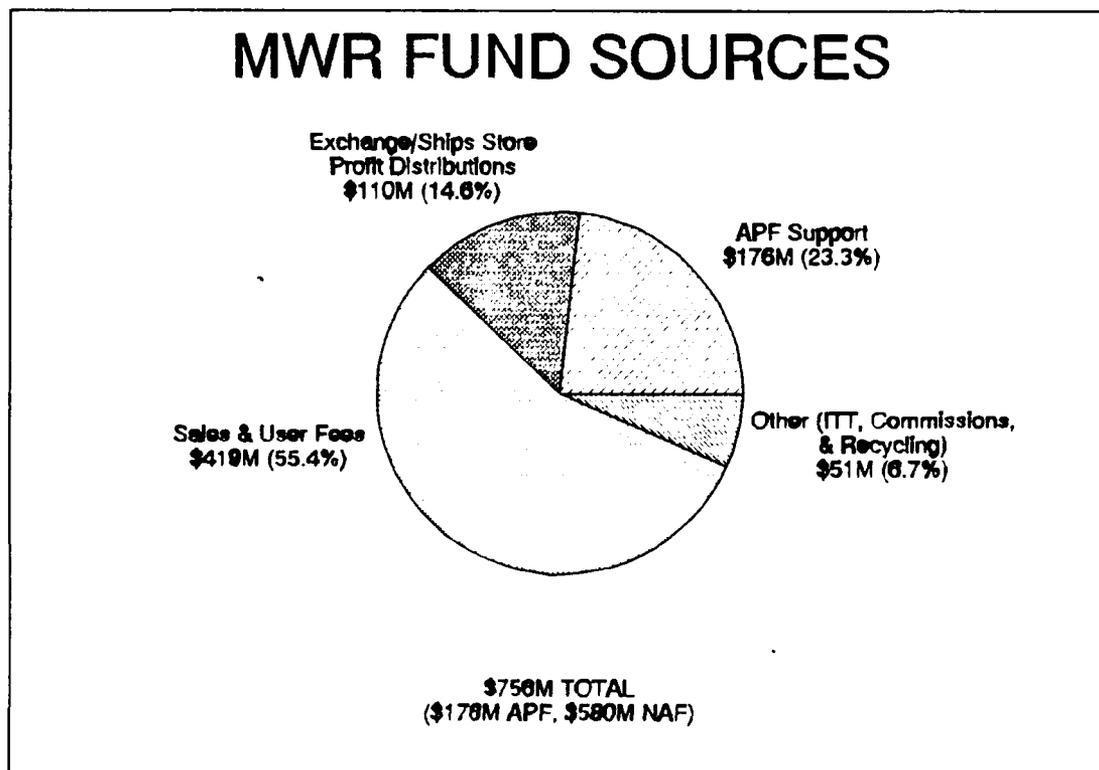


Figure 1

## **B. MWR PROGRAMS**

The services provided by MWR programs fall along a continuum, with activities that are essential to the accomplishment of the military mission at one end of the spectrum, and activities that are desirable from a community stand point at the other. Generally, this continuum also reflects the inverse relationship between an activity's mission essentialness and its ability to generate revenue. That is, in general, those activities which are the least mission essential tend to be the ones which are the most self-sufficient. MWR activities are divided into three categories classified as follows:

### **1. Category A: Mission Sustaining Activities**

At the "essential" end of the spectrum are mission sustaining activities in which the military organization is a primary beneficiary and the activity provides identifiable recruiting and/or retention incentives. The activity generally has universal appeal to the Navy community and develops duty related skills or capabilities. Similar activities in the private sector are heavily subsidized by corporations or local government. Fees are usually not charged and the activity usually has little potential to produce revenue independently. In addition, these activities are considered most important for the health and well-being of the military member. This category is supported almost

exclusively with appropriated funds and the use of nonappropriated funds is authorized if supplemental funding is needed for the operation of a facility or program. Also included are all consolidated support services functions such as accounting, procurement, and personnel services for one or more MWR activity, regardless of category.

Category A activities include:

1. Armed Forces professional entertainment programs overseas
2. MWR consolidated support service offices
3. Gymnasium - Physical fitness - Aquatic training
4. General libraries (excludes technical libraries)
5. Parks and picnic areas
6. Recreation centers
7. Shipboard activities
8. Shipboard, isolated or deployed free admission motion pictures
9. Sports and athletics (self-directed, unit level, intramural)
10. Unit level programs and activities

**2. Category B: Basic Community Support Activities**

In the middle of the spectrum are activities that contribute to the mission, but are capable of generating some revenue. However, they are not expected to sustain their operation solely as a result of that revenue. These activities differ from those in Category A primarily because fees are usually charged for participation. Appropriated fund

support is authorized for a significant portion of the operating costs of these activities.

Category B activities include:

1. Amateur radio
2. Arts and crafts skill development
3. Automotive crafts skill development
4. Child development centers
5. Community centers
6. Entertainment (music and theater)
7. Marinas without resale or private boat berthing
8. Outdoor recreation
9. Recreational information (tickets and tour services)
10. Recreation swimming pools
11. Sports programs (above intramural level)
12. Stars and Stripes newspaper
13. Youth activities

**3. Category C: Business Activities**

At the other end of the spectrum are activities which primarily benefit the individual. These activities are similar to those which are operated for profit by a private enterprise in the civilian sector. These business activities have a significant capacity to generate revenue through the sale of goods and services and appropriated fund support is very limited. However, business activities located in extremely remote and isolated areas, as approved by Congress,

may be provided appropriated support similar to that authorized for Category B activities. For a list of Category C activities see Appendix A. A list of congressionally approved isolated and remote installations can be found in Appendix B.

The authorized appropriated funding by category is:

Category	APF Authorization
A-Mission Sustaining	90-100%
B-Community Support	60-70%
C-Business Activities	0-5%

#### C. BUDGET POLICY FOR OPERATIONS

The applicability of appropriated fund (APF) and nonappropriated fund (NAF) support is generally governed by the classification of the MWR activity (Category A, B or C). As previously stated, Category A and B activities depend largely on appropriated funds, with nonappropriated funds used as a supplement to maintain operations when necessary. All costs directly related to the sale of merchandise or services and to the internal management of a NAFI, such as NAF financial management, personnel management or payroll documents, should be financed using nonappropriated funds. Both appropriated and nonappropriated funds required to support MWR programs must be identified in annual budgets.

Methods of budget formulation of appropriated and nonappropriated funds will be discussed in Chapter III.

Operating costs to maintain and manage a well functioning MWR program at a command or activity are divided into three areas:

**1. Direct Operating Costs**

The Navy Comptroller Manual (NAVCOMPT MANUAL, VOL.7) is very explicit in determining which type of funding for direct operating costs is allowed within each category.

**a. Category A:**

These activities are generally financed with appropriated funds. However, nonappropriated funds may be used to supplement appropriated funds. When NAF are used they must be used for the following:

1. Costs associated with NAF employees assigned to category A activities.
2. Costs incurred related to the sale of goods and services.
3. Costs related to the internal management of NAFIs.

**b. Category B:**

These activities are generally financed with appropriated funding with nonappropriation funds used as a supplement for the following:

1. Costs associated with NAF employees assigned to Category B activities.
2. Costs incurred related to the sale of goods and services.

3. Costs related to the internal management of NAFIs.
4. Royalty payments for music and theater.

**c. Category C:**

These activities are generally financed by nonappropriated funds and supplemented by appropriated funds only for the following specific purposes:

1. Postal services involving official communications with government agencies and private commercial agencies not related to the sale of goods and services.
2. Printing and reproduction not related to the sale of merchandise or services or the internal operations of NAFIs.
3. Routine ground maintenance (excluding golf courses).
4. Acquisition of surplus/excess government equipment.
5. Investment equipment in support of food preparation.
6. Purchase of real property as approved by Congress.
7. For remote activities overseas (see NAVCOMPT Manual Volume 7, 075521).

However, with the approval of the commanding officer, the MWR director has the ability to use nonappropriated funds wherever he/she deems it necessary to fund the base's programs.

**2. Common Support Costs.**

Common support costs consists of services and related goods normally provided for the entire base. These expenses provide services that protect the health, safety and welfare

of all participants, employees, resources and property on base. They also provide support that is of a physical nature i.e., facility maintenance and repair, fire and security support and waste removal. All MWR activities, regardless of category, are authorized to receive appropriated fund common support. In general, when costs of common support are additional, and can be identified and segregated on a reasonable and meaningful basis, these costs should be identified as MWR costs. However, when the sum of common support services provided by a base is less than \$500 per year, the cost is considered uneconomical for billing purposes and will not be charged to MWR.

Another type of common cost is titled "Essential Control and Command Supervision." Commanding officers have an oversight responsibility for MWR programs. To exercise this responsibility, they must provide guidance and direction to MWR activities as they would to any base activity or command program. Essential control and command supervision consists of general management functions and includes any assistance in carrying out these functions by the commanding officer's staff. This function is not included as a cost of MWR. Specifically excluded from this definition is the direct operation of MWR programs and activities performed by the MWR program director and staff which are included in personnel costs.

All MWR activities may utilize other common support services which are normally provided by the base and are not directly related to the health and safety of personnel or property. Such common support services typically include custodial services, communications, legal services, technical guidance, accounting, financial management, procurement and civilian personnel. These common support activities should be identified as MWR costs, and in the case of Category C activities, NAF will be used to pay the costs.

### **3. Personnel Costs**

The Department of the Navy, in providing Morale, Welfare and Recreation programs, uses three types of personnel.

#### **a. Military personnel**

As of 1 October 1990, military personnel, unless specifically authorized otherwise by the office of the Secretary of Defense, have been phased out of employment in MWR activities. The exception is military personnel used for essential control and command supervision. This type of control and supervision relates solely to the commanding officer's function to provide oversight for all MWR activities and this is not a cost to MWR.

