

**Army Regulation 215–8
AFI 34–211(I)**

Morale, Welfare, and Recreation

Army and Air Force Exchange Service Operations

**Headquarters
Departments of the Army,
and the Air Force
Washington, DC
30 July 2008**

UNCLASSIFIED

SUMMARY of CHANGE

AR 215-8/AFI 34-211(I)

Army and Air Force Exchange Service Operations

This new Department of the Army regulation, dated 30 July 2008--

- o Consolidates the following regulations: AR 60-10/AFJ1 34-211, AR 60-20/AFJ1 34-210, AR 60-21/AFJMAN 34-218, and AR 60-31/AFJ1 34-139 into this new publication, document number AR 215-8/AFI 34-211(I).
- o Changes publication series number from 60-series (Exchange Service) to 215-series (Morale, Welfare, and Recreation).
- o Makes administrative changes throughout.

Effective 30 August 2008


Morale, Welfare, and Recreation

Army and Air Force Exchange Service Operations

By Order of the Secretary of the Army, and Air Force:

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History. This publication is a new Department of the Army regulation.

Summary. This regulation implements provisions of DODI 1330.21 and prescribes policies for providing exchange services to Army and Air Force activities worldwide. Also, it implements the appropriated funding/support rules contained in DODI 1015.15.

Applicability. This regulation applies to the Active Army, the Army National Guard/Army National Guard of the United States, the U.S. Army Reserve, and the Active Air Force, the Air National Guard, and the Air Force Reserve, unless otherwise stated.

Proponent and exception authority. The proponent of this regulation is the Assistant Chief of Staff for Installation Management. The proponent has the authority to approve exceptions or waivers to this regulation that are consistent with controlling law and regulations. The proponent may delegate this approval authority, in writing, to a division chief within the proponent agency or its direct reporting unit or field operating agency, in the grade of colonel or the civilian equivalent. Activities may request a waiver to this regulation by providing justification that includes a full analysis of the expected

benefits and must include formal review by the activity's senior legal officer. All waiver requests will be endorsed by the commander or senior leader of the requesting activity and forwarded through their higher headquarters to the policy proponent. Refer to AR 25-30 for specific guidance.

Army management control process. This regulation contains management control provisions in accordance with AR 11-2, but it does not identify key management controls that must be evaluated. These controls and management control checklists are contained in Exchange Operating Procedures issued by the Army and Air Force Exchange Service Commander.

Supplementation. Supplementation of this regulation and establishment of command and local forms are prohibited without prior approval from the Assistant Chief of Staff for Installation Management (DAIM-ISS), Pentagon, Washington, DC 20310-0600.

Suggested improvements. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) directly to Commander,

Family and Morale, Welfare, and Recreation Command (IMWR-PO-P), 4700 King Street, Alexandria, VA 22302-4419.

Committee Continuance Approval. The Department of the Army committee management official concurs in the establishment and/or continuance of the committee(s) outlined herein, in accordance with AR 15-1. Army Regulation 15-1 requires the proponent to justify establishing/continuing committee(s), coordinate draft publications, and coordinate changes in committee status with the Department of the Army Committee Management Office (AARP-ZA), 2511 Jefferson Davis Highway, Taylor Building, 13th Floor, Arlington, VA 22202-3926. Further, if it is determined that an established "group" identified within this regulation, later takes on the characteristics of a committee, the proponent will follow all AR 15-1 requirements for establishing and continuing the group as a committee

Distribution. This publication is available in electronic media only and is intended for command level C for the Army and level F for the Air Force.

*This regulation supersedes AR 60-10/AFJ1 34-211, dated 17 June 1988; AR 60-20/AFJ1 34-210, dated 15 December 1992; AR 60-21/AFJMAN 34-218, dated 1 August 1979; and AR 60-31/AFJ1 34-139, dated April 1974.

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Glossary

Chapter 1

Purpose, Objectives, Organization, and Legal Status

1-1. Purpose

This regulation contains the operating policies of the Army and Air Force Exchange Service (AAFES). If inconsistencies exist between this regulation and the Services' departmental regulations governing nonappropriated fund (NAF) activities, military exchanges, or the military resale system, this regulation will prevail with regard to AAFES operations, pending resolution by the appropriate official, if necessary.

1-2. References

Required and related publications and prescribed and referenced forms are listed in appendix A.

1-3. Explanation of abbreviations and terms

Abbreviations and special terms used in this regulation are explained in the glossary.

1-4. Responsibilities

Responsibilities are listed in chapter 2.

1-5. Authority for Army and Air Force Exchange Service

The Secretary of Defense has vested in the Secretaries of the Army and the Air Force all functions, powers, and duties relating to exchange activities within their departments. This authority is held jointly and equally.

1-6. Army and Air Force Exchange Service mission

It is the dual enduring mission of AAFES to provide quality merchandise and services to its customers at competitively low prices and to generate earnings which provide a dividend to support morale, welfare, and recreation (MWR) programs.

1-7. Objectives

The Secretary of the Army and the Secretary of the Air Force intend to meet the following objectives:

- a.* Establish a centrally directed and jointly operated worldwide exchange system.
- b.* Establish uniform standards of service that meet the needs of the Army and the Air Force.
- c.* Use all available resources (facilities, funds, and personnel) to achieve an economical and efficient operation with a sound capital structure.
- d.* Use accepted business methods and uniform practices to meet mission requirements.

1-8. Dividend distribution

The AAFES Board of Directors (BOD) will declare dividends based on earnings, available funds, and required capital to the Army and the Air Force in support of their military MWR programs.

1-9. Army and Air Force Exchange Service organization

a. The AAFES is established as a Joint nonappropriated fund instrumentality (NAFI). As a Joint NAFI, the AAFES has a governing council known as the Board of Directors. The composition of the AAFES BOD is detailed in AR 15-110/AFJI 34-203. The AAFES is categorized by DODI 1015.15 as a Program Group II NAFI, category C revenue-generating program.

b. The AAFES is a Joint command of the Army and the Air Force and is under the jurisdiction of the Chiefs of Staff, Army and Air Force. It consists of all activities, personnel, property, and NAFs that provide exchange services to the Army and the Air Force and other governmental agencies identified in this regulation.

c. The AAFES BOD directs AAFES and is responsible to the Secretaries of the Army and the Air Force through their respective Chiefs of Staff. The AAFES commander is the executive agent for the AAFES BOD. The Director of the Washington Office is the executive secretary for the AAFES BOD.

1-10. Command relationships, policy, and operating procedures

The departmental staffs of the Services develop general policies governing AAFES. These policies are published in Joint Army Regulations and Air Force Instructions, for which the Army is responsible for developing, staffing, and administering publication. The AAFES commander issues exchange operating procedures (EOPs).

1-11. Legal status

a. The AAFES is an instrumentality of the United States. It is entitled to the immunities and privileges enjoyed by the Federal Government under the Constitution, Federal statutes, Federal legal precedents, established principles of international law, and international treaties and agreements.

b. The AAFES is immune from direct State taxation and State laws and regulations that would interfere with

AAFES' performance of its Federal functions. Pursuant to Section 104, Title 4, United States Code (4 USC 104), Congress specifically permits the collection of State taxes on gasoline and other fuels sold through exchanges on U.S. military or other reservations, when such fuels are not for the exclusive use of the United States.

c. Suits by or against AAFES, or its individual activities, in tort or in contract, are suits by or against the United States. Claims, judgments, and compromise settlements of court actions against the United States, arising out of AAFES activities and sounding in tort, are payable solely out of AAFES funds. Judgments and compromise settlements of court actions against the United States, arising out of AAFES activities sounding in contract, will be obligated out of appropriated funds (APFs) of the United States, and AAFES will reimburse the United States.

d. As an instrumentality of the Federal Government, AAFES and its employees are bound by DOD 5500.7-R.

Chapter 2 Responsibilities

2-1. Secretary of the Army and Secretary of the Air Force

The Secretaries have oversight responsibility of the BOD and exchange operations.

2-2. Assistant Chief of Staff for Installation Management (Army) and Deputy Chief of Staff for Logistics, Installations, and Mission Support (Air Force)

The Army's Assistant Chief of Staff for Installation Management (ACSIM), in coordination with the Air Force's Deputy Chief of Staff for Logistics, Installations, and Mission Support, is responsible for policy development and interpretation, publication of this regulation, and necessary coordination between the Army, Air Force, and AAFES. This responsibility rests with the Commander, U.S. Army Family and MWR Command (FMWRC).

2-3. Army Region Directors of Installation Management Command and Commanders of Air Force Major Commands

Army Region Directors of Installation Management Commands (IMCOMs) and commanders of Air Force major commands (MAJCOMs) will—

- a.* Designate an appropriate staff element to act as liaison with the AAFES commander.
- b.* Authorize the establishment of exchanges at installations under their command, providing exchange service at locations other than military installations when doing so is consistent with departmental operational requirements.
- c.* Evaluate the responsiveness of service to customer needs and command requirements and adequacy of patronage controls.
- d.* Enforce departmental resale policy, including—
 - (1) Acting on proposals for NAFIs to continue a commodity concession contract, in lieu of AAFES operation on a management fee basis.
 - (2) Acting on disagreements between commanders and exchange general managers (GMs) that involve local NAFI versus AAFES operation of resale and service outlets.
- e.* Provide logistical and administrative support, including—
 - (1) Granting proprietary approval for AAFES work on real property. (This authority may be delegated to a subordinate command.)
 - (2) Ensuring that AAFES-funded projects involving work on real property are reviewed for technical sufficiency.
- f.* Provide port handling and transportation for the movement of AAFES merchandise, supplies, and equipment from continental United States (CONUS) ports to overseas ports and return, and between overseas ports. (This will be provided on a nonreimbursable basis per applicable departmental regulations.)
- g.* Provide support services, such as transportation, facilities, operating personnel, security, medical, and finance support for exchange operations in contingency and wartime operations or emergencies. Develop contingency plans, in conjunction with the AAFES commander for exchange support during emergencies, mobilization, and wartime operations.
- h.* In addition to the above, overseas IMCOM Region Directors and Air Force MAJCOMs will—
 - (1) Coordinate with the AAFES regional commander to ensure that exchange merchandise and services are included in agreements with the host country for reduced freight rates, customs clearances, and tax exemptions.
 - (2) Set hours of work, rates of pay, and employment benefits for non-U.S. citizens employed at AAFES activities (when they have the responsibility for those purposes), according to treaties, agreements, and laws of the host country and in consultation with designated AAFES representatives.
 - (3) Implement and enforce ration controls where needed or required.

