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ACCOUNTING FOR NONAPPROPRIATED FUNDS IN THE U. S. AIR FORCE

A concise description of finances involved in servicemen's clubs. This article should make good background reading for all who read frequent stories in the daily press of suspect happenings in such activities at U. S. bases around the world.

Mary Jane Branick
Everett, Washington

As the general public is only too aware when it notes the size of income tax withholdings from the weekly or semi-monthly pay check, Congress appropriates funds to support the armed services of the United States. There is a large and important area, however, for which only an insignificant amount of funds is appropriated, and funds to carry out these programs must come from other sources. This area encompasses religious, morale, welfare, and recreational activities and includes officers' clubs, service clubs, movie theaters, bowling lanes, hobby shops, nurseries, church services and programs, libraries, and whatever other facilities of recreational or morale-building nature a base is large enough to sustain. Financing for these activities, which are called nonappropriated funds or NAFs, is provided and administered by the activities themselves.

An officers' club can be used as a good example of the business aspects of such a seemingly insignificant area. Normally the Officers' Club—officially the Officers' Open Mess—will offer the facilities of a first class restaurant: dining room, ballroom, cocktail lounge, and professional entertainment. Many provide bingo and card games as well, and overseas open messes also have slot machines. Most operate a package store where bottled liquor is sold for off premises consumption; some rent rooms to transient or visiting personnel.

From the foregoing, it can be seen that the club manager has a challenging and responsible job. The club manager is an officer who has been assigned to the Open Mess as his primary military duty. Usually, he has chosen club or hotel management as his career field

and has been trained by the U. S. Air Force for this profession. He has Air Force regulations and manuals which spell out in great detail exactly how a club is to be operated, even requiring a certain profit percentage to be realized in each department. The manager, officially the Open Mess Secretary, must spend many more hours on the job and on call than the normal forty hour week. In spite of this, an officer is forbidden to receive any remuneration from the Open Mess; the sergeant who manages an NCO (noncommissioned officer's) Open Mess may, however, (and usually does) get \$200-\$300 a month salary in addition to his military pay.

The income of the Open Mess is derived from membership dues and sales and must cover capital expenditures as well as operating costs, since each Open Mess provides its own building, furniture, and equipment. It is possible to acquire furniture and equipment at no cost from a base where an Open Mess is being dissolved. If an Open Mess wishes to build or remodel, it can obtain a non-interest bearing loan from the Central Mess Fund, to which each Open Mess contributes 1.5% of its monthly gross income. On a base where the officer complement is 90 to 100, this monthly income may amount to \$20,000-\$30,000.

The Open Mess follows prescribed methods of keeping records which include cash register tapes, sales slips, requisitions, time cards, purchase invoices, perpetual inventories, accounts receivable subsidiary ledgers, daily inventories, sales analyses, and profit percentage reports. These are submitted daily to another NAF, which does the accounting.

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Mrs. Branick, a graduate of U.C.L.A., began her career as a teacher in one-room schools in Arizona. A later teaching position at a private school had an extra curricular job—keeping the books for the school. That "extra" assignment turned her interests to business college and to accounting. Her accounting positions have been varied; starting as a billing clerk, she has worked, among other places, for General Motors and as Chief of an Air Force Central Accounting Office.

The daughter of a newspaperman and the mother of eight, she has lived "all over the United States"—including two years in Honolulu at the beginning of World War II. Now a Director of the Everett Chapter of ASWA, she plans to get another degree—in accounting—and to become a CPA.

The Central Accounting Office performs accounting and advisory functions for all NAFs on the Air Force base and sometimes for remote sites and bases too small to have their own Central Accounting Office. The CAO keeps all journals, a general ledger, fixed asset records, and prepares monthly financial statements. It prepares payrolls and writes all checks from data submitted by the Open Mess.

The chief of the CAO is a civil service employee, usually a GS11 in accounting, who supervises the NAF staff. He also acts as liaison officer between the NAFs and the Base Commander. He advises the Open Mess Secretary on interpretation of regulations and manuals and ascertains that the Open Mess operation is in compliance with them. Twice a year, the chief of the CAO must make a personal inspection of Open Mess operations and procedures. He holds a conference with the Open Mess Secretary, the president of the Open Mess board, and the base Finance Office, where he discusses findings with them. He then makes a written report of the inspection and the conference to the Base Commander. He attends all board meetings to explain the financial statements and to answer questions.

The Base Auditor's office performs an audit at the request of the Open Mess Secretary, the chief of the CAO, the Finance Officer, the Base Commander, or a higher echelon authority. The Base Auditor is not responsible to the

Base Commander, as is the CAO and the Open Mess; therefore, he can be absolutely frank and impartial in his report, which goes to the Secretary of the Air Force, with copies to all others concerned. The effects of this policy of independent audits are obvious—if a Base Commander insists that something be done which is contrary to regulations or if irregular activities are suspected, the Open Mess Secretary and the CAO chief may advise the Base Commander that such actions are unwise or illegal; however, because he has the final responsibility for running the base, his decision as Base Commander must be obeyed. These persons may, if they feel that an audit is desirable, request an audit which will may serve to stop such an action from being repeated.

Lastly, there is the GAO, or General Accounting Office, which is responsible only to Congress. The audits of this agency are necessarily few and far between, but greatly respected.

Nonappropriated funds, then, are administered by qualified managers, who are supervised and audited by the CAO, which is in turn audited by the Base Auditor. Finally, any discrepancies not noted by these officers will eventually find their way into the report of the GAO (and perhaps into civilian daily newspapers!—Editor's Note).

On the whole, business has done an outstandingly efficient job of carrying out its duties and an inconceivably bad job of explaining its function to other sectors. It is criticized severely in all quarters for callous disregard of the interests of society, for profiteering, for polluting, for exploitation, and for countless other sins against society. And yet our historically high living standards, plus the degree to which other sectors are free to concentrate attention on the quality of life, are due entirely to the magnificently effective way in which business as a whole has performed for society.

Frank S. Capon,
"The Place of Business in Society"
Financial Executive, October 1970