#### **b. Civil Service personnel**

Civil service employees perform a number of functions within the MWR program. The use of these employees

range from executive control and essential supervision to assignment on a collateral basis. The NAVCOMPT Manual provides guidance to assist the comptroller in the proper utilization of civil service personnel using appropriated funds. For example, civil service personnel may be utilized on a permanent, additional or collateral duty basis in Category A and B activities if they are performing managerial functions or if the position requires technical/professional qualifications. Such positions would include MWR director and staff, child care management, accounting personnel and personnel accountable for appropriated fund resources. Civil service employees may also be engaged in executive control and command supervision but not at a cost to MWR. All other personnel at Category B and C activities should be financed with nonappropriated funds and are not considered civil service employees. Lastly, all costs associated with civil service personnel should be financed utilizing appropriated funds, regardless of the category of employment. These costs include permanent change of station expenses, temporary duty travel and education and training. One final note; if at least 75 percent of assigned duties of the civil service employee are not MWR related, none of the employee's cost should be allocated to MWR.

**c. NAFI employees**

Costs related to NAFI employees must be paid for using nonappropriated funds, regardless of the category of activity to which the employee is assigned. These costs include permanent change of station expenses. Travel of nonappropriated funded employees that is associated with appropriated funded programs may be charged to appropriated funds.

**4. Special Situations**

**a. Resale Activity Limitation**

MWR activities often engage in the purchase and resale of goods and services to provide specific benefits to MWR users. Resale activities should be self-sustaining, in terms of covering operating expenses, for all aspects of the resale activity. Also, personnel directly and primarily involved in resale must be NAFI employees.

**b. Navy Exchanges and Related Activities**

Although the exchanges have a high degree of mission essentiality, they have been placed in Category C because of their ability to generate revenue. In general, exchanges must be completely self sustaining. Civil service personnel may not be assigned to exchanges. However, active duty military personnel are authorized for Navy Exchanges to provide a trained cadre to meet wartime and deployment requirements, and for security in overseas exchanges. A Supply Corps officer is

sometimes assigned as the exchange director at Naval bases and facilities.

**c. Child Care**

Child Care Centers are considered vital for improving "quality of life" for navy personnel and their families and will continue to be a priority item. To meet this goal Naval facilities may be used for child care centers and administrative offices for dependent care programs. Dependent care programs also include youth centers and family home centers. These types of centers are the exception to the rule of not using appropriated funds for employees in Category B activities. APF are authorized for child care employees, child development center directors, supervisory staff and administrative staff as well as for monitoring programs to ensure child safety and quality care.

**d. Auditing Services**

Auditing services include the independent examination, review and evaluation of the records, controls and procedures in the area of financial and operational management of MWR activities. In general, periodic audits or reviews conducted to satisfy MWR program requirements are considered a cost of doing business. Nonappropriated funds must be used for Category C activities, and appropriated or nonappropriated funds may be used for Category A and B activities. Audits and

inspections performed by the Naval Audit Service or Inspector General of the Navy are not considered a cost to MWR.

#### D. SOURCE OF FUNDS

##### 1. Appropriated Funds

As previously discussed, appropriated funds are monies appropriated by Congress in the annual Department of Defense appropriations bill. The specific request for MWR funds is forwarded as part of the annual budget each base or facility presents to their major claimant to be included in the projected budget of the Navy. Generally, the base commanding officer, with the advise of the comptroller and MWR director, will fund the MWR program as requested in the annual budget. However, the commanding officer has the authority to increase or decrease the level of appropriated funds identified for MWR within the budget, keeping in mind he is expected to program sufficient resources to implement Navy MWR objectives. At the same time, the commanding officer is expected to exert continuing efforts to minimize the scope and magnitude of appropriated fund support by:

- Incorporating the use of commercial and local community recreation resources into the overall MWR plan.
- Eliminating nonessential on-base activities with high cost and/or low utilization.
- Consolidating activities, facilities and program management when economies would result.

## 2. Nonappropriated Funds

Nonappropriated funds are derived from two sources: Navy exchange profits and revenue generated from B and C Categories. Navy exchange profits are transferred to the Bureau of Naval Personnel and then distributed to each base using the number of military personnel assigned as the basis for the amount allocated. Additionally, all profits generated from each local base's package and beverage facility are used

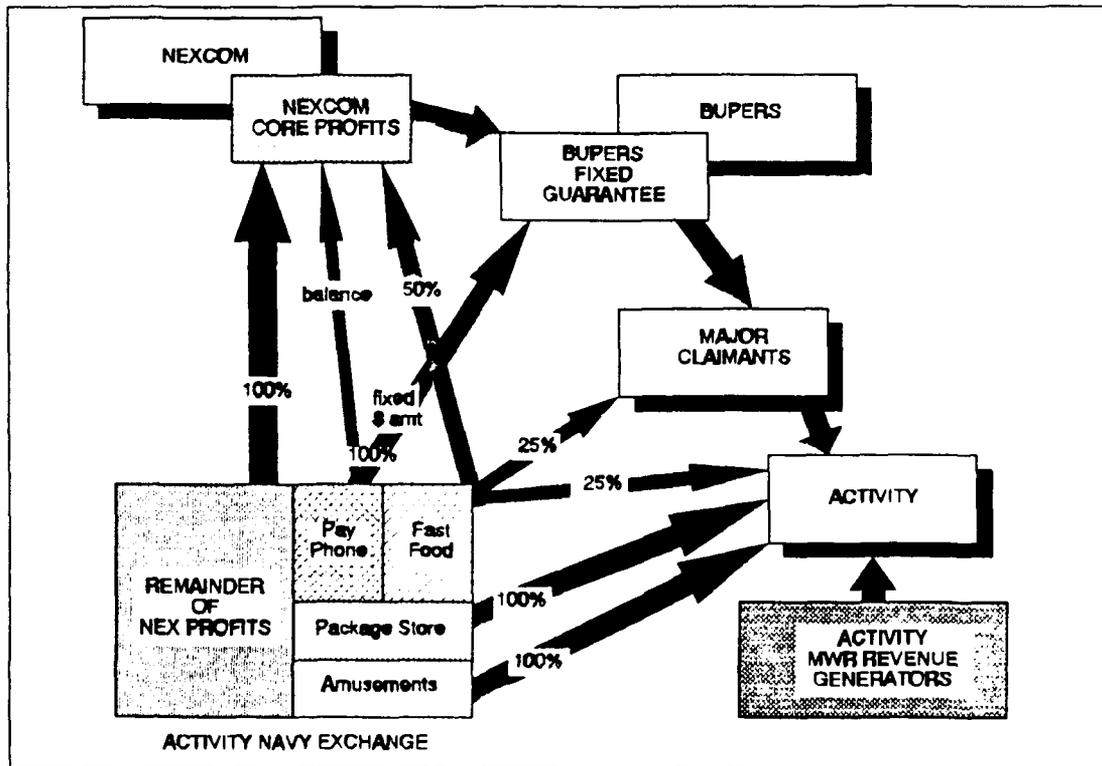


Figure 2

as nonappropriated funds for their respective MWR program. As an additional resource to support youth recreation programs, local recreation funds are authorized to receive a share of

the Combined Federal Campaign (CFC) funds generated by the local installation. Figure 2 details the source of MWR funds.

#### **E. DEFINITIONS**

1. **Morale, Welfare and Recreation (MWR) activities.** Activities that provide for the comfort, pleasure, contentment and mental and physical improvement for Navy personnel in terms of providing recreational and freetime programs, self-development programs, resale merchandise and services or general welfare. MWR activities may be funded with appropriated or nonappropriated funds or a combination of the two funds.
2. **Appropriated Funds (APF).** Appropriated funds are monies appropriated by Congress. Operations and maintenance Navy (O&M,N) funds are those that are specifically appropriated by congress for the operation and maintenance of Navy activities which include MWR.
3. **Nonappropriated Funds (NAF).** Nonappropriated funds consist of income generated by NAFIs from sources other than appropriated funds from Congress. They are to be used for the collective benefit of military personnel, their dependents, and authorized civilians who generate them. While they are considered government funds, they are separate and apart from appropriated funds which are recorded with the Department of the Treasury. Nonappropriated funds are, in effect , trust funds generated by Navy personnel and their family members to help provide financial support for their recreation activities.
4. **Nonappropriated Fund Instrumentality (NAFI).** A Navy organizational entity which acts in its own name to provide or to assist other Navy organizations in providing MWR programs for military personnel and authorized civilians. As a fiscal entity, it maintains custody of and control over its NAFs. It is also responsible for the exercise of reasonable care to administer, safeguard, preserve, and maintain prudently those appropriated fund resources made available to carry out its function. It contributes, with its NAFs, to the MWR programs of other authorized organizational entities, when so authorized. It is not incorporated under the laws of any state or the District of Columbia and it enjoys the legal status of an instrumentality of the United States.

5. Nonappropriated Fund Instrumentality Employee. A person employed by a NAFI and compensated from nonappropriated funds.
6. Executive Control and Essential Command Supervision. Those managerial functions of planning, organizing, direction, coordinating, and controlling the overall operations of MWR programs/activities; consists specifically of program, fiscal, logistical, and other management functions that are separate from the daily working level activities/tasks of MWR programs. Specifically excluded from this definition is the direct operation of individual MWR programs/activities.
7. MWR Facility. A MWR facility is a building, structure land area or other real property used for MWR purposes.

**F. SOURCES OF INFORMATION AND REFERENCES**

1. BUPERS Instruction 1710.11A: Navy Recreation Operational Policies.
2. OPNAV Instruction 1700.7D: Responsibility for MWR Programs in the Navy.
3. SECNAV Instruction 5401.3A: Operation of MWR Activities.
4. SECNAV Instruction 7000.23A: Funding of MWR Programs.
5. DoD Directive 1015.6: Funding of MWR Programs.
6. SECNAV Instruction 5312.12A: Assignment of Appropriated Fund Personnel to MWR Programs/Activities.
7. SECNAV Instruction 5401.2: Establishment, Management and Control of Nonappropriated Instrumentalities.
8. NAVCOMPT Manual, Vol. VII.

### III. THE COMPTROLLER'S ROLE IN MWR

#### A. BUDGET CONCEPTS

One of the primary roles of the field activity comptroller in the MWR management process is budget formulation and execution. The MWR budget is of primary concern to any commanding officer that wishes to improve the "quality of life" at his/her command. The failure to understand the budget, its purpose and its underlying mechanics, will only lead to a poor financial plan and a poorly executed MWR program.