2-4. Garrison (Army)/installation (Air Force) commanders

Garrison/installation commanders perform the following to support AAFES. (In command organizations where the term

“garrison/installation commander” is not applicable, the Army Command (ACOM), Army Service Component Command (ASCC), Direct Reporting Unit (DRU), and MAJCOM will assign the following responsibilities to the most appropriate command element:

- a. Provide AAFES activities adequate, suitable buildings/facilities, and applicable services. Buildings may be provided from existing structures or construction of facilities (see chap 3, this regulation). At remote and isolated locations, APF support is afforded the same level of support provided to category B Military MWR program, as outlined in AR 215–1 and AFI 65–106.
- b. Provide facilities and services on a nonreimbursable basis. (See appendix B, which outlines the APF support to various elements of expense.)
- c. Initiate Installation Support Agreements (ISA). For administrative purposes only, DODI 4000.19 will be referenced for this process.
- d. Include AAFES activities in command information programs and other community information services.
- e. Provide the same logistical support for AAFES civilian personnel as is provided to other NAF employees, including DD Form 2574 (Armed Forces Exchange Services Identification (ID) and Privilege Card) and other appropriate forms of identification. This support will not differ materially from that enjoyed by civilian personnel of the classified Federal service.
- f. Provide essential logistical and administrative support for military personnel assigned to AAFES, including the administration of military justice.
- g. Evaluate the responsiveness of AAFES to command requirements, convey results to Exchange Management/GM and recommend changes as appropriate.
- h. Enforce local rules for dress, appearance, and uniform regulations for patrons using exchange facilities, consistent with applicable departmental regulations.
- i. Liaise with exchange personnel.
- j. Ensure that decisions based on needs, mission readiness, and community requirements (including recommended hours of operation) are coordinated with Exchange Management/GM.
- k. Enforce departmental resale policy (see chap 5 and departmental regulations).
- l. Review source lists of prospective offerors for AAFES concession, agency, and vending services contracts. The commander or designee may delegate this responsibility. Justification for deleting a source from the list and recommendations for adding qualified local sources to the list should be in writing to the GM.
- m. Advise the GM and command channels of all tax, legal, and claim matters that affect exchange operations.
- n. Issue identification documents, per applicable departmental regulations and criteria outlined in chapter 6, to persons authorized to purchase at exchanges, to enter exchanges for official business without the privilege of purchase, or to act as an agent of an authorized patron.
- o. Ensure that disciplinary actions, when appropriate, are taken against persons who violate patron privileges (see para 6–6). If abuse of privileges is found after appropriate review, garrison/installation commanders or other informed officials will take appropriate action, to include revoking or suspending exchange privileges.
- p. Ensure that the ID card issuing office maintains a current listing of locally reported lost and stolen ID cards and provides this to exchange management.

2–5. Commander and Chief Executive Officer, Army and Air Force Exchange Service

The AAFES commander’s position is filled by a general officer alternating between the Army and the Air Force. The Commander, AAFES will—

- a. Manage all AAFES activities and issue EOPs to fulfill policies in this regulation and establish policies. Authority vested in the AAFES commander by this regulation may be delegated, unless stated otherwise.
- b. Supervise AAFES personnel, property, and funds worldwide.
- c. Operate, manage, and supervise exchange activities worldwide.
- d. Submit an annual report, through the AAFES BOD, to the Secretary of the Army and the Secretary of the Air Force. This report includes—
 - (1) An annual audit statement issued by certified public accountants.
 - (2) A summary of exchange operations during the prior fiscal year.
- e. Provide clearance for personnel within a specific area of control for access to classified defense information, according to applicable departmental regulations.
- f. Plan for and support Army and Air Force mobilization, contingency, and wartime operations or other emergency situations within the capabilities and limitations of AAFES.
- g. Prescribe uniform check-cashing procedures and controls, procedures for enforcing patronage eligibility and identification control, and establish stock assortment criteria for all categories of retail merchandise.
- h. Act on requests or appeals from military commanders to open exchange activities when GMs and region senior vice presidents or overseas region commanders have declined requested services.
- i. Administer the AAFES capital expenditure program as directed by the BOD.

- j. Evaluate customer satisfaction through a standardized Customer Satisfaction Index (CSI).
- k. Evaluate customer price savings through a standardized index.

2-6. Deputy Commanding General, Army and Air Force Exchange Service

The Deputy Commanding General will assist the Commander, AAFES in directing the overall operation of AAFES. In lieu of a Deputy Commanding General, a Senior Executive Service (SES) civilian equivalent or Chief of Staff may assist the Commander, AAFES in directing the overall operation of AAFES. If the commander is unavailable for command, the Deputy Commanding General, the Chief of Staff, or senior ranking military officer will assume the role of Commander, AAFES with full authority.

2-7. Chief Operating Officer, Army and Air Force Exchange Service

The Chief Operating Officer (COO) will—

- a. Assist the commander in directing the overall operation of AAFES.
- b. Supervise operational elements.
- c. Directly support all AAFES operations worldwide.

2-8. Overseas Region Commanders, Army and Air Force Exchange Service

Overseas regional commanders will direct all operational aspects of AAFES activities assigned to their area of responsibility.

2-9. Region Senior Vice Presidents, Army and Air Force Exchange Service

Region Senior Vice Presidents will direct overall operations of AAFES facilities within their assigned geographic areas.

2-10. Headquarters Staff Directors, Army and Air Force Exchange Service

The HQ staff directors will formulate and execute procedures to implement the operating policies in this regulation and EOPs issued by the AAFES commander. The HQ staff directors include Senior Vice Presidents, Vice Presidents, Chief Financial Officer (CFO), Chief Information Officer (CIO/G-6), division directors, Chief of Staff, and Special Staff Directors (for example, the Inspector General, General Counsel, Audit, and EEO).

2-11. General managers, Army and Air Force Exchange Service

The GMs, AAFES, will—

- a. Manage all exchange operations and administrative support activities for exchanges in their assigned geographical areas.
- b. Ensure the primacy of AAFES as the source of all nonfood merchandise and patron services on military installations, except where MWR or lodging NAFIs engage in resale that is directly related to their programs.
- c. Enter into agreements with garrison/installation commanders to manage designated sales operations.
- d. Set hours of operation in coordination with the garrison/installation commander.
- e. Ensure that alleged crimes are reported to loss prevention personnel for coordination with the appropriate provost marshal, U.S. Army Criminal Investigation Command (USACIDC) element for Air Force Office of Special Investigations (AFOSI).

Chapter 3 Facilities and Equipment

3-1. Scope

This chapter governs AAFES expenditures related to facilities and equipment, and sustainment, restoration, and modernization (SRM) of facilities and equipment. When local circumstances warrant exception to the provisions of this chapter, the AAFES commander may authorize alternatives if consistent with applicable departmental regulations.

3-2. Use of appropriated funds

- a. Appropriated funds are authorized for facilities and equipment as noted in appendix B.
- b. Policy on funding from the base realignment and closure (BRAC) reserve account is outlined in DODI 1015.15, paragraph 6.12.

3-3. Use of Army and Air Force Exchange Service funds

- a. The AAFES funds may be used for—
 - (1) New construction of facilities (including purchase and erection of pre-engineered or portable buildings), subject to prior approval by the AAFES commander or BOD, as appropriate. (See app B for APF and NAF authorizations.)

- (2) Access roads, curbing, and utilities (when APFs are not available) that serve only AAFES facilities.
- (3) Relocation of utility main lines running through the site and the removal of existing improvements below the 6-inch level as negotiated with the installation.
- (4) Alteration, modification, deletion, or extension of existing facilities (including buildings and outside improvements such as parking lots and utility systems) when APFs are not available for utility relocation to make them suitable for exchange use.
- (5) Acquisition and installation of exchange operating equipment.
- (6) Heating and air conditioning beyond what is provided by the installation facility and base engineer, in accordance with appendix B. Heating and air conditioning purchased with NAF will normally consist of only those systems which are not classified as real property installed equipment (self-contained, prepackaged, window-installed, and like-type units).
- (7) Work within the interiors of buildings, if that work is required solely for purposes peculiar to exchange operations.
- (8) Purchasing commercially owned buildings.
- (9) The SRM of AAFES structures to which AAFES holds title and AAFES-occupied facilities is funded with exchange funds. This includes the interior finish, such as paint, floors, ceilings, special lighting, and building modifications and alterations solely for purposes peculiar to exchange operations.
- (10) Leasing of facilities on an exception basis only. The AAFES commander approves exceptions up to and including \$250,000 a year. The AAFES BOD approves exceptions exceeding \$250,000 a year.
 - (a) Exceptions are considered in CONUS, Alaska, Hawaii, and U.S. territories when existing buildings under military control are not available or are inadequate.
 - (b) Exceptions are considered in all other locations when existing buildings under military control are inadequate and APFs are not available within the time frame required.
- (11) Services obtained through Government sources are as follows:
 - (a) AAFES may obtain construction services or architectural and engineering services through other Government sources on a reimbursable basis.
 - (b) AAFES funds may be certified and made available for payment to other Government sources on an individual basis or through a bulk funding method where funds are certified in advance and made available on an as-needed basis.
 - b. Army and Air Force Exchange Service NAFs will not be used for authorized APF expenditures unless authorized APFs are not available. Certification of nonavailability of APFs must be obtained from the responsible resource office. The above will not apply where this regulation prohibits the use of NAFs. NAFs will not be used instead of authorized APF support as a matter of convenience.

3-4. Installation architectural and engineering services

When the installations cannot provide architectural and engineering services without adding additional manpower authorizations, AAFES will use AAFES funds to perform the work, or contract for it, and add the cost to the project (see app B).

3-5. Construction project approval

AAFES-funded projects are designed, constructed, and approved according to the standards set by the DOD, the Departments of the Army and the Air Force, and relevant AAFES EOPs.

- a. The AAFES commander approves capital projects up to and including \$1,000,000 within an annual ceiling and other such limitations set by the AAFES BOD.
- b. The AAFES BOD approves capital projects with a total cost in excess of \$1M.

3-6. Reporting construction projects

a. The AAFES commander reports annually to the Services and DOD on construction projects that have new construction costs exceeding \$750,000 and—

- (1) Are planned for construction award within 1 year following the year of DOD and Congressional release.
- (2) Were previously reported but have not been placed under contract or started during the planned period noted in paragraph (1), above.
- b. The AAFES commander will resubmit projects previously approved by the DOD when—
 - (1) The approved new construction scope changes by more than 10 percent.
 - (2) The approved construction award amount increases by more than 25 percent.
- c. Until DOD advises the AAFES commander that reporting and approval requirements are satisfied, AAFES will not place any project requiring reporting to DOD under construction contract or start construction.

3-7. New construction, alterations, and additions by the private sector

- a. Army and Air Force Exchange Service will forward projects involving the erection of structures by private

individuals or commercial concerns (DODI 1015.13) for facilities/activities traditionally associated with AAFES (DODI 1330.21) through the garrison/installation to the appropriate IMCOM Region Director (Army)/MAJCOM (Air Force) and Service Secretary for approval prior to submitting to the BOD.

b. Removal of structures and buildings erected by the private sector are subject to the provisions of applicable departmental regulations.

3-8. Army and Air Force Exchange Service contracting for appropriated fund or combined appropriated fund/Army and Air Force Exchange Service projects

When APFs are used in a construction project that is managed and contracted by AAFES, both the APF and NAF funding sources and related scopes of work will retain their separate identity in the contract documents and in their respective records of account. Projects involving APFs will be executed only upon completion of a Memorandum of Agreement (MOA) between AAFES and the APF agency/funding source and notification to AAFES that the availability of APFs has been certified.

3-9. Titles to structures and installed property and equipment

a. Government title. Structures other than portable and relocatable buildings erected with proper authority on military installations and paid for from AAFES funds or erected by the private sector pursuant to a contract with AAFES, become the property of the Government and are carried on records of the Departments of the Army or Air Force, as appropriate, in accordance with existing departmental regulations. Military installations accept newly erected structures, extension, alteration, and improvement of Government facilities paid for from AAFES funds upon completion of final inspection and receipt of transfer documents.

b. Army and Air Force Exchange Service title. AAFES retains title to—

(1) Facilities acquired with AAFES funds that are not located on active duty, Guard, or Reserve military installations.