A essential element of the MWR program is the MWR budget. By definition, a "budget" is a plan for the accomplishment of a program related to objectives and goals within a definite time period, including an estimate of resources required, together with an estimate of resources available, usually compared with one or more past periods and showing future requirements. [Ref. 5:p. 13] A MWR budget is:

1. An expression in dollars of a systematic plan for carrying out the program's objectives for a specified period of time.
2. A quantification of the income that will be realized and the expenses that will be incurred in the future.
3. A means of control and a commitment to performance, not a rigid requirement of performance.
4. A key aid to proper administration of scarce funds.

Within the framework of these budget definitions are underlying concepts which the comptroller must understand in order to successfully prepare (with the MWR director) and/or review a MWR budget. The comptroller should understand the underlying basics of a budget and how it can be put to a practical use in the management of the MWR program. The budget serves as a focus of the planning process, as an integrative tool for the many activities within a MWR program and as a base line for control. [Ref. 4:p. 18]

There are basically three phases to the MWR budget cycle:

- Budget formulation.
- Budget execution.
- Budget review and audit.

Budget Formulation is the phase of budgeting in which program decisions and costs are translated into an initial budget. Reviews, modifications and recommendations occur between the MWR director and comptroller. The formulated budget request is then forwarded to the commanding officer for approval.

Budget execution is the second phase of budgeting in which MWR obligates and expends funds in order to carry out the commanding officer's programs.

Budget review and audit is the third phase of budgeting in which the completed fiscal year is examined to determine if program objectives were met.

There are several different approaches in preparing a MWR budget. The **incremental budgeting approach** focuses on adjustments to the base (e.g., inflation) by increasing or decreasing the base based upon priorities and adequate justification. Incremental budgeting concentrates on additional funds that are required to support those projects and activities that have been identified as necessary to achieve the commanding officer's goals and objectives. In incremental budgeting, the largest determining factor of the budget's size and content is last year's budget, which is used as a baseline. [Ref. 6:p. 13]

**Comprehensive budgeting** involves making large adjustments to the budget and justifying those increases or decreases. An example of comprehensive budgeting is zero based budgeting, which requires the MWR director and comptroller to examine programs at various funding levels and rank them in order of importance. It involves the setting of objectives, priorities and developing alternative methods. The budget is reviewed in its entirety every year in the sense of reconsidering the value of all existing programs as compared to all possible alternatives. In effect, each program has to be totally justified each year. This appears to be the most widely used approach in MWR budgeting.

Another budgeting approach is the process of **management by objectives**. MBO has received considerable attention over the past few years. It is a management plan in which goals,

objectives and priorities are established so that the people can become involved with the implementation of these plans. The emphasis is on communication for the purpose of sharing goals and objectives. When using the MBO approach, command strategies and policies toward MWR can be promulgated in the budget call, causing lower echelons to develop their objectives concurrently with budget preparation. [Ref. 4:p.20]

The primary concern today is the allocation of scarce resources; therefore, every comptroller should spend considerable time and effort in planning for the future. One method for determining the best allocation of resources is called economic analysis. There are times when the field comptroller can apply this method on programs such as MWR and MWR acquisitions. Economic analysis is basically a conceptual framework for analyzing programs and projects by looking at cost and benefits. It uses different costing methods, present value concepts, etc. in evaluating alternatives. The comptroller should be familiar with The Economic Analysis Handbook SECNAVINST 7000.14 B. Appendix C provides the field comptroller with a simple economic analysis outline. [Ref. 8: p.278]

#### **B. THE COMPTROLLER**

The field activity comptroller, who reports directly to the commanding officer, is the MWR program's primary resource

manager for appropriated funds. His\her mission is to advise the commanding officer on MWR issues and to assist management in achieving command objectives with economy, effectiveness and efficiency. [Ref. 7:p. 2-12] In this role, the comptroller acts as technical advisor on all financial aspects of operations which includes record keeping, interpreting accounting data, evaluating programs from a financial perspective and anticipating future financial requirements. The comptroller does not make program decisions nor make policy on behalf of the command. As an active financial advisor to the commanding officer and the MWR director, the comptroller's advice will have a significant impact on command decisions which will directly affect the success of MWR programs.

As one of many department heads, the comptroller is on the same level as the MWR director and each have responsibilities to each other. The primary responsibilities of the comptroller to the MWR director is maintaining an up to date and accurate status of funds, keeping the director informed of the funding climate and offering assistance regarding financial situations. In fulfilling these responsibilities, the comptroller must be prepared to properly advise the commanding officer and be prepared for change. This can only be accomplished with an open line of communication between the comptroller and MWR director. Effective budgeting comes from effective communication. [Ref. 11:p. 13]

Finally, it is essential that the comptroller fully understand the mission of MWR as well as the goals and objectives of both Navy policy and the commanding officer. Without an understanding of the MWR mission, the comptroller will be unable to ensure the effective and efficient usage of available resources. In today's fiscal environment, those resources may not be adequate. Therefore, the function of the comptroller is to balance the program or operations with the resources available.

#### C. THE MWR BUDGET

Preparation and submission of the budget requires the communication of requirements between the comptroller and the MWR director. The MWR budget submitted to the comptroller is based on financial guidance from the comptroller as well as guidance from the commanding officer. Guidance is submitted to the MWR director from the comptroller in the form of an activity budget call, and a budget request is submitted to the comptroller from the MWR director based on that guidance. The comptroller is primarily concerned with appropriated funds support of MWR as the budget is being prepared and submitted. The MWR appropriated funds support is part of the Operation and Maintenance, Navy (O&M,N) appropriation which finances the basic day-to-day operations and maintenance of the facility or base. Therefore, the appropriated funds requested by MWR are competing with all the other departments and programs under

the commanding officer's cognizance. The comptroller is also interested in nonappropriated funds. A greater level of nonappropriated funds available for MWR activities translates into more appropriated funds available for other priority programs. One comptroller interviewed stated that because of an annual airshow, which was a fabulous nonappropriated fund raiser, appropriated funding was not required to support MWR at his base.

Usually, specific instructions on budget preparation and submission deadlines are given by the comptroller to the departments in the budget call. In addition, most major claimants require specific budgeting formats and exhibits to be used to develop cost and work load projections. For example, COMNAVAIRPAC requires each field activity comptroller to use a zero based budgeting format. In the closing of the budget request, the MWR director should include a summary which identifies changes in funding levels, unfunded requirements and shortfalls, with an emphasis on realistic funding requirements. This should include adequate and supportable justification.

Comptrollers must give detailed instructions to MWR directors on budget request procedures. It is his/her responsibility to ensure that budget guidance and instructions are written clearly so that policies and procedures are followed correctly. In addition, there are several financial management handbooks in the fleet to assist the directors in

budgeting and controlling funds. It is the MWR director's responsibility to evaluate program objectives and priorities and to prepare accurate budget estimates. Because the comptroller is receiving budget estimates, or inputs, from numerous departments or programs, and to assist in a smooth compiling of budget data, the MWR budget request should:

- Be consistent throughout; all forms and exhibits must be reconciled
- Be submitted on time to meet deadlines
- Contain all pertinent forms, exhibits and data
- Include all information to assist in budget distribution
- Contain complete and adequate justification
- Fully support estimated costs

Nothing destroys credibility faster than failing to comply and cooperate with the comptroller. [Ref. 13:p. 125]

During the budget formulation process, comptroller responsibilities include:

- Providing interpretations and determinations of command budget policy and disseminating budget requirements to MWR from whom budget information is needed.
- Maintaining liaison with higher authority in the formulation, justification, and execution of funding requirements.
- Issuing budget calls to MWR and augmenting budget calls of higher authority with additional guidance and information as required.
- Reviewing budget estimates submitted by MWR and recommending approval, revision, or disapproval of items and programs to the commanding officer, in order to develop the final budget.

- Advising the commanding officer on types and levels of resources required to implement immediate, mid and long-range plans.
- Recommending alternative methods of meeting command requirements in consonance with cost, feasibility and effectiveness in order to attain the greatest benefit from any given resource expenditure.
- Preparing budget and apportionment exhibits and associated budgetary data in formats specified by the commanding officer.
- Evaluating the impact of budget review decisions, organizing and coordinating the preparation of position papers or appeals involving MWR budget program, and developing program adjustment actions to conform to decisions of the commanding officer. [Ref.19:p.9]

The MWR director should provide the comptroller with a prioritized list of "unfunded requirements" that could be added to the MWR budget if any additional funds became available, whether at mid-year review or at the end of the fiscal year. "Better to have a list ready than come up with one at the last minute" states one comptroller.

The comptroller will typically hold quarterly reviews to look at the financial posture of the MWR program and the status of budget execution as well as identify potential shortfalls. Sometimes, unexpected and unfavorable conditions will surface at an activity. The MWR budget may have to be reduced to fund a higher priority requirement. Such events might include changes in the command structure or mission, a shift in DoD/DoN emphasis, or a change in executive/congressional policies. [Ref. 7:p. 6-2]

#### D. BUDGET JUSTIFICATION

One of the most important aspects of the budget request is the justification. It should enable higher authority to grasp the proposed request and evaluate it in the light of need, current policies, relative worth and previous accomplishments. [Ref. 15:p. 28] A weak justification will cause both the comptroller and MWR director to lose credibility in the eyes of the major claimant. Lost credibility may take years to rebuild.

In discussing these issues with comptrollers, it became obvious that budget justification was one of the most important aspects of budget formulation. The comptroller should insist that MWR develop justifications with specific facts and thorough explanations. It is the responsibility of the comptroller to instill those budgeting values to the MWR director.

The determination of which activity receives increases to its budget may well rest on the quality of the justification. It is evident from the field research that the activity which spends its time on writing a well-researched justification will fare much better during review than other activities who have presented a weak and poorly documented justification. It should be emphasized that assertive budget requests, properly justified, provide budget reviewers a better means by which to judge the value of one activity's request versus another.

## **E. BUDGET EXECUTION**

The second phase of budget interaction between the comptroller and MWR programs is budget execution. While budget formulation is the process of asking for funds, budget execution is the process of spending those funds. Budget execution is the accomplishment of the plan, and the process established to achieve the most effective, efficient and economical use of financial resources in carrying out the program for which funds were appropriated. [Ref. 8:p. 64]

Federal law requires that funds be allotted as to ensure the most effective use and to prevent their over-obligation. Therefore, annual appropriations, such as MWR APF, are usually allotted on a quarterly basis. The purpose is to:

- Control the obligation rate of funds over a period of time.
- Achieve the most effective and economical use of funds.
- Guard against deficiency or supplemental appropriations.
- Release only those funds required.
- Prevent obligations and expenditures in excess of available amounts.

Comptrollers must ensure the commanding officer and MWR director understand the legal responsibility of the administration of funds as outlined in the following two codes:

- U.S. Code 1301(a) states that "Appropriations shall be applied only to the objects for which the appropriations

were made except as otherwise provided by law." If funds are used improperly, or if appropriations are moved about or interchanged without disclosure and approval, violation of U.S. Code 1301 (a) has occurred. [Ref. 7:p. 7-16]

- If an activity over obligates in excess of the amount available in an appropriation or subdivision thereof, it has violated U. S. Code 1517. [Ref. 7:p. 7-16]

The comptroller and MWR director should assure the commanding officer that they fully understand the seriousness of these two codes. They should also frequently review the measures they have instituted to prevent such violations. There exists "gray" areas in the arena of MWR funding where the risk of misappropriation is high. The commanding officer will depend on the comptroller to prevent that from happening. In summary, it is the comptroller's responsibility to ensure that appropriated funds are only used for MWR activities and only used for the Category (A,B or C) for which the funds were designated.

As part of the budget execution process, the comptroller should have contingency plans relative to the MWR program. Effective and efficient management of scarce financial resources is difficult at best given changes in operating conditions, priorities, costs and funding levels. Comptrollers often don't know their total funding authority until the end of the fiscal year. During times of abundant funding, the distribution of funds to activities at mid-year review and at the end of the fiscal year can be plentiful, resulting in the problem of successfully obligating all the

additional funds by midnight on 30 September. In times of scarce funding, last minute cuts, spending freezes, and failure to satisfy urgent unfunded requirements can be a traumatic experience for an unprepared MWR director and comptroller.

Contingency planning can go a long way toward cushioning the shock of unexpected change. Contingency plans conceived during less stressful times can anticipate many different funding level scenarios and corresponding management actions to achieve maximum utilization of available financial resources. [Ref.19:p.27]

In summary, in regard to budget execution, MWR personnel should:

1. Use the approved budget as a plan. Regularly measure progress against the plan, analyze variances, and take corrective action as required.
2. Use funds properly, consistent with legal constraints; do not overspend or use funds for purposes other than those approved.
3. Use financial resources effectively. Regularly ask whether there is a better option.
4. Be flexible, expect changes, develop and maintain contingency plans.
6. Understand the Navy accounting system and its limitations.
7. Train personnel which promotes professional competence, accounting accuracy and optimum utilization of funds.
8. Ensure that financial records/reports are accurate. Inaccurate records/reports could result in Title 31 .517) violation or a recoupment of funds.

9. Understand budget execution impact on budget formulation.
10. Develop and maintain a professional relationship with the comptroller.
11. Be prepared for mid year review.

Comptroller responsibilities include:

- Develop a financial plan based on approved programs and distribute financial resources to MWR.
- Develop and maintain jointly with the accounting function, a fund authorization control system to ensure that overauthorization of available funds does not occur.
- Estimate the probable impact of slippages and impending changes in operation plans and individual budgets and prepare recommendations for adjustments.
- Analyze program performance in comparison to the budget plan, study variances from the plan in terms of their effect on the funding of programs, and make recommendations for rebalancing and/or reprogramming actions as appropriate.
- Develop and/or coordinate reporting systems within MWR for qualitative analysis of budget performance against approved programs.
- Review the use of funds by MWR to ensure compliance with budget policy and to ensure that command priorities are carried out.
- Coordinate and/or approve MWR financial interests incident to support agreements.
- Maintain records on budget plans and schedules; examine trends and program status and report variances from plans to responsible levels of management.
- Provide a central coordination point for all budgetary data released to higher authority.
- Prepare recurring progress reports for top management for MWR as related to the financial plan, highlighting unusual situations.

- Serve as a liaison with higher or lateral authority on matters relating to MWR reports and statistics, as needed. (Ref.19:p.10)

#### **F. AUDIT AND REVIEW**

In the recent past, the responsibility of auditing MWR programs has been lifted from the comptroller's shoulders and placed with agencies and departments such as Naval Audit Service, Inspector General, Command Internal Review and Command Evaluation Teams. For example, at the Naval Postgraduate School Monterey, CA, and NAS Miramar San Diego, CA, an audit of the MWR program is performed every six months by the Command Evaluation Team. Random audits of MWR are conducted by the Naval Audit Service.

## IV. CONCLUSIONS

### A. INTRODUCTION

The approach used in the area of research essentially required a thorough review of all current Department of the Navy and Department of Defense directives and instructions. Also, interviews with Department of the Navy field activity controllers and MWR directors were conducted.

While reviewing the pertinent MWR publications, it became obvious that a single, straightforward guide on MWR policies and procedures for comptrollers was needed. The information required to assist in fully understanding and effectively managing MWR funds is scattered in no fewer than eleven publications. Based upon interviews with various activity comptrollers, the time required for a new controller to sift through these publication to grasp the fundamentals of MWR operations is a significant burden given the time constraints and workload of the comptrollership position. Therefore, the purpose of this thesis is to generate a management guide which will provide field comptrollers with a consolidated source of information on MWR programs.

### B. FINDING

The field activity comptrollers and MWR directors who were contacted provided the framework from which this management

guide was developed. Their comments and insights were presented in this thesis to give the new comptroller views and recommendations "from those in the field." These views and recommendations are strictly opinions and suggestions proven to be helpful in financial management of MWR.

During the comptroller interviews, it was found that the greatest concern is the declining level of appropriated funding and how a reduction in activities would affect the morale and well being of Navy personnel and their families. With a reduction in funds, the next step is a reduction in the scope of operations. It's not uncommon for decision makers to view MWR programs as not being "essential" in the overall strategy of maintaining a base or facility. The rational seems to be that MWR can endure the cuts more easily. However, based upon the interviews, most commanding officers are fighting the temptation of cutting MWR programs because of budget reductions and instead attempt to preserve the quality of life they find essential.

It was observed by the researcher that the comptroller and staff worked extremely well with the MWR department. There was strong unity and a sense of teamwork in an effort to accomplish the Navy's and commanding officer's MWR goals and objectives. The key to success was communication and cooperation.

The MWR program has gone through several major changes in the past five years. Although the author did not feel it

necessary to discuss the differences between old and new, it is important that the "veteran and experienced" personnel are acutely aware of these changes. Based upon interviews with regional MWR directors and the MWR director at the Bureau of Naval Personnel, more changes are likely to be coming in the future. As this thesis is being written, there is a CNO directed study to determine the feasibility of combining the MWR program with the Naval Exchange system. Another proposal is to develop a new nonappropriated fund taxation system based on an activity's total NAF revenues which could reduce the NAF support from outside the local activity. The full ramifications of these proposals are still being considered.

### C. CONCLUSION

The objective of this thesis was to develop a comprehensive, entry-level MWR financial management guide to assist field activity comptrollers in managing MWR appropriated funds. With the use of this guide, the comptroller will be more efficient in researching MWR topics or problems and will have a better understanding of the fundamentals of MWR program budgeting and financial management. This guide attempts to promote understanding of MWR so that the comptroller can apply the principles and procedures discussed to allow for better decision making in MWR programs. The field activity comptroller will be in a

crucial position to guide MWR programs through this era of scarce resources.

Given the fluid nature of rules, regulations and procedures in financial management, the author recommends that this guide be reviewed and updated on an annual basis.

## APPENDIX A

### CATEGORY "C" BUSINESS ACTIVITIES

1. Academic bookstore.
2. Aero clubs.
3. Amusement machine centers.
4. Animal care funds.
5. Armed Services Exchange and related activities.
6. Recreation centers (accommodation/dining and resale activities).
7. Bingo.
8. Bowling lanes.
9. Cabins/cottages/cabanas/recreational guest houses.
10. Catering.
11. Golf courses.
12. Joint Service Facility (the new Sanno).
13. Marinas and boating activities (with resale or private boat berthing).
14. Military open messes/clubs.
15. Motion pictures (paid admission functions.)
16. Motorcycle clubs.
17. Package stores.
18. Pro shops.
19. Recreation rental equipment center.
20. Rod and gun clubs.

21. Scuba/diving
22. Skating Rinks
23. Skeet/trap ranges
24. Stables
25. Temporary lodging facilities.
26. Unofficial commercial travel services (SATO).

## APPENDIX B

### CONGRESSIONALLY APPROVED ISOLATED AND REMOTE INSTALLATIONS

- NAVCOMMSTA HAROLD E HOLT
- ADMINUPU BAHRAIN
- NAVSUPPACT SOUDA BAY GR
- NAS KEFLAVIK IC
- NAVSUPPEFORANTARCTICA DET CHRISTCHURCH NZ
- NAVSUPPFORANTARCTICA DET MCMURDO ANTARCTICA
- NAVFAC ARGENTIA CAN
- NAVSECGRUACT ADAK AK
- NAVOLF SAN NICOLAS ISLAND CA
- NALF SAN CLEMENTE ISLAND CA
- NAS KEY WEST FL
- PACMISRANFAC HAWAREA BARKING SANDS HI
- NAS FALLON NV
- NAVRADSTA R SUGAR GROVE WV
- NAVSUPPFAC ANTIQUA
- NAVCOMMSTA JAPAN YOKOSUKA JA
- COMFLEACT SASEBO JA
- NAF ATSUGI JA
- COMFLEACT SASEBO JA
- NAVSTA PANAMA CANAL RODMAN PM
- NAVSUPPO LA MADDALENA IT