(2) Portable and relocatable buildings acquired and erected solely with AAFES funds.

(3) Portable buildings erected under contract. Private individuals or commercial concerns may retain title to a portable building erected by them under contract, with prior approval of the AAFES commander.

(4) And accountability for, all installed property purchased wholly with AAFES funds remain with AAFES, where the property is movable or severable without causing substantial physical damage or injury to the structure or land. The determination as to moveability or severability of the installed property will be accomplished in coordination with the facilities engineer or base civil engineer.

(5) Installed equipment purchased wholly with AAFES funds, attached to or integrated with any public structure or land, and cannot be separated from that structure or land. When it is desired that title to and accountability for the equipment be retained by AAFES, a written permit will be obtained from the garrison/installation commander identifying the property and the authority for retention of title and accountability by AAFES for that property. The facility or base civil engineer will be furnished with a copy of the permit. Equipment covered by the permit may be removed by AAFES, provided that the public structure or land to which the property was affixed is restored by AAFES to the condition existing at the time the property was originally affixed to it, fair wear and tear excepted.

(6) Units to which AAFES retains title will be maintained by AAFES.

3-10. Use of Army and Air Force Exchange Service facilities

Structures erected with AAFES funds or private funds (for AAFES use) will not be used for other than AAFES purposes without prior approval by the AAFES commander and the department concerned.

a. Improvements. If another NAF agency takes over a facility improved with AAFES funds, that agency will normally reimburse AAFES for the undepreciated value of AAFES-funded construction and installed property.

b. New facilities. Exchanges established on a State-operated installation will be operated and controlled by AAFES. Memorandums of Understanding (MOUs) will be established providing the authority for continued use of facilities improved or erected with AAFES funds. Where AAFES has made a substantial investment, relocation will not be required unless an alternate and suitable facility is provided by the installation. Facilities erected with AAFES funds cannot be used for purposes other than AAFES without prior approval by the AAFES commander. The MOU will contain language that specifically states AAFES will agree to release a facility, improved or erected with AAFES funds, when the installation reimburses AAFES for the undepreciated value of the facility improvement or construction.

3-11. Smoke-free facilities

Policy on smoke-free facilities is in DODI 1010.15 and appropriate Army and Air Force regulations.

Chapter 4 Personnel

4-1. Policies and practices

a. Army and Air Force Exchange Service civilian personnel are Federal employees of an instrumentality of the United States within the DOD. Because they are compensated from NAFs, they are distinguished from other civilian employees of the Armed Services who are compensated from APFs. As such, they are removed from the provisions of laws or regulations administered by the U.S. Office of Personnel Management (OPM), except in the case of wage fixing for prevailing-rate employees covered under the provisions of Public Law 92-392 and application of the Fair Labor Standards Act (as amended by Public Law 93-259).

b. Personnel policy and practices are subject to DOD policy governing NAF personnel (DODI 1401.1; DOD 1400.25-M, Chapter 1400; and DOD 1401.1-M), applicable statutes, union collective bargaining agreements, and guidance from the AAFES BOD.

c. The AAFES commander is expressly delegated the authority to make those decisions and take those actions which are the responsibilities of the head of a DOD Component with respect to AAFES nonappropriated fund civilian personnel policies covered in DOD Instruction 1401.1. This delegation is subject to, and must be exercised in accordance with, higher level directives and policies as promulgated within the DOD and applicable collective bargaining obligations.

d. Practices apply to all AAFES employees in the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States; all U.S. citizens and U.S. national employees worldwide; and all U.S. permanent resident alien employees worldwide.

e. Army and Air Force Exchange Service employees are advised of policies, programs, and procedures, in writing. This includes, but is not limited to—

- (1) Manpower requirements worldwide, allocation of grades/bands of positions, and pay and compensation practices.
- (2) Employee benefits programs.
- (3) Employee leave practices.
- (4) Grievance rights and responsibilities, adverse action and administrative appeals process, and business based actions (BBA) practices.
- (5) Professional development and training requirements.

4-2. Overseas entitlements

When available, AAFES employees in overseas areas recruited from the United States receive Government quarters and family housing entitlements and allowances subject to controls in DOD regulations (DOD 1401.1-M and DOD 1400.25-M), under applicable Federal law. These employees and their dependents have access to the same medical health services provided APF personnel and access to DOD Dependent Schools (DODDS) under the provisions of applicable Federal law. U.S. citizens receive allowances and differentials as defined by Federal regulations.

4-3. Employment of U.S. citizens in foreign countries

United States citizens and U.S. nationals will be employed in a pay system authorized by DOD 1400.25-M, subchapter 1405.AP2 and 1405.AP3 for DOD nonappropriated fund employees. On the prior approval of the AAFES commander, in special circumstances, these employees may be hired under a special contract of employment.

4-4. Travel and transportation

a. Army and Air Force Exchange Service civilian employees who are authorized payment of travel and transportation expenses shall be paid in accordance with the Joint Travel Regulations. Expenses for essential travel and transportation of AAFES employees, their authorized family members, and household goods and effects are not to exceed those prescribed in DOD Joint Travel Regulations, and are in accordance with implementing instructions issued by the AAFES commander.

b. Army and Air Force Exchange Service employees do not authorize their own official travel. Official travel will be authorized by ordering-issuing officials designated, in writing, by the AAFES commander

4-5. Executive management program

a. The executive management program (EMP) exists to fulfill AAFES' continuing requirement for executive employees who are readily available to meet worldwide short-term and long-term executive personnel requirements. The AAFES commander will administer the EMP worldwide pursuant to written rules and procedures, as promulgated by the AAFES BOD, responsible to the Secretaries of the Army and the Air Force for direction and control of the AAFES through the responsible Chiefs of Staff (see AR 15-110/AFI 34-208(I)).

b. The AAFES commander will periodically review and establish, as necessary, the number and grade level of positions to be included in the EMP. Benefits must be uniform for all EMP employees.

c. Employees participating in the EMP must sign a written agreement (mobility statement) obligating them to accept

transfer or assignment worldwide within 30 days. Temporary exceptions may be granted by the AAFES commander for good cause shown. The AAFES commander will establish those benefits to be provided in exchange for employees' mobility agreements.

d. The AAFES commander or designee, may withdraw EMP status for—

- (1) Failure to fulfill EMP obligations as per written agreement with AAFES.
- (2) Unsatisfactory performance.
- (3) Misconduct of a disciplinary nature, on or off the job.

e. Benefits to EMP employees are as follows:

- (1) Retention priority as a result of BBA.
- (2) Longer notice periods based on length of service in case of certain separations.
- (3) Triple indemnity accidental death benefit and supplementary life insurance benefits under the AAFES Group Insurance Plan.
- (4) Supplemental retirement benefits and retention of personal grade, regardless of assignment.

4-6. Grievances, adverse actions, and administrative appeals

a. *Principles of discipline.* Principles of discipline are as follows:

(1) Maintenance of discipline will be achieved, to the maximum extent possible, through cooperation, fairness, good supervisory practices, and adherence to reasonable standards of conduct.

(2) Supervisors should, when appropriate, admonish and counsel employees as the first step in constructive discipline to prevent breaches of regulation and standards of conduct and to prevent repetition of offenses.

(3) Reasonable and timely penalties will be imposed on employees whose conduct is detrimental to the efficiency of AAFES.

(4) Responsible judgment must be exercised in selecting among the variety of disciplinary penalties that may be imposed. The following must be considered in reaching a decision on the action to be taken:

- (a) The seriousness of the offense.
 - (b) The past record of the employee.
 - (c) The circumstances contributing to the offense.
 - (d) The probable effectiveness of the penalty in stimulating improvement.
 - (e) The reasonableness of the penalty.
 - (f) The time period since a previous-like offense.
 - (g) The influence of the penalty on the morale of other employees.
- (5) There may be factors and considerations other than those mentioned above that are pertinent to the selection of the penalty. The action selected should be reasonable and of such nature as to promote the efficiency of AAFES.
- (6) Disciplinary action and/or official investigation of an incident should be initiated on a timely basis.
- (7) If an employee has been disciplined for an offense, no further disciplinary action will be proposed against that employee for the same offense.

(8) When a supervisor considers that formal disciplinary action may be required to correct misconduct on the part of a subordinate employee, the supervisor should obtain all available information concerning the alleged misconduct and discuss the incident with the employee to—

- (a) Ensure that all the relevant facts are known to both parties.
- (b) Afford the employee the opportunity to explain the basis for his/her actions.
- (c) Advise the employee that disciplinary action is under consideration.

b. *Grievances.* The AAFES commander will develop a prompt and equitable grievance process and will issue instructions and procedures to administer this process worldwide, subject to the requirements of DOD 1401-M, Subchapters C5.1.6.1. and C5.1.6.2., in circumstances where a labor organization has exclusive recognition.

c. *Adverse actions.* An adverse action may be either a nondisciplinary or a disciplinary-type action.

(1) Nondisciplinary actions are administrative actions taken by management that do not fall within the definition of a disciplinary action, but cause dissatisfaction with the employee. These actions include, but are not limited to—

- (a) Counseling.
- (b) Warning letter.
- (c) Downgrade or separation for unsatisfactory performance.
- (d) Downgrade or separation for BBA.
- (e) Downgrade or reduction in compensation based on reorganization, reallocation, or conversion.

(f) Administrative separation (for disqualification; during probationary period; for disability; BBA or death; on expiration of temporary employment; based upon resignation, abandonment of position or declination of transfer; for retirement; from leave without pay (LWOP) or intermittent employment; or for unsatisfactory performance).

(2) Disciplinary actions are taken by management as a result of an employee's conduct, action, or lack of action when action should have been taken. Authorized disciplinary actions include—

- (a) Oral reprimand.
- (b) Written reprimand.
- (c) Suspension.
- (d) Disciplinary downgrade.
- (e) Disciplinary pay reduction.
- (f) Separation for cause.
- (g) Withdrawal of EMP (except for declination of transfer, which is nondisciplinary).
- (3) Disciplinary actions are based on the following:
 - (a) Conduct on the job involving insubordination; violation of laws, regulations, rules or policies/procedures; or other conduct incompatible with maximum employee efficiency.
 - (b) Conduct off the job which reflects discredit on AAFES, interferes with job performance, or involves violation of laws.
 - (c) Activities/conduct which AAFES personnel are prohibited from engaging.
 - d. *Advance notice of an adverse action.* An advance notice of an adverse action will be in writing by the management official and will identify the specific adverse action with the effective date, details of the adverse action, the employee will be advised of his/her right to reply, to whom to reply, and time limit for a response, and that consideration would be given to his/her response before a final decision is made.
 - e. *Employee response to notice of adverse action.* The employee may respond orally or in writing to the management official who provided the advance notice of an adverse action. The employee may provide documentation and may be accompanied by a representative. Any expenses involved in refuting the advance notice of an adverse action are borne by the employee. The response does not include the right to a hearing with testimony from witnesses, but is an opportunity to refute the advance notice.
 - f. *Final decision.* After consideration of an employee response to the advance notice of adverse action, a final decision will be made. The final decision will be in writing and will reference the advance notice of adverse action; it will advise the employee of consideration of the his/her response, if a response is received; state the action to be taken and the basis for the action and effective date. The employee will be provided the final decision and advised of his/her rights to appeal the final decision and is provided a time limit for a response.
 - g. *Appeal of final decision.* The employee may appeal the final decision to the appellate authority. The employee will be provided with the procedures for appeals. The appeal may contain relevant documents and must state the basis for the appeal in sufficient detail.
 - h. *Appellate authority determination.* The appellate authority is the Commander, AAFES, or his designee. However, if the Commander, AAFES, is the management official who made the final decision, the appellate authority is the chairperson of the AAFES BOD. The appellate authority's determination on the final decision will be rendered after securing the legal advice of the applicable general counsel. The written determination will include a statement that the determination by the appellate authority is final and not subject to further appeal or review. Copies of the determination will be provided applicable officials.
 - i. *Exchange Operating Procedure 15–10.* Chapter 6 of this EOP outlines the above process in detail. It covers the procedures for all adverse actions, time limits for responses, issuing authorities, AAFES grievance procedures, and AAFES adverse action appeals for nonbargaining unit employees.