- NAS BERMUDA
- NAVSUPPFAC DIEGO GARCIA
- NAVSECGRUACT SABANA SECA PUERTO RICO
- NAVSUPPACT HOLY LOCH UK
- NAVWPNFACDET MACHRIHANISH UK
- NAS ADAK AK
- FLTSURVSUPPCOM DET ONE AK
- NAF EL CENTRO CA
- NAVORDTESTU CAPE CANAVERAL FL
- NAVSECGRUACT WINTER HARBOR ME
- NAS CHASE FIELD BEEVILLE TX
- NAVFAC BRAWDY UK
- COMFLEACT CHINHAE KOR
- COMGLEACT YOKOSUKA JA
- COMFLEACT OKINAWA JA
- NAS AGANA GQ
- NAS CUBI PT RP
- NAVSTA ROTA SP
- NAVSUPPACT NAPLES IT
- NAVCOMMSTA NEA MAKRI GR
- NAS BARBERS PT HI
- NAVSECGRUACT EDZELL UK
- NAVCOMMSTA PHILLIPINES SAN MIGUEL RP
- NAVSTA SUBIC BAY RP
- NAVSTA/NAS GUANTANAMO BAY CUBA
- NAVSECGRUACT GALETA ISLAN PM

- NAS SIGONELLA IT
- NAVSUPPACT NAPLES DET GAETA IT
- NAVCOMMSTA THURSO UK
- NAVWNSFAC ST MAWGAN
- CHIEF JUSMAG MANILA RP

## APPENDIX C

### ECONOMIC ANALYSIS METHODOLOGY

#### THREE BASIC ECONOMIC PRINCIPLES

1. Consider all reasonable alternatives of reaching objectives
2. Determine full life cycle costs and benefits
3. Express all costs and benefits in constant dollars - present value

#### SIX STEPS

1. Establish objectives (define)
2. Choose alternatives (feasible)
3. Formulate assumptions, treating uncertainties--and reasons for assumptions
4. Determine costs/benefits
5. Compare costs/benefits--rank alternatives
6. Sensitivity analysis--if five choices not clear, determine behavior by varying major variables and uncertainties

#### ECONOMIC LIFE (OF PLANT AND EQUIPMENT)

1. Production life (time needed to produce). Economic life
2. Physical life (how long it will last)
3. Technological life (until obsolete)

#### BENEFIT ANALYSIS

1. Direct cost
2. Efficiency/productivity efficiency
3. Other quantifiable benefits
4. Other non-quantifiable benefits.

#### TREATMENT OF INFLATION

1. Time lag until implementation
2. Time impact over life of affected project

#### IMPACT OF ALTERNATIVES ON:

1. Operating/production costs
2. Investment funding
3. People/hiring/skills/etc
4. Overhead
5. Scarce resources

## **APPENDIX D**

### **MWR FINANCIAL MANAGEMENT**

#### **A. OVERVIEW**

This module is designed to familiarize the student with the general program of Morale, Welfare and Recreation (MWR) and the responsibilities associated with the field activity comptroller's role in the financial management of MWR funds. In the process the student will develop a framework for successful MWR budget formulation and budget execution.

#### **B. LEARNING OBJECTIVES**

1. To understand the Morale, Welfare and Recreation program purpose and process.
2. To understand the source of funds and limits of appropriated fund (APF) support.
3. To be familiar with nonappropriated funds (NPF).
4. To understand MWR budget formulation and execution.

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## LESSON I

### A. OVERVIEW

The Morale, Welfare and Recreation program is essential to the United States Navy and has proven to be the cornerstone through which commanding officers can address personnel and family matters in a positive manner. The program directly affects the physical, physiological and social well being of sailors and marines. This support may be in the form of fitness equipment or specialized recreation programs for afloat units, or they may be youth centers, child care centers, craft shops, bowling alleys, or golf courses for shore commands. Whether afloat or ashore, whether for the sailor or the dependent, the Morale, Welfare and Recreation Program provides wholesome outlets and release from the pressures of military service and thereby directly contributes to retention and readiness. As such, the MWR program is an extremely important tool in that it has a direct impact on meeting the commanding officer's goals and objectives.

The job of the field activity comptroller is to monitor and advise the financial management of the MWR program with the guidance of the commanding officer. The comptroller reports directly to the commanding officer and acts as financial advisor on the budgetary aspect of the program's operations. It is imperative that the comptroller understands the budgetary process so that the command's priorities and goals can be accomplished.

Many Naval officers, especially from the line community, are detailed to Navy field activity comptroller positions with little, if any, practical financial management experience. They are tasked with assuming all responsibilities and duties of a field activity comptroller in a relatively short time frame. The newly reported comptroller, whether military or civilian, may be overwhelmed by the functions of the comptroller, especially with all of the complexities of the comptrollership process. With the high volume of directives, manuals, and various departmental instructions governing MWR operations, the new comptroller is faced with filtering out the critical information necessary for managing a quality MWR program budget.

#### **B. BACKGROUND**

In today's armed forces, the need has never been greater for a diverse, well-balanced and all encompassing Morale, Welfare and Recreation program to support the well being of our men and women. Quality assistance to families provided by a well run Morale, Welfare and Recreation program is one of the key ingredients to that quality of life which is essential for the retention of personnel in the service.

The MWR program provides a wide variety of support to various personnel. Active duty, reserve and retired military personnel and their families as well as civilian DoD employees are all eligible for these services. MWR activities are found on practically every military installation: over 900 installations in the United States

and over 360 installations overseas. Some of the activities offered include:

RECREATION

gymnasiums  
 fitness/sports  
 libraries  
 arts/crafts ctrs.  
 swimming pools  
 skill development

COMMUNITY SUPPORT

child development ctrs.  
 youth activities

REVENUE GENERATORS

bowling ctrs.  
 golf courses  
 marinas  
 skating rinks  
 clubs  
 movie theaters

These activities are financially supported by two means: appropriated funds (APF), which are appropriated by Congress in the annual DoD budget, and nonappropriated funds (NPF), which are generated by Navy Exchange and MWR activities profits. Total program funding averages \$4.1 billion per year of which \$1.3

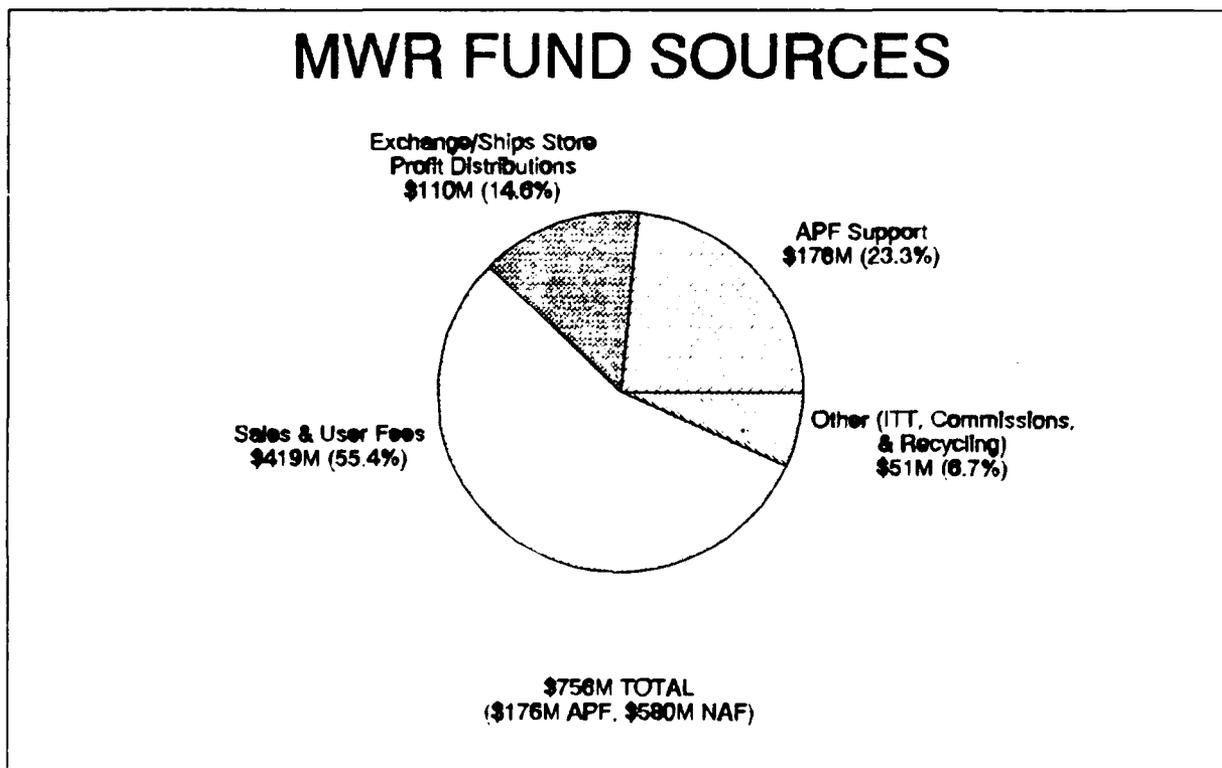


Figure 1

billion is appropriated funding and \$2.8 billion is nonappropriated, self-generated funds. MWR activities employ 240,000 civilian personnel: 12,000 appropriated fund employees and 228,000 nonappropriated fund employees. This \$4.1 billion annual resource flow would rank 123rd in the "Fortune 500 " size. Navy activities have 26,000 employees and a \$756 million annual resource flow - 404th in the "Fortune 500". Figure 1 demonstrates the amounts from the various sources.

### **C. MWR PROGRAMS**

The services provided by MWR programs fall along a continuum, with activities that are essential to the accomplishment of the military mission at one end of the spectrum, and activities that are desirable from a community stand point at the other. Generally, this continuum also reflects the inverse relationship between an activity's mission essentialness and its ability to generate revenue. That is, in general, those activities which are the least mission essential tend to be the ones which are the most self-sufficient. MWR activities are divided into three categories, classified as follows:

#### **1. Category A: Mission Sustaining Activities**

At the "essential" end of the spectrum are mission sustaining activities in which the military organization is a primary beneficiary and the activity provides identifiable recruiting and/or retention incentives. The activity generally has universal appeal to the Navy community and develops duty related

skills or capabilities. Similar activities in the private sector are heavily subsidized by corporations or local government. Fees are usually not charged and the activity usually has little potential to produce revenue independently. In addition, these activities are considered most important for the health and well-being of the military member. This category is supported almost exclusively with appropriated funds and the use of nonappropriated funds is authorized if supplemental funding is needed for the operation of a facility or program. Also included are all consolidated support services functions such as accounting, procurement, and personnel services for one or more MWR activities, regardless of category.