4–7. Labor-management relations

- a. With regard to labor-management relations, the AAFES commander makes all decisions and takes actions that are the responsibility of the head of a DOD component. Section 7101, Title 5, United States Code and implementing DOD issuances apply to AAFES labor-management policies (see DOD 1400.25–M, chap 711).
- b. AAFES recognizes the employee's right to form, join, or assist any labor organization or to refrain from such activity. This right is freely given without fear of penalty or reprisal.

4–8. Employee associations

The voluntary organization of employee associates to provide recreational, welfare, and social activities for its membership is authorized and regulated under DODI 1000.15 (also, AR 210–22 and AFI 34–223). Support and relations are regulated under DOD 5500.7–R, Joint Ethics Regulation.

4–9. Memberships in organizations

- a. Memberships paid from AAFES funds are limited to those necessary for liaison with local civic, service, and business associations of sufficient prestige to make participation desirable from a community relations or professional development viewpoint. Funding of memberships may be authorized by the responsible AAFES HQ Staff Director.
- b. Memberships are in the name of AAFES or an element of the AAFES organization, not an AAFES employee.
- c. All such membership activities must be in accordance with the requirements of the Joint Ethics Regulation.

4-10. Equal Employment Opportunity programs

The AAFES commander will administer Equal Employment Opportunity (EEO) programs for civilian applicants and employees of AAFES.

4-11. Law suits against individual employees

An AAFES employee sued for acts or omissions by the employee within the scope of employment is entitled to have the U.S. Government substituted as the party defendant in most cases. Where this is not the case, the employee may request representation by the Department of Justice in accordance with applicable departmental regulations. Such requests are forwarded through the AAFES General Counsel.

4-12. Fiduciary responsibilities

Military personnel and AAFES employees paid with NAF and APF have an individual fiduciary responsibility for properly using AAFES resources and for preventing waste, loss, mismanagement, or unauthorized use of such funds.

a. Reporting of suspected violations at the lowest organization level is encouraged. However, reports may be made to senior management, inspectors general, or to the Defense Hotline.

b. According to 10 USC 2783, AAFES NAF personnel who violate regulations governing the management and use of NAFs are subject to the same penalties as under Federal laws that govern the misuse of appropriations by APF personnel. Violations by military personnel are punishable under the Uniform Code of Military Justice.

c. The use of APF shall be consistent with the provisions of 31 USC 1301, which requires that funds be used only for the purposes for which they were appropriated. Military personnel and AAFES employees paid with NAF and APF are subject to the limitations, exceptions, and penalties governing the use of APF that are contained in Subtitle II, Chapter 13, Subchapter III of Title 31.

4-13. Security clearance and investigations for assigned personnel

a. Army or Air Force regulations concerning NAF civilian personnel security investigations and adjudications apply to AAFES employees at installations of the Army and Air Force, respectively.

b. Authority and procedures governing security investigations and clearances of assigned AAFES personnel will be in accordance with AR 380-67, AFI 31-501, and DOD 5200.2-R. The AAFES commander has the authority to identify security clearance jurisdiction over AAFES HQs and its subordinate activities. The Services' clearance adjudication facilities shall adjudicate security clearances for assigned AAFES personnel who are under their jurisdiction or installations. The determination whether an individual is qualified to fill a designated position of trust will be adjudicated by AAFES Director of Loss Prevention, unless otherwise identified by regulatory guidance.

4-14. Falsification of records

a. Any employee who, for the purpose of concealing or misrepresenting a material fact, willfully or unlawfully alters, falsifies, or destroys, or causes to be altered, falsified, or destroyed official AAFES or other Government documents, records, or files, regardless of motive, is subject to separation for cause or other disciplinary action.

b. Any employee who knowingly and willfully prices or sells, or causes to be priced or sold, merchandise or services contrary to the established sale price, regardless of motive, is subject to separation for cause or other disciplinary action.

4-15. Employees to furnish required reports and information

It is each employee's duty to report and furnish information, whether favorable or unfavorable, regarding matters of official interest (defined in Glossary) as may be lawfully required by competent authority, including supervisors and investigative officials. Refusal to furnish required reports or information, or deliberate concealment or misrepresentation of material facts in a report or statement, will constitute grounds for separation for cause or other disciplinary action.

4-16. Arrest, indictment, or conviction for criminal offenses

a. Conviction of a felony, and in some instances of a lesser crime, may constitute a basis for disciplinary action, including separation or termination of employment. The mere fact of an arrest or indictment on a charge of a criminal offense is not a basis for disciplinary action. However, the alleged misconduct itself, stated in specific terms, may be the basis for disciplinary action, regardless of any arrest, indictment, conviction, or even acquittal in judicial proceedings. Disciplinary action on charges of misconduct or delinquency need not wait upon a conviction of an employee for a criminal offense. Likewise, an employee's acquittal on an indictment charging him with committing a criminal offense does not invalidate prior disciplinary action or prohibit subsequent disciplinary action for the cause that resulted in the arrest or indictment, as long as the disciplinary action is independent of the judicial proceedings and is factually supported by available evidence.

b. Any employee arrested or indicted for any offense, including driving while intoxicated and vehicular homicide or related charges, but excluding minor traffic violations, will report the arrest or indictment to the Human Resources Manager whether or not the conduct resulting in the arrest or indictment occurs on or off duty.

c. Refusal or failure of an employee to make a report of arrest or indictment will constitute grounds for separation for cause or other disciplinary action.

4-17. Separation for cause

An employee may be separated for cause. In separations involving suspected employee theft, pilferage, or damage/loss of AAFES property due to the employee's negligence, final pay may be withheld pending a determination of the employee's liability.

4-18. Separation based on resignation

a. Separate an employee based on resignation per the following:

- (1) The employee will submit a written resignation to his supervisor.
- (2) The employee should give the reason for resigning and the effective date.
- (3) The employee should give AAFES notice when possible. If notice is not given, a notation will be made on the employee's communication record. The notation will indicate the employee's reasons for not giving notice and whether the notice was acceptable to AAFES.

b. The employee will be separated on the date indicated in the written resignation unless the employee is separated per another paragraph prior to this date.

c. A copy of the personnel request separating the employee based on resignation will be furnished to the employee. No advance notice of separation based on resignation will be given.

d. An employee who has received an advance notice of separation for cause or unsatisfactory performance may resign from employment to avoid separation prior to the proposed effective date of separation. The resignation request will note that the employee resigned to avoid separation for cause or unsatisfactory performance, as appropriate. In cases where actual or suspected employee theft or damage to AAFES property is involved, the employee's final pay may be withheld pending a determination of the employee's liability.

Chapter 5 Exchange Operations

Section I Exchange Establishment

5-1. Exchange service establishment

a. An exchange operation may be established at any Federal or State installation and other locations where DOD military personnel are assigned. All AAFES resale outlets (including contractor operated) will be operated and controlled either directly or indirectly by AAFES, regardless of location. Criteria to consider when establishing an exchange include, but are not limited to—

- (1) Estimated number of assigned and/or present active duty military personnel located within a 25-mile radius of the proposed exchange outlet.
- (2) Estimated number of eligible Family members residing in the area.
- (3) Estimated number of other eligible patrons (for example, retirees) residing in the area.
- (4) Location and distance to the nearest DOD installation with an exchange outlet.
- (5) Economic viability to maintain an exchange.
- (6) Mission requirements.
- (7) Military resale requirements.

b. At State-operated installations, an ISA will be executed between a designee of the State's Adjutant General's office and the supporting AAFES GM (see app C). Requests to establish an exchange will include the following:

- (1) Number of assigned and/or present active duty military personnel (include National Guard and Reserve personnel on continuous active duty in excess of 179 days) located within a 25-mile radius of the proposed exchange outlet.
- (2) Number of eligible Family members residing in the area.
- (3) Estimated number of other eligible exchange patrons (retirees) residing in the area.
- (4) Name, location, and distance in miles to the nearest DOD installation with an exchange outlet.
- (5) The written opinion of the AAFES Region Director as to the economic feasibility of the proposed outlet.
- (6) A statement by the appropriate Reserve Component commander that the site available for the proposed exchange facility is excess to mission requirements.
- (7) A written statement by the State Adjutant General that State and local taxing authorities interpose no objection to the sale of exchange merchandise to authorized patrons free of taxes. (This guidance is applicable to State-operated installations only.)

c. Requests for permanent exchange outlets at National Guard and Reserve installations will be processed as follows:

(1) Requests for proposed outlets at Reserve installations will be submitted through command channels to the responsible Military Department at the following address:

Commander, Family and Morale, Welfare, and Recreation Command
ATTN: IMWR-PO-P
4700 King Street
Alexandria, VA 22302-4419

U.S. Air Force
ATTN: AF/AIS
1770 Air Force Pentagon
Washington, DC 20330-1770

(2) Requests for proposed outlets at State-operated Army and Air National Guard installations will be submitted through normal command channels to—

Chief, National Guard Bureau
ATTN: NGB-ZA
2500 Army Pentagon
Washington, DC 20310-2500

(3) Each request will be supported by a proposed agreement and must—

(a) Be executed by the State Adjutant General concerned and HQ AAFES representative or designee.

(b) Include specific provisions for financing capital investment and for exercising patronage control. (See app C for format of agreement.)

(4) The NGB, in its endorsement, will evaluate the need for the proposed exchange outlet. The NGB will then forward the request, together with the agreement, signed by the State Adjutant General, to the appropriate address in paragraph (1), above. Approvals will be granted only by the Military Departments concerned, subject to the signing of the agreement by HQ AAFES.

d. Exchanges permanently established at Army and Air National Guard and Army and Air Force Reserve sites will be evaluated biennially by HQ AAFES to ensure that they continue to satisfy a valid resale requirement in a cost effective manner. The evaluation is applicable to all off-base exchange outlets (outlets not located on active DOD military installations), notwithstanding that these outlets may be branches or annexes of main exchanges.

e. HQ AAFES will provide the results of the biennial evaluation to the responsible command exercising command and control over those Army and Air Force National Guard and Reserve installations having exchange outlets.

f. The responsible command will review the updated listing of Army and Air Force National Guard and Reserve exchange outlets, as reported in the AAFES evaluation, and forward the report with appropriate comment, for information purposes to the Military Department concerned (see addressees in para 5-1c(1), above).

g. The evaluation cycle is set for 1 July each even numbered year, with a reporting date to the respective Military Departments no later than 15 August.

h. The AAFES commander determines whether a new exchange will be operated as a separate outlet, an AAFES Imprest Fund Activity (AIFA) (see para 5-2), or other type of operation.

5-2. Exchange support in theater operations

a. Army and Air Force Exchange Service is the national level provider of military exchange items and services. When requested and resourced by the supported commander, AAFES serves as a supporting command providing military exchange items and services to U.S. forces, and other authorized customers, deployed for or conducting humanitarian or contingency operations and exercises. In a contingency theater of operations or military exercises, where regular AAFES facilities are not available, commanders may request AAFES support as follows:

(1) *Army and Air Force Exchange Service Imprest Fund Activity*. An AIFA is a unit operated activity usually at a small or remote site, where a regular direct operation exchange cannot be provided. Units operating AIFAs will be given a change fund, purchase merchandise for stocking and restocking from AAFES only, and sell at AAFES set prices.

(a) The AAFES commander issues operating procedures to activate, operate, and deactivate AIFAs.

(b) Unit commanders appoint a commissioned or warrant officer or senior noncommissioned officer to supervise the AIFA and be accountable for the AAFES assets loaned and furnish all administrative and logistical support necessary to operate the AIFA.

(2) *A Tactical field exchange*. A tactical field exchange (TFE) is operated by the military usually in remote locations. TFE operators are trained by AAFES personnel. The TFE operates using AAFES standing operating

procedures, and merchandise is pushed to these facilities by AAFES distribution centers with APF support as required in the theater of operation.

(3) *Direct operating exchange-tactical.* A direct operating exchange-tactical (DOX-T) is operated by AAFES civilian personnel. The DOX-T operates using AAFES standing operating procedures and merchandise will be procured through AAFES distribution channels with APF support as required in the theater of operation. AAFES normally will not operate a DOX-T or deploy AAFES associates in nonpermissive or combat environments.

(4) *Alternate operations.* When it is impractical to provide service by AIFA, TFE, or DOX-T, service may be by—

(a) Mobile service or vending machines.

(b) Group representation at the nearest exchange, if vending or mobile service is not practical. (Group representation is sending a representative of several exchange patrons to the nearest exchange outlet, where purchases for the group are made.)

(c) Mail-order or e-commerce arrangements.

b. The decision to operate or deploy AAFES personnel in nonpermissive or combat environments rests with the AAFES commander. All AAFES support requires administrative and logistical support from the requesting command. The requirement for exchange support, as well as any administrative or logistical support to the exchange is set forth as specified tasks in contingency operations plans or field exercise directives. Such support also may be formalized in MOAs between AAFES and the military command being supported or their higher headquarters.

5-3. Alternatives to regular exchange service

a. Army National Guard, Air National Guard, Army Reserve, and Reserve Officer Training Corps units normally receive exchange support through existing exchange outlets during their annual field training period. If these outlets are not available, an AIFA may be used during the training period (see para 5-2a(1), above).

b. When it is impractical to provide service by AIFA, then TFE or DOX-T service may be provided (see paras 5-2a(2) and (3), above).

c. Issues of exchange merchandise required by military activities for gratuitous issue during emergency actions may be furnished by exchanges to the requiring activity on a reimbursable basis, to include merchandise cost, freight, packing, and any applicable administrative costs.

5-4. Exchanges on closed installations

a. Exchanges may operate on closed installations in the United States, its territories, and possessions under specific criteria. Policy and the criteria are found in DODI 1330.21, enclosure 8.

b. Combined commissary and exchange stores may be operated on closed garrisons/installations. Policy is found in DODI 1330.21, enclosure 8.

5-5. Transfer of activities

An exchange or organizational activity may be transferred between AAFES and another NAFI. When an activity is transferred, the AAFES commander and the commander, or head of the other NAFI, will establish an agreement with provisions for transferring assets and granting entitlements and benefits to the employees whose positions will be transferred. If an agreement cannot be reached, the Departments involved will determine the provisions of transfer. Transfers between AAFES and APF Government agencies will be as permitted by applicable law and must be reviewed by the AAFES General Counsel before implementation.

Section II

Other Exchange Service Operations

5-6. Motion picture service

Policy on entertainment motion picture services is contained in chapter 11.

5-7. Military clothing sales stores

a. Military clothing sales stores (MCSS) are APF activities managed by the AAFES commander, pursuant to applicable departmental regulations and the MOU between AAFES and the Military Departments.

b. The Military Departments will reimburse AAFES for all costs associated with MCSS construction, facility improvement, operation, and management as stipulated in the respective Services' MOU.

c. MCSS are also governed by AR 700-84 and AFMAN 23-110, volume 1.

5-8. School food service

AAFES operates the DOD School Meal Program on a nonprofit basis. Program operating costs are covered by United States Department of Agriculture (USDA) subsidies, student meal prices, and the DOD Education Activity. Facilities and equipment are provided and maintained by the installation on a nonreimbursable basis.

5-9. Army and Air Force Exchange Service loss activities

Exchange activities will not normally be operated at a loss. The AAFES commander will establish procedures to review losing operations and criteria that are the basis for continuing operations.

Section III

Financial Services

5-10. Contracts and agreements

The AAFES may enter into contracts or other agreements to provide check cashing, automated teller machines, and other authorized financial services to authorized patrons in exchange facilities.

5-11. Check cashing

a. Use of AAFES funds for check cashing services is within the limits of cash working funds prescribed by the AAFES commander.

b. When on-base banking facilities are available, exchange check cashing service may be offered before, during, and/or after banking hours, if this does not violate existing agreements among the bank, the Treasury Department, and the installation command. (Exchange check cashing service does not relieve an authorized banking facility of its obligation to furnish the service.)

c. Checks drawn on foreign banks and payable in foreign currency are not cashed or accepted as payment for merchandise.

d. Army and Air Force Exchange Service does not cash checks drawn in foreign currencies on U.S. banks or on their overseas subsidiaries.

e. Outside the continental United States dollar checks issued by foreign banks authorized to act as military banking facilities are accepted for cashing and for payment of merchandise. (Such checks are not accepted in CONUS exchanges, unless issued by foreign subsidiaries of U.S. banks acting as military banking facilities in CONUS.)

f. The AAFES commander establishes procedures, limitations, and controls for cashing checks and for payment for merchandise or service.

5-12. Processing dishonored checks

a. Instructions for processing dishonored check claims are issued by the AAFES commander.

b. Upon receipt of a dishonored check, a demand for restitution is made on the maker and/or prior endorsers. The amount requested includes a fee to cover the exchange's cost of collections and any other service/penalty charges that may be passed on by banks.

(1) If military personnel do not make restitution within 30 days, the matter is reported to the individual's unit commander and garrison/installation commander/check control officer.

(2) If restitution is not made within 60 days, the debt may be submitted for further collection action, to include processing of involuntary pay withholdings and Treasury Offset Program, which may include, but is not limited to—

(a) Tax refund offsets.

(b) Federal salary pay, including military pay.

(c) Contractor/vendor payments.

(d) Certain Federal benefits payments, such as Social Security, veterans benefits, disability benefits, and employee travel pay.

(e) Other Federal payments, including certain loans.

(f) Administrative wage garnishments (AWG) of non-Government civilian wages.

c. When checks are returned as dishonored, check cashing privileges are suspended.

(1) Exchange credit program privileges may be suspended only if such action is consistent with applicable Federal law and regulations.

(2) Privileges are restored when full voluntary restitution is received from all outstanding debts and service/penalty charges.

(3) The AAFES commander, or designee, has the authority to set policy for the suspension of check cashing privileges in cases of repeated presentation of dishonored checks, nonpayment or involuntary collection of unpaid dishonored check debts and dishonored check fees.

5-13. Exchange credit program

The exchange credit program includes the Military Star Card. The AAFES commander establishes procedures, limitations, and controls for a proprietary credit card that may be used by authorized patrons to purchase AAFES merchandise and services (or those of the other military exchanges). The BOD may authorize the AAFES commander, or designee, to borrow from financial institutions, or issue commercial paper, to fund this program in accordance with applicable legal authority.

Section IV Resale Activities

5–14. Exchange service

a. Army and Air Force Exchange Service is the primary resale activity on Army and Air Force installations, and other locations where AAFES operations are established for the military community, for nonfood merchandise and patron services for programs designated in appendix D. Exchanges support forward deployments, ships at sea, emergency and disaster relief efforts, international exercises, and contingency operations.

b. Resolution of disagreements concerning the primacy of AAFES resale authority or AAFES ability to provide requested merchandise and services resides with the appropriate Region Director IMCOM (Army) or MAJCOM commander (Air Force).

c. Authorized AAFES resale activities are listed in appendix D and DODI 1330.21, at enclosure 3 (see also para (3), below).

(1) The AAFES commander determines what is sold in AAFES facilities, either directly or by concessionaire, subject to limitations in appendix D. CONUS-only restrictions are listed in appendix E. Merchandise restrictions apply to direct sales (including special order and catalog or e-commerce sales) and indirect or concession activities.

(2) Military MWR program resale activities are governed by DOD Directive 1015.2 and DODI 1015.10, as implemented in AR 215–1, AFI 34–262, and AFI 65–106. Morale, welfare, and recreation programs may engage in resale activities and services that are directly related to their program as defined in the above cited DOD, Army, and Air Force policies. Such activities shall be NAF-operated, managed, or contracted. Otherwise, AAFES will be the primary source of resale merchandise and services on DOD installations. MWR programs will obtain, in advance, written right of first refusal from AAFES to operate any other resale or service activity.

(3) Other Federal departments and agencies and businesses selected for privatization of Army housing will obtain, in advance, written right of first refusal from AAFES, Army Family and MWR Command, or Air Force Services, as applicable, before commencing to operate or contract on military installations and Government-owned or -leased housing areas, for programs designated in appendix D of this regulation), or AR 215–1, or AFI 34–262, as applicable.

d. Prohibited exchange activities are listed at appendix F.

e. Garrisons/installation commanders may enter into MOAs, MOUs, or ISAs with AAFES to manage designated MWR sales operations. Agreements generally include provisions for applicable management fees, audit trails that account for receipts and disbursements, and submission of monthly income and expense statements. Such agreements can be signed by the AAFES GM after proper coordination with the AAFES HQ, Army Family and MWR Command, and Air Force Services. Operations that may be managed by AAFES, with local command agreements, include but are not limited to—

(1) Amusement machines.

(2) Service and vending machines in military clubs, civilian employee NAF activities, bowling centers, and similar activities.

(3) Commodity concession contracts and short-term sales agreements for overseas military clubs, Armed Forces Recreation Centers, and other lodging facilities.

(4) Any other resale activity connected with MWR functions which appropriately may be performed under an MOA/MOU/ISA with AAFES.

5–15. Resale by nonappropriated fund instrumentalities, other than the exchange service

MWR programs may engage in resale activities and services that are directly related to their program as defined in MWR departmental regulations. Such resale activities must be NAF-operated, managed, or contracted. Otherwise, military exchanges will be the primary source of resale merchandise and services on DOD installations. MWR programs will obtain, in advance, written right of first refusal from AAFES to operate any other resale or service activity.