**Category A activities include:**

1. Armed Forces professional entertainment programs overseas.
2. MWR consolidated support service offices.
3. Gymnasium - Physical fitness - Aquatic training.
4. General libraries (excludes technical libraries).
5. Parks and picnic areas.
6. Recreation centers.
7. Shipboard activities.
8. Shipboard, isolated or deployed free admission motion pictures.
9. Sports and athletics (self-directed, unit level, intramural).
10. Unit level programs and activities

**2. Category B: Basic Community Support Activities**

In the middle of the spectrum are activities that

contribute to the mission, but are capable of generating some revenue. However, they are not expected to sustain their operation solely as a result of that revenue. These activities differ from those in Category A primarily because fees are usually charged for participation. Appropriated fund support is authorized for a significant portion of the operating costs of these activities.

Category B activities include:

1. Amateur radio.
2. Arts and crafts skill development.
3. Automotive crafts skill development.
4. Child development centers.
5. Community centers.
6. Entertainment (music and theater).
7. Marinas without resale or private boat berthing.
8. Outdoor recreation.
9. Recreational information (tickets and tour services).
10. Recreation swimming pools.
11. Sports programs (above intramural level).
12. Stars and Stripes Newspaper.
13. Youth Activities.

**3. Category C: Business Activities**

At the other end of the spectrum are activities which primarily benefit the individual. These activities are similar to those which are operated for profit by a private enterprise in the civilian sector. These business activities have a significant capacity to generate revenue through the sale of goods and services

those which are operated for profit by a private enterprise in the civilian sector. These business activities have a significant capacity to generate revenue through the sale of goods and services and appropriated fund support is very limited. However, business activities located in extremely remote and isolated areas, as approved by Congress, may be provided appropriated support similar to that authorized for Category B activities. For a list of Category C activities see Appendix A. A list of congressionally approved isolated and remote installations can be found in Appendix B.

The authorized appropriated funding by category is:

Category	APF Authorization
A-Mission Sustaining	90-100%
B-Community Support	60-70%
C-Business Activities	0-5%

#### D. BUDGET POLICY FOR OPERATIONS

The applicability of appropriated fund (APF) and nonappropriated fund (NAF) support is generally governed by the classification of the MWR activity (Category A, B or C). As previously stated, Category A and B activities depend largely on appropriated funds, with nonappropriated funds used as a supplement to maintain operations when necessary. All costs directly related to the sale of merchandise or services and to the internal management of a NAFI, such as NAF financial management, personnel management or payroll documents, should be financed using

nonappropriated funds will be discussed in Lesson II.

Operating costs to maintain and manage a well functioning MWR program at a command or activity are divided into three areas:

**1. Direct Operating Costs**

The Navy Comptroller Manual (NAVCOMPT MANUAL, VOL.7) is very explicit in determining which type of fund for direct operating costs is allowed for each category.

**a. Category A:**

Generally financed with appropriated funds.

However, nonappropriated funds may be used to supplement appropriated funds and when used must be used for the following:

1. Costs associated with NAF employees assigned to category A activities.
2. Costs incurred related to the sale of goods and services.
3. Costs related to the internal management of NAFIs.

**b. Category B:**

These activities are generally financed with appropriated funding with nonappropriation funds used as a supplement for the following:

1. Costs associated with NAF employees assigned to Category B activities.
2. Costs incurred related to the sale of goods and services.
3. Costs related to the internal management of NAFIS.
4. Royalty payments for music and theater.

**c. Category C:**

These activities are generally financed by nonappropriated funds and supplemented by appropriated funds only for the following specific purposes:

1. Postal services involving official communications with government agencies and private commercial agencies not related to the sale of goods and services.
2. Printing and reproduction not related to the sale of merchandise or services or the internal operations of NAFIs.
3. Routine ground maintenance (excluding golf courses).
4. Acquisition of surplus/excess government equipment.
5. Investment equipment in support of food preparation.
6. Purchase of real property as approved by Congress.
7. For remote activities overseas (see NAVCOMPT Manual Volume 7, 075521).

However, with the approval of the commanding officer, the MWR director has the ability to use nonappropriated funds wherever he/she deems it necessary to fund the base's programs.

**2. Common Support Costs**

Common support costs consists of services and related goods normally provided for the entire base. These expenses provide services that protect the health, safety and welfare of all participants, employees, resources and property on base and provide support that is of a physical nature i.e., facility maintenance and repair, fire and security support and waste removal. All MWR activities, regardless of category, are authorized to receive

activities, regardless of category, are authorized to receive appropriated fund common support. In general, when costs of common support are additional, identifiable and can be segregated on a reasonable and meaningful basis, these costs should be identified as MWR costs. However, when the sum of common support services provide by a base is less than \$500 per year, the cost is considered uneconomical for billing purposes and will not be changed to MWR.

Another type of common cost is titled "Essential Control and Command Supervision." Commanding officers have an oversight responsibility for MWR programs. To exercise this responsibility, they must provide guidance and direction to MWR activities as they would to any base activity or command program. Essential control and command supervision consists of general management functions and includes any assistance in carrying out these functions by the commanding officer's staff. This function is not included as a cost of MWR. Specifically excluded from this definition is the direct operation of MWR programs and activities performed by the MWR program director and staff which are included in personnel costs.

All MWR activities may utilize other common support services which are normally provided by the base and are not directly related to the health and safety of personnel or property. Such common support services typically include custodial services, communications, legal services, technical guidance, accounting, financial management, procurement and civilian personnel. These

common support activities should be identified as MWR costs, and in the case of Category C activities, NAF will be used to pay the costs.

### **3. Personnel Costs**

The Department of the Navy, in its responsibility to provide for the Morale, Welfare and Recreation of its personnel and its dependents, uses three types of personnel to fulfill this obligation.

#### **a. Military Personnel**

As of 1 October 1990, military personnel, unless specifically authorized otherwise by the office of the Secretary of Defense, have been phased out of employment in MWR activities. The exception is military personnel used for essential control and command supervision. This type of control and supervision relates solely to the commanding officer's function to provide oversight for all MWR activities and is not a cost to MWR.

#### **b. Civil Service Personnel**

Civil service employees perform a number of functions within the MWR program. The use of these employees range from executive control and essential supervision to assignment on a collateral basis. The NAVCOMPT Manual provides guidance to assist the comptroller in the proper utilization of civil service personnel using appropriated funds. For example, civil service personnel may be utilized on a permanent, additional or collateral duty basis in Category A and B activities if they are performing managerial functions or if the position requires

technical/professional qualifications. Such positions would include MWR director and staff, child care management, accounting personnel, personnel accountable for appropriated fund resources and the protection of the interest of the Federal Government (MWR Director). Civil service employees may also be engaged in executive control and command supervision but not at a cost to MWR. All other personnel at Category B and C activities should be financed with nonappropriated funds and are not considered civil service employees. Lastly, all costs associated with civil service personnel should be financed utilizing appropriated funds, regardless of the category of employment. These costs include permanent change of station expenses, temporary duty travel and education and training. One final note; if at least 75 percent of assigned duties of the civil service employee are not MWR related, none of the employee's cost should be allocated to MWR.

**c. NAFI Employees**

Costs related to NAFI employees must be paid for using nonappropriated funds, regardless of the category of activity to which the employee is assigned. These costs include permanent change of station expenses. Travel of nonappropriated funded employees that is associated with appropriated funded programs may be charged to appropriated funds.

**4. Special Situations**

**a. Resale Activity Limitation**

MWR activities often engage in the purchase and resale of goods and services to provide specific benefits to MWR users.

operating expenses, for all aspects of the resale activity. Also, personnel directly and primarily involved in resale must be NAFI employees.

**b. Navy Exchanges and Related Activities**

Although the exchanges have a high degree of mission essentiality, they have been placed in Category C because of their ability to generate revenue. In general, exchanges must be completely self sustaining. Civil service personnel may not be assigned to exchanges. However, active duty military personnel are authorized for Navy Exchanges to provide a trained cadre to meet wartime and deployment requirements, and for security in overseas exchanges. A Supply Corps officer is occasionally assigned as the exchange director at Navy bases and facilities.

**c. Child Care**

Child Care Centers are considered vital for improving "quality of life" for navy personnel and their families and will continue to be a priority item. To meet this goal Naval facilities may be used for child care centers and administrative offices for dependent care programs. Dependent care programs also include youth centers and family home centers. These types of centers are the exception to the rule of not using appropriated funds for employees in Category B activities. APF are authorized for child care employees, child development center directors, supervisory staff and administrative staff as well as for monitoring programs to ensure child safety and quality care.

**d. Auditing Services**

Auditing services include the independent examination, review and evaluation of the records, controls and procedures in the area of financial and operational management of MWR activities. In general, periodic audits or reviews conducted to satisfy MWR program requirements are considered a cost of doing business. Nonappropriated funds must be used for Category C activities, and appropriated or nonappropriated funds may be used for Category A and B activities. Audits and inspections performed by the Naval Audit Service or Inspector General of the Navy are not considered a cost to MWR.

#### **E. SOURCE OF FUNDS**

##### **1. Appropriated Funds**

As previously discussed, appropriated funds are monies appropriated by Congress in the annual Department of Defense appropriations bill. The specific request for MWR funds is forwarded as part of the annual budget each base or facility presents to their major claimant to be included in the projected budget of the Navy. Generally, the base commanding officer, with the advise of the comptroller and MWR director, will fund the MWR program as requested in the annual budget. However, the commanding officer has the authority to increase or decrease the level of appropriated funds identified for MWR within the budget, keeping in mind he is expected to program sufficient resources to implement Navy MWR objectives. At the same time, the Commanding Officer is expected to exert continuing efforts to minimize the scope and magnitude of appropriated fund support by:

- Incorporating the use of commercial and local community recreation resources into the overall MWR plan.
- Eliminating nonessential on-base activities with high cost and/or low utilization.
- Consolidating activities, facilities and program management when economies would result.

## **2. Nonappropriated Funds**

Nonappropriated funds are derived from two sources: Navy exchange profits and revenue generated from B and C Category MWR activities. Navy exchange profits are transferred to The Bureau of Naval Personnel and then distributed to each base using the number of military personnel assigned as the basis for the amount allocated. Additionally, all profits generated from each local base's package and beverage facility are used to support their respective MWR program. As an additional resource to support youth recreation programs, local recreation funds are authorized to receive a share of the Combined Federal Campaign (CFC) funds generated by the local installation. Figure 2 details the source of MWR funds.