Section V Other Resale

5–16. Commercial solicitation

Commercial solicitation on Army installations is governed by AR 210–7 and as permitted by applicable law. The garrison commander may authorize solicitation privileges in coordination with the local AAFES GM, even though the merchandise sold or services provided by these companies are similar to that available through AAFES. Commercial solicitation agreements will receive a legal review by the servicing staff judge advocate. On Air Force installations, AFPD 36–29 applies; however, it does not include the same restrictions.

5–17. Home-based business

Home enterprises on Army installations are governed by AR 210–7. Such enterprises include sales or services

customarily conducted in a domestic setting and do not compete with an installation's officially-sanctioned commerce, that is the exchange and MWR resale operations. Home-based businesses on Air Force installations are governed by AFI 32-6001 and do not include similar restrictions.

5-18. Contributions and donations

a. Army and Air Force Exchange Service will not contribute funds, merchandise, or services (financial, procurement, contracting, and so forth.) to any charity or other organization. This does not prohibit—

(1) Donations of gift certificates and gift cards to military MWR programs, as long as recipients of such certificates/cards are authorized patrons.

(2) Transfers of no-value inventory items to the garrison/installation MWR entity/fund or other installation governmental entities without charge.

b. Collection jars or other displays for donation of money or items are not permitted in AAFES facilities. Exceptions may be granted by Overseas Region Commanders or Senior Vice Presidents.

c. Exchanges may donate unmarketable and unsaleable assets, to include edible food, to a nonprofit charitable entity. Charitable organizations designed to help needy military Families/members have first priority in receiving donations. Food that may be donated under this provision must be certified as edible by appropriate food inspection technicians. Exchanges will facilitate vendor donations in the same fashion as authorized for Government donations. Exchanges are not authorized to perform any service, such as transportation, in connection with the donation of Government-owned or vendor-owned property.

Section VI Funding

5-19. Resource management

a. Army and Air Force Exchange Service resource elements of expense that are authorized APF and NAF support are found at appendix B, as implemented from DODI 1015.15.

b. Unique situations or exigencies that need immediate or more specific attention may require deviation or exception to the basic funding policy. Any deviations or exceptions to the funding policy must be approved by the Under Secretary of Defense for Personnel and Readiness in coordination with the Under Secretary of Defense (Comptroller) on a case-by-case basis. Deviations or exceptions are submitted to the Army/Air Force, as applicable, at the address in paragraph 5-1, this regulation.

5-20. Construction

Appendix B outlines funding for exchange facilities.

Chapter 6 Patrons, Privileges, and Identification

6-1. Privileges in continental United States

Limited and unlimited privileges in CONUS, Alaska, Hawaii, and all U.S. commonwealths, possessions, and territories are outlined in tables 6-1 and 6-2 at the end of this chapter.

6-2. Privileges in foreign (overseas) areas

a. Exchange privileges in foreign or overseas areas are neither automatic nor uniform. AAFES does not determine shopping privileges or access to duty-free items. Overseas commanders will extend exchange privileges based solely on the applicable international agreements.

b. If consistent with applicable international agreements, privileges will be extended to the following:

(1) All uniformed personnel assigned or on temporary duty (TDY) to that overseas area.

(2) United States citizen employees of the U.S. Government (including those paid from NAFs), U.S. citizen employees of firms under contract to the DOD, and Red Cross personnel assigned with an activity of the Military Services. This includes DOD civilian employees in a TDY status.

(3) Military personnel of foreign nations on active duty, when the major overseas commander determines that the granting of such privileges is in the best interests of the United States.

(4) Family members of persons specified in (1), (2), and (3) above.

(5) Unauthorized persons "stranded on an installation" may purchase small quantities of gasoline, oil, other automotive items, or items necessary for an individual's health.

(6) Official organizations or activities of the U.S. Armed Forces which are composed of personnel on active military duty, including NAFIs.

(7) Overseas commanders may extend privileges to certain officials of the United Services Organization (USO) when it will not impair the military mission.

(8) Uniformed personnel, U.S. Government civilians, and their respective Family members, when traveling on leave to foreign and overseas areas, have only those privileges afforded/extended by international agreements and the local command. Privileges are determined by pertinent international agreement and the local chain of command.

(9) International agreements may limit privileges of military retirees in foreign overseas areas.

(10) Specific categories of personnel or organizations authorized by the responsible commander when determined to be in the best interest of the mission of the command concerned. If private organizations are authorized exchange privileges, they will not be authorized to make purchases on credit.

6-3. Purchases for patrons unable to shop for themselves

a. An authorized patron entitled to exchange privileges may have a person (referred to as an “agent”) accompany them to assist in shopping, or shop on behalf of the patron, when the patron—

(1) Is incapable or unable to shop due to medical conditions, or the patron is a minor child.

(2) Lacks available transportation or is experiencing some other similar type of hardship.

b. Patrons who are bed-ridden or physically unable to do their own shopping may choose an agent to shop for them. Items of purchase are limited to those items that will be used exclusively by the patron.

c. In these cases, the garrison/installation commander will issue a letter of authorization to that designated agent. The letter of authorization applies only to the installations under the control of the signing authority. A sample of a letter of authorization to accompany a patron is found at figure 6-1.

(Letterhead)

(Office Symbol)

(date)

MEMORANDUM FOR GENERAL MANAGER, XYZ EXCHANGE

SUBJECT: Authorization to Make Exchange Purchases

1. (Name) _____, whose status is described below, is entitled to exchange privileges indicated during the period _____ to _____ (enter dates).

2. Status: (Examples—include only one category)

- a. Agent of (name typed) _____, an eligible minor child.
- b. Agent of (name typed) _____, an eligible handicapped patron.

3. Privileges: (Include only one category)

- a. Unlimited
- b. Limited to purchase of books, supplies, and materials related to the military service school educational process and environment. These items may be purchased only from _____ (name of exchange)

(Signature of Bearer)

(Signature of Issuing Authority)

(date of issue)

Figure 6-1. Sample of letter of authorization

6-4. Identification

a. Purchases of merchandise or services (excluding *b*, below) from an AAFES activity requires identification of individuals who are not in military uniform. Identification will be made prior to purchase. Commanders will issue proper identification documents to persons authorized exchange privileges. Such identification includes—

(1) Complete regulation U.S. military uniform.

(2) An official Uniformed Services Identification Card (DD Form 2 (United States Uniformed Services Identification Card), DD Form 1173 (Uniformed Services Identification and Privilege Card), DD Form 1173-1 (Department of Defense Guard and Reserve Family Member Identification Card), DD Form 2750 (Department of Defense Civilian Identification Card), DD Form 2764 (United States DOD/Uniformed Services Civilian Geneva Conventions Identification Card), DD Form 2765 (Department of Defense/Uniformed Services Identification and Privilege Card), and DOD Common Access Card). Specific information regarding the above identification cards is contained in DODI 1000.13.

(3) DD Form 2574, an exchange identification card, is issued to authorized patrons of exchanges who do not otherwise require the Armed Services Identification Card for benefits or identification purposes.

- (4) An official identification card issued by the Military Service of which the patron is affiliated.
- (5) Official DOD issuances (DD Form 4 (Enlistment/Reenlistment Document Armed Forces of the United States), DD Form 1610 (Request and Authorization for TDY Travel of DOD Personnel), and DD Form 1618 (Department of Defense (DOD) Transportation Agreement Transfer of Civilian Employees to and Within Continental United States)).
- (6) The Defense Enrollment Eligibility Reporting System (DEERS) may be used to verify authorized Armed Services exchange catalog customers.
 - b. Identification cards are not required from personnel in table 6–2, paragraph 9, who are authorized to patronize only exchange food facilities (fountain, snack bar, and cafeteria).
 - c. Civilian students and faculty members of Service schools may use the exchange with a picture identification.

6–5. Visitors

- a. Garrison/installation commanders may permit visitors of authorized patrons to accompany the patron as a “guest” unless the commander determines otherwise based upon local conditions. Visitors will not have purchasing privileges. In foreign or overseas areas, the access privilege of visitors will be controlled as directed by Region Director IMCOM (Army)/MAJCOM commander (Air Force) concerned and based on limitations imposed by host Government agreements.
- b. Guests may attend all motion picture services provided they are accompanied by authorized patrons.

6–6. Abuse of privileges

- a. Garrison/installation commanders may ask the AAFES GM or Exchange Manager to conduct periodic unannounced checks of exchange patron identification.
- b. Army and Air Force Exchange Service GMs will inform garrison/installation commanders of any abuses of exchange privileges. Garrison/installation commanders will take appropriate action to include revoking or suspending exchange privileges. The garrison/installation commander may also request local modifications of exchange patron control procedures deemed necessary to prevent abuse of exchange privileges. Disputes over patron control procedures may be forwarded by garrison/installation commanders through command channels, including appropriate Department staff element, to the AAFES commander for resolution. If the dispute over patron control procedures is not resolved to command satisfaction, it may be presented to the AAFES Executive Secretary for the BOD for resolution by the BOD.
- c. Exchange patrons are prohibited from the following:
 - (1) Making (or purchasing for the purpose of making) a sale, exchange, transfer, or other disposition of exchange merchandise or services to unauthorized patrons (customary gifts of a personal nature are permissible).
 - (2) Using exchange merchandise or services to produce income.
 - (3) Making purchases for the purpose of resale by, or on behalf of, an installation private organization or other non-governmental entity.
- d. Other abuses include, but are not limited to—
 - (1) Theft of exchange merchandise or other assets by shoplifting, employee pilferage, or other means, by any person having exchange privileges. The final disposition of each case of shoplifting or employee theft will be provided by the local command to the AAFES GM, for forwarding to AAFES HQ Loss Prevention Office.
 - (2) Intentional or repeated presentation of dishonored checks, or failing to make prompt restitution on dishonored checks or other indebtedness determined to be owed to AAFES. Actions taken with regard to amounts owed to AAFES under exchange credit programs will comply with applicable Federal law and regulations.
- e. Garrison/installation commanders may revoke exchange privileges for any period deemed appropriate, except in the case of shoplifting, employee pilferage, or intentional presentations of dishonored checks. In these cases, exchange privileges will be revoked for a minimum period of 6 months. As an exception, active duty uniformed personnel may be allowed controlled access to the exchanges to satisfy personal appearance, health, and sanitary requirements. On appeal, the garrison/installation commander who revoked the privileges, or the next higher commander, may reinstate exchange privileges for cogent and compelling reasons.
- f. Pursuant to the Federal Claims Collection Act (37 USC 3701 et seq), AAFES can pursue losses and administrative costs directly relating to shoplifting, theft detection, and theft prevention as claims of the United States recoverable from shoplifters through Federal debt collection methods. Such costs can be pursued against authorized or unauthorized patrons, but not against AAFES employees.

6–7. Catalog service to replace lost or damaged items

Authorized patrons reassigned to CONUS may purchase from the AAFES catalog or e-commerce programs, those items that are identified for purchase only while stationed or TDY overseas in order to replace items lost or destroyed during a Government-sponsored shipment from an overseas duty assignment to CONUS, provided the customer—

- a. Places the order, attaching the claim form, and reassignment orders to the catalog order.
- b. Is responsible for payment of the sell price, shipping and handling fees, and all customs duties upon entry into the United States.

6-8. Patronage exceptions in continental United States

The Secretaries of the Military Departments may grant deviations with regard to authorized patron access for individuals or classes/groups of persons at specific garrisons/installations. Delegation of this authority outside the Secretariat concerned is prohibited. Deviations may be granted, when based on alleviating individual hardships. General criteria for requesting deviations by CONUS garrisons/installations are at appendix G.

6-9. Unlimited exchange access (except as noted)

Table 6-1 lists the individuals, organizations, and activities in the United States and all possessions and territories of the United States and as noted outside the United States entitled to unlimited exchange service benefits.

Table 6-1
Unlimited exchange privileges

Category	Status
1. Uniformed or retired uniformed personnel, either on active duty or serving in any category of their Reserve Component	a. All members of the Army, Air Force, Navy, Marines, Coast Guard, commissioned officers of the National Oceanic and Atmosphere Administration (NOAA), and its predecessors, and commissioned officers of the Public Health Service. b. Former members of the Lighthouse Services and personnel of the Emergency Officers' Retired List of the Army, Navy, Air Force, and Marine Corps, and members or former members of Reserve Components who, but for age, would be eligible for retired pay. c. Enlisted personnel transferred to the Fleet Reserve of the Navy and Fleet Marine Corps Reserve after 16 or more years of active military service. (These personnel are equivalent to Army and Air Force retired enlisted personnel.)
2. Congressional Medal of Honor recipients	All
3. Honorably discharged veterans	When (a) classified by the Veterans' Administration as being 100 percent disabled; (b) hospitalized where exchange facilities are available.
4. Military members of foreign nations	a. Active duty officers and enlisted personnel of foreign nations when on duty with the U.S. Military Services under competent orders issued by the U.S. Army, Navy, Air Force, or Marine Corps. (Purchase of uniforms will be limited by the provisions of AR 12-15 and AFI 16-105(I).) b. Excluded are active duty military personnel of foreign nations, retired, or on leave in the U.S., or when attending U.S. schools, but not under orders issued by the U.S. Army, Navy, Air Force, or Marine Corps. c. Overseas, when determined by the Region Director IMCOM/MAJCOM that the granting of such privileges is in the best interest of the U.S. and such persons are connected with, or their activities are related to, the performance of functions of the U.S. military establishment.
5. National Guard not in Federal service	When called or ordered to duty in response to a Federally-declared disaster or national emergency, during the period of such duty, on the same basis as active duty members of the Armed Forces.
6. Red Cross personnel	U.S. citizens assigned to duty outside the U.S. and Puerto Rico with an activity of the military Service. Uniform items are not authorized.
7. Civilian DOD employees	When stationed outside the U.S., except when assigned to U.S. territories and possessions. Uniform items are not authorized.
8. Employees of firms under contract to the DOD	When employed outside the U.S., except when assigned to U.S. territories and possessions. Uniform items are not authorized.
9. Wage marine personnel and retired wage marine personnel, including noncommissioned ships' officers and crew members of the NOAA	All
10. Authorized Family members of personnel in paragraphs 1-9, above	See glossary for definition of "Family member."
11. Contract surgeons	During the period of their contract with The Surgeon General.

**Table 6-1
Unlimited exchange privileges—Continued**

Category	Status
12. Official DOD activities	For activity purchase and use only (not for individual purchases or use). All purchases authorized for Government-wide purchase card use. All purchases authorized by 10 USC 2492. All other purchases based on sole source justification.
13. Non-DOD Federal departments/agencies	<ul style="list-style-type: none"> a. For Federal department/agency purchases and use only (not for individual purchases or use). b. When it is determined by the local commander that the desired supplies or services cannot be conveniently obtained elsewhere and the supplies or services can be furnished without unduly impairing the service to exchange patrons. c. All purchases authorized by 10 USC 2492.
14. Dependents of members of the Armed Forces, commissioned officers of the Public Health Service, and commissioned officers of the NOAA, separated for dependent abuse	A dependent or former dependent entitled to transition compensation under 10 USC 1059, if not eligible under another provision of law, while receiving payments for transition compensation.
15. United Service Organizations (USO)	<ul style="list-style-type: none"> a. USO personnel stationed outside the U.S. b. USO clubs and agencies may purchase supplies for use in club snack bars, which support active duty military members and their families. c. Overseas, garrison/installation commanders may extend privileges to USO area executives (directors, assistant directors) who are U.S. citizens on invitational travel orders, when it is in the capacity of the exchange and does not impair the exchange military mission. d. Uniform items are not authorized.
16. Agents	Persons authorized in writing by the garrison/installation commander to shop for an authorized patron or official organization or activity entitled to unlimited exchange privileges. Agents are not authorized to shop for themselves.
17. Delayed Entry Program participants	Authorized to use exchange facilities during interim period before entering active duty.
18. Armed Services Young Men's Christian Association of the USA, Inc. (ASYMCA)	In overseas areas, garrison/installation commanders may extend privileges to ASYMCA branch or unit directors and assistant directors for their personal and Family needs and for use in ASYMCA programs that support active duty military members and their Families, when it is in the capability of AAFES and does not impair the military mission. Uniform items are not authorized.
19. United Seaman's Service (USS)	Support to USS personnel for personal and Family needs and for supplies and services necessary to accomplish the USS mission when economic conditions or isolated locations are such that support is not available from local civilian sources, cannot be imported from other sources, or is available from local civilian sources or by importation only at prohibitive cost. The local commander may authorize access when available without detriment to DOD mission accomplishment.

6-10. Limited exchange privileges

Limited exchange access applies to the United States and all U.S. territories and possessions (except as noted). Table 6-2 lists individuals, organizations, and activities entitled to purchases from AAFES. Limited exchange access generally excludes tobacco products, alcoholic beverages, and military uniforms.

Table 6–2
Limited exchange access

Category	Status (except as noted)
1. U.S. Government civilian employees and full-time paid staff of the Red Cross, residing on military installations within the United States and Puerto Rico	<ul style="list-style-type: none"> a. No uniform items. b. No State tax-free tobacco items. c. Tax-free alcoholic beverages may be purchased, but not removed from the installation.
2. Armed Forces Exchange employees	<ul style="list-style-type: none"> a. Current employees, retired employees with 20 or more years of service, and employees on 100 percent disability retirement from the exchange service. Includes all privileges of the exchange, where employed. b. No uniform items. c. No State tax-free tobacco items. d. No tax-free alcoholic beverages. e. Unlimited privileges overseas, except for uniform items. f. Overseas sales to exchange employees must not violate status of forces agreement (SOFA) or international agreements.
3. DOD civilian employees on evacuation orders	Employees who are directly affected by an emergency evacuation are authorized to use exchange services at their safe haven location as determined by the pertinent garrison/installation commander in the U.S. for the duration of the evacuation period.
4. Authorized Family members of personnel in paragraphs 1 through 3, above	Family member is defined in the glossary.
5. DOD civilian employees (NOTE: See app G, paras G–4 and G–5 for reporting requirement.)	<ul style="list-style-type: none"> a. The garrison/installation commander may authorize exchange and commissary access when assigned to the U.S. territories and possessions under a valid transportation agreement, as defined in Title 41, Chapter 302 of the Code of Federal Regulations. b. No uniform items. c. No State tax-free tobacco items. d. No tax-free alcoholic beverages.
6. Employees of firms under contract to the DOD (NOTE: See appendix G, paras G–4 and G–5 for reporting requirement.)	<ul style="list-style-type: none"> a. When assigned to the U.S. territories and possessions, the garrison/installation commander may authorize access to exchanges and commissaries if the employee was hired in the U.S. and exclusively serves DOD; granting access is in the best interests of the U.S. Government; and the denial of access would impair efficient DOD operations. b. No uniform items. c. No State tax-free tobacco items. d. No tax-free alcoholic beverages.
7. Non-DOD Federal civilian employees (NOTE: See appendix G, paras G–4 and G–5 for reporting requirement.)	<ul style="list-style-type: none"> a. The Secretaries of the Army and Air Force and/or Combatant Commanders may grant employees serving in the U.S. territories and possessions and commanders may execute implementing official support agreements with other U.S. Government entities to permit access to the exchange and commissary, when employees are assigned under a valid transportation agreement or tour renewal agreement provided that granting access will alleviate individual hardship, will ensure safety and security of the employee, and is in the best interests of the U.S. Government. b. No uniform items. c. No State tax-free tobacco items. d. No tax-free alcoholic beverages.
8. DOD civilian employees in TDY status	<ul style="list-style-type: none"> a. In the United States when occupying Government quarters on military installations, and identified by copies of their TDY orders and on-base billeting authorization. b. Outside of the United States when identified by copies of their TDY orders. c. No uniform items. d. No State tax-free tobacco items. e. No tax-free alcoholic beverages.
9. Civilian employees of the U.S. Government working on, but residing off military installations; uniformed and nonuniformed personnel working in recognized welfare service organization offices within an activity of the military service; and visitors to military installations	All food and beverages sold at any AAFES food activity, if consumed on post.

Table 6-2
Limited exchange access—Continued

Category	Status (except as noted)
10. Contract technical services personnel in travel status and Army, Navy, and Air Force Academy applicants	a. When occupying Government quarters on a military installation b. No uniform items. c. No State tax-free tobacco items. d. No tax-free alcoholic beverages.
11. Foreign national active duty officers and enlisted members, when visiting U.S. military installations on unofficial business	a. Entitled to all exchange privileges, except that merchandise sold to such personnel will be restricted to quantities required for their personal use. b. AR 12-15 and AFMAN 23-110 (Volume 1) will govern the sale of uniform items.
12. Servicemembers of the Civil Air Patrol in a travel status and occupying Government quarters on a DOD installation	a. For purchases other than uniforms, they will be identified with their current membership card, their travel authorization, and evidence they are occupying Government quarters on the installation. b. Purchase of uniforms, when Civil Air Patrol membership card is shown. c. No State tax-free tobacco items. d. No tax-free alcohol beverages.
13. Civil Air Patrol cadets	a. Purchase of uniforms, when Civil Air Patrol membership card is shown. b. All food and beverage sold at any AAFES food activity, if consumed on post.
14. Members of the Reserve Officers' Training Corps and Junior Reserve Officers' Training Corps	a. When visiting installations under orders as part of a Service orientation program. a. No State tax-free tobacco items. b. No tax-free alcoholic beverages.
15. Members of the Naval Sea Cadet Corps	a. On 2-week summer training duty, if occupying Government quarters on a military installation. b. No distinctive uniform items. c. No State tax-free tobacco items. d. No tax-free alcoholic beverages.
16. Coast Guard Auxiliary members	a. When identified by the Coast Guard Auxiliary ID Card, CG-2650. b. Uniform articles and accessories authorized by Coast Guard Auxiliary directives.
17. Civilian students and faculty members at Service schools	Books, supplies, and materials related to the educational process, only at AAFES facilities which support the school.
18. Persons suffering from hardship	Exchange employees may sell to otherwise unauthorized persons "stranded on an installation," small quantities of gasoline, oil, other automotive items, or items necessary for an individual's health.
19. DOD civilian employees using Government-authorized vehicles for official business	Gasoline for use in vehicles, upon presentation of military travel orders that authorize the leasing or use of the Government vehicle.

Chapter 7

Stock Assortment, Sales, Pricing, Advertising, and Promotions

Section I

Stock Assortment and Pricing

7-1. Retail stock assortment

a. The AAFES commander prescribes the AAFES master stock assortment for each retail department. The AAFES HQ sets stock assortments and stock structures for outlets within the parameters of the master stock assortment. This includes a variety of price-lines, nationally-accepted brands identified to satisfy customer demand to the maximum extent, and private label merchandise.

b. All exchanges stock and sell retail merchandise consistent with retail industry standards and the AAFES master stock assortment (subject to the restrictions in app E). Only the Principal Deputy Under Secretary of Defense (Personnel and Readiness) (PDUSD(P&R)) can make changes to the restrictions.

c. The AAFES commander prescribes limitations regarding stocking and special order of specific categories or items when deemed necessary.