## **F. DEFINITIONS**

1. **Morale, Welfare and Recreation (MWR) activities.**  
Activities that provide for the comfort, pleasure, contentment and mental and physical improvement on Navy personnel in terms of providing recreational and free-time programs, self-development programs, resale merchandise and services or general welfare. MWR activities may be funded with appropriated or nonappropriated funds or a combination of the two funds.
2. **Appropriated Funds (APF).** Appropriated funds are monies appropriated by Congress. Operations and maintenance Navy (O&M,N) funds are those that are specifically appropriated by Congress for the operation and maintenance of Navy activities

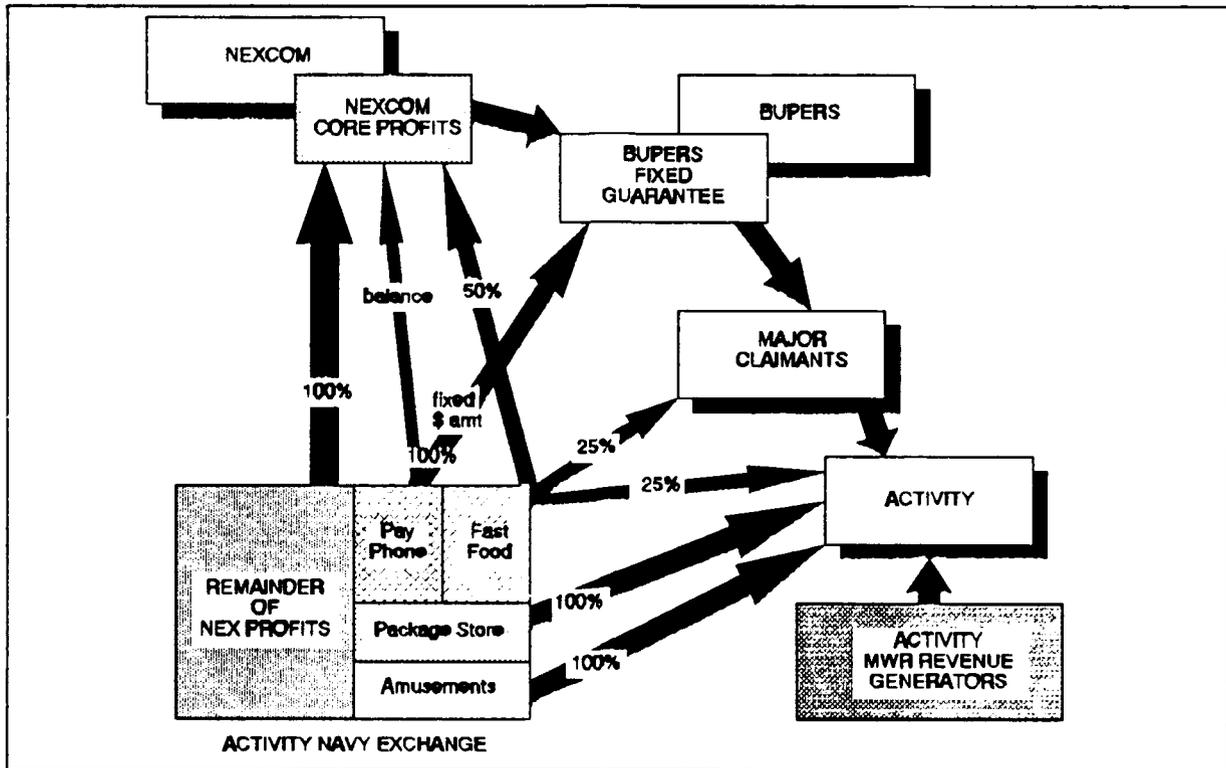


Figure 2

two funds.

2. Appropriated Funds (APF). Appropriated funds are monies appropriated by Congress. Operations and maintenance Navy (O&M,N) funds are those that are specifically appropriated by Congress for the operation and maintenance of Navy activities which include MWR.
3. Nonappropriated Funds (NAF). Nonappropriated funds consist of income generated by NAFIs from sources other than appropriated funds from Congress. They are to be used for the collective benefit of military personnel, their dependents, and authorized civilians. While they are considered government funds, they are separate and apart from appropriated funds which are recorded with the Department of the Treasury. Nonappropriated funds are, in effect, trust funds generated by Navy personnel and their family members to help provide financial support for their recreation activities.
4. Nonappropriated Fund Instrumentality (NAFI). A Navy organizational entity which acts in its own name to provide or to assist other Navy organizations in providing MWR programs for military personnel and authorized civilians. As

when so authorized. It is not incorporated under the laws of any state or the District of Columbia and it enjoys the legal status of an instrumentality of the United States.

5. Nonappropriated Fund Instrumentality Employee. A person employed by a NAFI and compensated from nonappropriated funds.
6. Executive Control and Essential Command Supervision. Those managerial functions of planning, organizing, direction, coordinating, and controlling the overall operations of MWR programs/activities; consists specifically of program, fiscal, logistical, and other management functions that are separate from the daily working level activities/tasks of MWR programs. Specifically excluded from this definition is the direct operation of individual MWR programs/activities.
7. MWR Facility. A MWR facility is a building, structure land area or other real property used for MWR purposes. These facilities are owned and maintained by the base and are therefore responsible for the maintenance and upkeep. All costs associated with this maintenance is assumed by the base.

#### G. SOURCES OF INFORMATION

1. BUPERS Instruction 1710.11A: Navy Recreation Operational Policies.
2. OPNAV Instruction 1700.7D: Responsibility for MWR Programs in the Navy.
3. SECNAV Instruction 5401.3A: Operation of MWR Activities.
4. SECNAV Instruction 7000.23A: Funding of MWR Programs.
5. DoD Directive 1015.6: Funding of MWR Programs.
6. SECNAV Instruction 5312.12A: Assignment of Appropriated Fund Personnel to MWR Programs/Activities.
7. SECNAV Instruction 5401.2: Establishment, Management and Control of Nonappropriated Instrumentalities.
8. NAVCOMPT Manual, Vol. VII.

8. NAVCOMPT Manual, Vol. VII.

## LESSON II

### A. THE CONTROLLER

The field activity comptroller, who reports directly to the commanding officer, is the MWR program's primary resource manager for appropriated funds. His\her mission is to advise the commanding officer on MWR issues and to assist management in achieving command objectives with economy, effectiveness and efficiency. In this role, the comptroller acts as technical advisor on all financial aspects of operations which includes record keeping, interpreting accounting reports, evaluating programs from a financial perspective and anticipating future financial requirements. The comptroller does not make program decisions nor make policy on behalf of the command. As an active financial advisor to the commanding officer and the MWR director, the comptroller's advice will have a significant impact on command decisions which will directly affect the success of MWR programs.

As one of many department heads, the comptroller is on the same level as the MWR director and each has responsibilities to the other. The primary responsibilities of the comptroller to the MWR director is maintaining a current and accurate status of funds, keeping the director informed of the funding climate and offering assistance regarding financial management. In fulfilling these responsibilities, the comptroller must be prepared to properly advise the commanding officer on the best mix of funding for MWR programs. This can only be accomplished with an open line of communication between the comptroller and MWR director.

Finally, it is essential that the comptroller fully understand the mission of MWR as well as goals and objectives of Navy MWR policy and the commanding officer. Without an understanding of the MWR mission, the comptroller will be unable to ensure the effective and efficient application of available resources. In today's fiscal environment, those resources may not be adequate to fully support all MWR requirements. Therefore, the function of the comptroller is to balance programs with the available resources.

#### **B. THE MWR BUDGET**

Preparation and submission of the budget requires the communication of requirements between the comptroller and the MWR director. The MWR budget submitted to the comptroller is based on financial guidance from the comptroller as well as guidance from the commanding officer. Guidance is submitted to the MWR director from the comptroller in the form of an activity budget call, and a budget request is submitted to the comptroller from the MWR director based on that guidance. The comptroller is primarily concerned with appropriated funds support of MWR as the budget is being prepared and submitted. The MWR appropriated funds support is part of the Operation and Maintenance, Navy (O&M,N) appropriation which finances the basic day-to-day operations and maintenance of the facility or base. Therefore, the appropriated funds requested by MWR are competing with all the other departments and programs under the commanding officer's cognizance. The comptroller is also interested in nonappropriated funds. A greater level of nonappropriated funds available from MWR

comptroller is also interested in nonappropriated funds. A greater level of nonappropriated funds available from MWR activities means less appropriated funds available for other priority programs. One comptroller interviewed stated that because of an annual MWR sponsored airshow, which was a fabulous nonappropriated fund revenue generator, appropriated funding was not required to support MWR at his base.

Usually, specific and detailed instructions on budget preparation and submission deadlines are given by the comptroller to the departments in the budget call. It is his/her responsibility to ensure budget guidance and instructions are written clearly so that policies and procedures are followed correctly. In addition, most major claimants require specific budgeting formats and exhibits to be used to develop cost and work load projections. For example, COMNAVAIRPAC requires each field activity comptroller to use a zero based budgeting format. In the closing of the budget request, the MWR director should include a summary which identifies changes in funding levels and unfunded requirements, with an emphasis on realistic funding requirements and adequate and supportable justification. In addition, there are several financial management handbooks in the fleet to assist the directors in budgeting and controlling funds. It is the MWR director's responsibility to evaluate program objectives and priorities and to prepare accurate budget estimates. Because the comptroller is receiving budget estimates from numerous departments or programs, and to assist in a smooth compiling of budget data,

the MWR budget request should:

- Be consistent throughout; all forms and exhibits must be reconciled and cross-checked
- Be submitted on time to meet deadlines
- Contain all pertinent forms, exhibits and data
- Include all information to assist in budget distribution
- Contain complete and adequate justification
- Contain estimated costs that are accurate and fully supportable

During the budget formulation process, the comptroller responsibilities include:

- Providing interpretations and determinations of command budget policy and disseminating budget requirements to MWR from whom budget information is needed.
- Maintaining liaison with higher authority in the formulation, justification, and execution of funding requirements.
- Issuing budget calls to MWR and augmenting budget calls of higher authority with additional guidance and information as required.
- Reviewing budget estimates submitted by MWR and recommending approval, revision, or disapproval of items and programs to the commanding officer, in order to develop the final budget.
- Advising the commanding officer on types and levels of resources required to implement immediate, mid and long-range plans.
- Recommending alternative methods of meeting command requirements in consonance with cost, feasibility and effectiveness in order to attain the greatest benefit from any given resource expenditure.
- Preparing budget and apportionment exhibits and associated budgetary data in formats specified by the major claimant.
- Evaluating the impact of budget review decisions, organizing and coordinating the preparation of position papers involving MWR budget program, and developing program adjustment actions to conform to decisions of the commanding officer.

The MWR director should provide the comptroller with a prioritized list of "unfunded requirements" as part of the budget submission. This should include items to be funded if additional funds become available during the budget year (e.g. mid-year review, year-end dump). "Better to have a list ready than come up with one at the last minute" states one comptroller.

The comptroller will typically hold quarterly reviews to review the financial posture of MWR program and the status of budget execution as well as to identify potential shortfalls. Sometimes, unexpected events will occur at an activity. The MWR budget may have to be reduced to fund a higher priority requirement. Such events might include: Changes in the command structure or mission, a shift in DoD/DoN emphasis, or a change in executive/congressional policies.

One of the most important aspects of the budget request is the justification. It should enable the comptroller and budget chain of command higher authority to understand the proposed request and evaluate it in the light of need, current policies, relative worth and previous accomplishments. A weak justification will cause both the comptroller and MWR director to lose credibility in the eyes of the major claimant. Lost credibility may take years to rebuild.

In discussing these issues with comptrollers, it became obvious that budget justification was one of the most important aspects of budget formulation. The comptroller should insist that MWR develop justifications with specific facts and thorough explanations. It is the responsibility of the comptroller to

instill those budgeting values to the MWR director.

The determination as to which activity receives additional funding may well rest on the quality of the justification. It is evident from the field research that the activity which spends its time on writing a well-researched justification will fare much better during review than other activities who have presented a weak and poorly documented justification. It should be emphasized that assertive budget requests, properly justified, provide budget reviewers a better means by which to judge the value of one activity's request versus another.

Federal law requires that funds be allotted as to ensure the most effective use and to prevent their over-obligation. Therefore, annual appropriations, such as MWR APF, are usually allotted on a quarterly basis. The purpose is to:

- Control the obligation rate of funds over a period of time.
- Achieve the most effective and economical use of funds.
- Guard against deficiency or supplemental appropriations.
- Release only those funds required.
- Prevent obligations and expenditures in excess of available amounts.

Comptrollers must ensure the commanding officer and MWR director understand the legal responsibility of the administration of funds as outlined in the following two codes:

- U.S. Code 1301(a) states that "Appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law." If funds are used improperly, or if appropriations are moved about or

interchanged without disclosure and approval, violation of U.S. Code 1301 (a) has occurred.

- If an activity over obligates in excess of the amount available in an appropriation or subdivision thereof, it has violated U. S. Code 1517.

The comptroller and MWR director should assure the commanding officer that they fully understand the seriousness of these two codes and the measures they have instituted to prevent such violations. There exists "gray" areas in the arena of MWR funding where the risk of misappropriation is high. The commanding officer will depend on the comptroller to prevent that from happening. In summary, it is the comptroller's responsibility to ensure that appropriated funds are only used for MWR activities and only used for the Category (A,B or C) for which the funds were designated.

As part of the budget execution process, the comptroller should have contingency plans relative to the MWR program. Effective and efficient management of scarce financial resources is difficult at best given changes in operating conditions, priorities, costs and funding levels. Comptrollers often don't know their total funding authority until the end of the fiscal year. During times of abundant funding, the distribution of funds to activities at mid-year review and at the end of the fiscal year can be plentiful, resulting in the problem of successfully obligating all the additional funds by midnight on 30 September. In times of scarce funding, last minute cuts, spending freezes, and failure to satisfy urgent unfunded requirements can be a traumatic experience for an unprepared MWR program.

Contingency planning can go a long way toward cushioning the shock of unexpected change. Contingency plans conceived during less stressful times can anticipate many different funding level scenarios and corresponding management actions to achieve maximum utilization of available financial resources.

In summary, in regard to budget execution, MWR personnel are to :

1. Use the approved budget as a plan. Regularly measure progress against the plan, analyze variances, and take corrective action as required.
2. Use funds properly, consistent with legal constraints; do not overspend or use funds for purposes other than those approved.
3. Use financial resources effectively. Regularly ask whether there is a better option.
4. Be flexible, expect changes, develop and maintain contingency plans.
6. Understand the Navy accounting system and its limitations.
7. Train personnel which promotes professional competence, accounting accuracy and optimum utilization of funds.
8. Ensure that financial records/reports are accurate. Inaccurate records/reports could result in Title 31 (1517) violation or a recoupment of funds.
9. Understand budget execution impact on budget formulation.
10. Develop and maintain a professional relationship with the comptroller.
11. Be prepared for mid year review.

Comptroller responsibilities include:

- develop a financial plan based on approved programs and

distribute financial resources to MWR;

- develop and maintain jointly with the accounting function, a fund authorization control system to ensure that over authorization of available funds does not occur;
- estimate the probable impact of slippages and impending changes in operation plans and individual budgets and prepare recommendations for adjustments;
- analyze program performance in comparison to the budget plan, study variances from the plan in terms of their effect on the funding of programs, and make recommendations for rebalancing and/or reprogramming actions as appropriate;
- develop and/or coordinate reporting systems within MWR for qualitative analysis of budget performance against approved programs;
- review the use of funds by MWR to ensure compliance with budget policy and to ensure that command priorities are carried out;
- coordinate and/or approve MWR financial interests incident to support agreements;
- maintain records on budget plans and schedules; examine trends and program status and report variances from plans to responsible levels of management;
- provide a central coordination point for all budgetary data released to higher authority;
- prepare recurring progress reports for top management for MWR as related to the financial plan, highlighting unusual situations;
- serve as a liaison with higher or lateral authority on matters relating to MWR reports and statistics, as needed.

### C. AUDIT AND REVIEW

In the recent past, the responsibility of auditing MWR programs has been lifted from the comptroller's shoulders and placed with agencies and departments such as Naval Audit Service, Inspector General, Command Internal Review and Command Evaluation Teams. For example, at the Naval Postgraduate School Monterey, CA, and NAS

Miramar San Diego, CA, an audit of the MWR program is performed every six months by the Command Evaluation Team. Random audits of MWR are conducted by the Naval Audit Service.

## APPENDIX A

### CATEGORY C: BUSINESS ACTIVITIES

1. Academic bookstore.
2. Aero clubs.
3. Amusement machine centers.
4. Animal care funds.
5. Armed Services Exchange and related activities.
6. Recreation centers (accommodation/dining and resale activities).
7. Bingo.
8. Bowling lanes.
9. Cabins/cottages/cabanas/recreational guest houses.
10. Catering.
11. Golf courses.
12. Joint Service Facility (the new Sanno).
13. Marinas and boating activities (with resale or private boat berthing).
14. Military open messes/clubs.
15. Motion pictures (paid admission functions.)
16. Motorcycle clubs.
17. Package stores.
18. Pro shops.
19. Recreation rental equipment center.
20. Rod and gun clubs.
21. Scuba/diving.
22. Skating rinks.
23. Skeet/trap ranges.

24. Stables.

25. Temporary lodging facilities.

26. Unofficial commercial travel services (SATO).

## APPENDIX B

### CONGRESSIONALLY APPROVED ISOLATED AND REMOTE INSTALLATIONS

- NAVCOMMSTA HAROLD E HOLT
- ADMIN SUPU BAHRAIN
- NAVSUPPACT SOUDA B AY GR
- NAS KEFLAVIK IC
- NAVSUPPEFORANTARCTICA DET CHRISTCHURCH NZ
- NAVSUPPFORANTARCTICA DET MCMURDO ANTARCTICA
- NAVFAC ARGENTIA CAN
- NAVSECGRUACT ADAK AK
- NAVOLF SAN NICOLAS ISLAND CA
- NALF SAN CLEMENTE ISLAND CA
- NAS KEY WEST FL
- PACMISRANFAC HAWAREA BARKING SANDS HI
- NAS FALLON NV
- NAVRADSTA R SUGAR GROVE WV
- NAVSUPPFAC ANTIQUA
- NAVCOMMSTA JAPAN YOKOSUKA JA
- COMFLEACT SASEBO JA
- NAF ATSUGI JA
- COMFLEACT SASEBO JA
- NAVSTA PANAMA CANAL RODMAN PM
- NAVSUPPO LA MADDALENA IT
- NAS BERMUDA
- NAVSUPPFAC DIEGO GARCIA
- NAVSECGRUACT SABANA SECA PUERTO RICO

- NAVSUPPACT HOLY LOCH UK
- NAVWPNFACDET MACHRIHANISH UK
- NAS ADAK AK
- FLTSURVSUPPCOM DET ONE AK
- NAF EL CENTRO CA
- NAVORDTESTU CAPE CANAVERAL FL
- NAVSECGRUACT WINTER HARBOR ME
- NAS CHASE FIELD BEEVILLE TX
- NAVFAC BRAWDY UK
- COMFLEACT CHINHAE KOR
- COMGLEACT YOKOSUKA JA
- COMFLEACT OKINAWA JA
- NAS AGANA GQ
- NAS CUBI PT RP
- NAVSTA ROTA SP
- NAVSUPPACT NAPLES IT
- NAVCOMMSTA NEA MAKRI GR
- NAS BARBERS PT HI
- NAVSECGRUACT EDZELL UK
- NAVCOMMSTA PHILLIPINES SAN MIGUEL RP
- NAVSTA SUBIC BAY RP
- NAVSTA/NAS GUANTANAMO BAY CUBA
- NAVSECGRUACT GALETA ISLAN PM
- NAS SIGONELLA IT
- NAVSUPPACT NAPLES DET GAETA IT
- NAVCOMMSTA THURSO UK

#### LIST OF REFERENCES

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