(1) Overseas and offshore exchanges may stock high-demand merchandise not authorized for resale in CONUS exchanges (see app E).

(2) Merchandise sold in overseas exchanges for delivery in CONUS, either directly or through a concessionaire or agency arrangement, is subject to the limitations for CONUS exchanges (see app E), except—

- (a) As specifically approved by the PDUSD(P&R).
- (b) This restriction does not apply to gift items located in the CONUS mail order warehouse.
- (c) U.S.-manufactured automobiles and motorcycles may be sold for delivery in CONUS.

7-2. Retail pricing and markups

a. Basis for AAFES pricing and markups—

(1) The principle that exchange privileges are a vital form of nonpay compensation that helps military personnel sustain an acceptable American standard of living, regardless of location.

(2) The need to maintain a financially independent organization capable of generating a source of funding for the support of Army and Air Force MWR programs.

b. The AAFES commander is responsible for and has authority to establish—

- (1) Generally uniform prices.
- (2) Standard markups that support AAFES' mission and service objectives.
- (3) Internal operating procedures concerning pricing strategies that are considered proprietary to AAFES, not to be disseminated outside exchange channels.

c. Special order prices include the cost of transportation or postage and other related handling costs, unless specifically exempted by the AAFES commander.

7-3. Fees and prices

Fees and prices are determined according to EOPs issued by the AAFES commander.

7-4. International Balance of Payments Program

Policy on the purchasing, sale, and pricing of foreign merchandise and services by overseas resale NAFIs is found in DODI 7060.3.

Section II

Sales and Trade Names

7-5. Vending sales of tobacco and alcohol

For other alcoholic beverages sales, see chapter 10.

a. Continental United States, Alaska, or Hawaii—

- (1) State tax-free tobacco products are not sold through vending machines.
- (2) State tax-free beer may be sold through vending machines in military quarters and mess/dining halls, when authorized by garrison/installation commanders. Such sales must comply with applicable departmental and command directives.

b. In offshore and overseas areas, sales of beer and tobacco products through vending machines are authorized when such sales comply with departmental and command directives and host country agreements and when authorized by the commander concerned.

7-6. Tobacco products

a. Tobacco products (including smokeless tobacco) will not be sold to anyone under 18 years of age.

b. A customer's identification will be checked if the buyer appears to be under 21 years of age.

c. Military retail outlets will not enter into any new merchandise display or promotion agreements, or exercise any options in existing agreements, that provide for any increase in total tobacco shelf space. This provision does not prohibit couponing, or incentives that allocate tobacco shelf space among brands so long as total tobacco shelf space is not increased. Self-service promotional displays will not be used outside of the tobacco department. Incentives to increase the total number of tobacco displays will not be accepted, except to reallocate existing tobacco shelf space among tobacco brands, provided that the total amount of tobacco shelf space is not increased.

d. Exchanges will endeavor to display tobacco cessation products in areas that provide visibility and opportunity to customers who desire to change their tobacco habit. AAFES will support pricing of smoking cessation products below the local competitive price.

e. Exchange merchandise categories for tobacco products may be consigned and sold in commissary stores as exchange items.

f. State tax-free tobacco products will be sold only to those individuals, organizations, and activities entitled to unlimited exchange privileges. Common sense must be used in determining the quantities of State tax-free tobacco products sold are reasonable and for the use of authorized exchange patrons.

7-7. Special sales

a. Coupon books. The use of coupon books in lieu of currency is—

- (1) Prohibited in CONUS, except at the U.S. Disciplinary Barracks.
- (2) Permitted overseas (and encouraged where local nationals have snack bar privileges). Petroleum, Oil & Lubrication (POL) coupons are used to purchase gasoline overseas.

b. "POG" gift certificates. The use of POG certificates in lieu of currency is—

- (1) Permitted in CONUS for Servicemembers returning from contingency operations where host countries restrict the use of U.S. coinage or U.S. coinage is not readily available.
- (2) Permitted overseas in contingency operations where host countries restrict the use of U.S. coinage or U.S. coinage is not readily available.

c. Layaway sales. Layaway sales are conducted according to EOPs.

d. Credit sales. Authority for credit card policies, procedures, limitations, and controls governing acceptance of credit cards rests with the AAFES commander.

e. Special orders. Special orders, using prescribed markup procedures, may be permitted on items available outside the stock assortment, if available from manufacturers.

f. Financing. Financing service is allowed for the sale of new DOD authorized automobiles and motorcycles in overseas exchanges and encyclopedias worldwide. Financing must be done by a U.S. finance company, financial institution, or credit union per applicable departmental regulations.

7-8. Organization or activity sales

a. Types.

(1) *Procurement sales.* AAFES sale of institutional-use merchandise and supplies, services, motor vehicles, equipment, and other retail merchandise not on the AAFES stock assortment.

(2) *Bulk sales.* AAFES sale of supplies, merchandise, and equipment usually in original containers issued from AAFES storage.

(3) *Convenience sales.* AAFES sale of regular exchange stock selected from stock located in an AAFES resale facility.

b. Condition of sale. Above sales are restricted to activities of the U.S. Armed Forces and authorized official organizations determined by the AAFES commander. Prices will be set according to procedures published by the AAFES commander.

7-9. Rationing

Rationing to control the sale of any item of exchange merchandise may be authorized by the AAFES commander. Garrison/installation commanders may ask the AAFES GM to establish rationing when local conditions warrant such action. To resolve disputes over rationing procedures, garrison/installation commanders will forward requests for resolution through command channels, including appropriate Department staff elements, to the AAFES commander. Any dispute over rationing not resolved at command level may be presented to the Executive Secretary, AAFES, for resolution by the BOD.

7-10. Refunds and adjustments

Monetary refunds, credit, merchandise substitution, or exchange or gift cards for refunds without receipts, up to full purchase price, may be made on merchandise and services in cases of customer dissatisfaction. Procedures will be consistent with industry practices. There are no refunds on garments worn next to the skin.

7-11. Exchange credit program

Army and Air Force Exchange Service may sell merchandise and services on a deferred payment basis as authorized by DOD, using uniform procedures issued by the AAFES commander.

7-12. Resale activities

a. Authorized exchange revenue-generating activities are listed in appendix D and DODI 1330.21, enclosure 3.

b. The AAFES resale activities may be operated directly by AAFES or by AAFES contractors. Either direct or contractor-operated activities may be operated pursuant to franchise agreements with commercial franchisors. Method of operation will be determined by AAFES, based on a comparison of the financial return and alternative costs of comparable service.

(1) Limitations or restrictions on AAFES sales apply to contractually-operated activities.

(2) Commodity and service concessionaires do not sell merchandise in direct competition with items sold in exchange stores, unless authorized by the AAFES commander and rendered by the terms of the contract. Concessionaire sales may be subject to State/local taxes.

(3) An AAFES contractor or concessionaire selling or providing authorized services is entitled to the same APF support that AAFES is entitled to when providing like services.

c. Only AAFES is authorized to sell, publicize, or display new or factory certified automobiles or motorcycles on Army and Air Force installations overseas. This does not preclude brief periods of publicity and display of foreign cars or motorcycles as sponsor recognition as authorized under the MWR sponsorship program.

d. Army and Air Force Exchange Service may provide vending service of all authorized retail, food, or service items, except services and vending machines located in military and civilian MWR facilities, unless operated under a management fee basis as outlined in paragraph 5–14e of this regulation (AR 215–1, AR 215–7, and AFI 34–206).

7–13. Sanitation

Standards of sanitation prescribed in applicable departmental regulations apply to all exchange activities.

7–14. Required surveys

a. A standard customer satisfaction index (CSI) will report customer satisfaction levels for the individual exchanges and compare the three exchange services worldwide.

b. The exchanges will jointly conduct an annual, standardized market-basket price survey to measure customer savings by comparing the costs of like products in the commercial industry in the United States.

7–15. Use of Army and Air Force Exchange Service trademarks

a. The AAFES registers and maintains its own trademarks with the U.S. Patent and Trademark Office. The AAFES possesses common law property rights, and/or formal trademark registration rights, in the terms and abbreviations shown below and any combination of them to include domain names used by AAFES. This list does not include all of AAFES registered trademarks.

- (1) Army and Air Force Exchange Service.
- (2) AAFES.
- (3) Army and Air Force Exchange Service, Europe.
- (4) AAFES, Europe.
- (5) AAFES–EUR.
- (6) Army and Air Force Exchange Service, Pacific.
- (7) AAFES, Pacific.
- (8) AAFES–PAC.
- (9) Post Exchange.
- (10) PX.
- (11) Base Exchange.
- (12) BX.
- (13) AAFES.COM.
- (14) CentricMall.COM.

b. Use of the trade names, domain names, abbreviations, terms, or references to AAFES or its exchanges, by and for any person, business, or publication in any type advertisement or promotional campaign is not authorized without the prior approval of the AAFES commander. AAFES personnel will ensure that proper protective language is included in all publications containing AAFES registered trademarks or services marks. Any incidents of such unauthorized use, advertising, or promotions will be reported to the AAFES General Counsel.

Section III

Advertising and Promotions

7–16. Advertising

a. The use of AAFES premises, facilities, or personnel by firms or their representatives for any type of advertising, promotion, or solicitation purposes is prohibited.

b. Use of AAFES premises, facilities, personnel, and funds by AAFES for advertising or promotional purposes is authorized on a restrictive basis, as approved by the AAFES commander.

c. Army and Air Force Exchange Service advertising will not reflect unfavorably on the Federal Government, DOD, the Army, or the Air Force. AAFES advertising is based on reaching bona fide users, in accordance with patronage policy issued in this regulation.

d. Army and Air Force Exchange Service media is not distributed off military installations or outside of AAFES facilities, except for mailings to authorized patrons and dissemination of AAFES benefit information at recruiting locations. Patrons living and working off base should be aware of the products and services available in the exchange.

e. Army and Air Force Exchange Service activities may contribute articles and stories as unpaid information items in base newspapers, plan-of-the-day publications, Armed Forces Radio and Television Service (AFRTS), installation cable TV, Internet sites, and other media intended primarily for distribution to authorized AAFES patrons.

f. Army and Air Force Exchange Service may pay to advertise AAFES goods, services, and entertainment events in—

(1) Department of Defense media, including installation cable television. These ads may include brand names, item prices, films, theater admission prices, and names of commercial sponsors, companies, vendors, or distributors involved with special events.

(2) Non-DOD media, if the chosen media is circulated to, written for, or geared to an audience consisting primarily of military personnel and other authorized exchange patrons. When non-DOD media is used for advertising that may be heard, seen, or read by other than authorized patrons, a disclaimer will be used similar to: “This offer or event is open only to authorized patrons.” (This policy will not be interpreted to apply to publications distributed to a more general audience.) This phrase is not required for advertising AAFES events that are open to the private sector (see below). Both economic and noneconomic factors will be evaluated before engaging non-DOD media to advertise exchange services, products, and events.

(3) Appropriate civilian local and national media, when AAFES is holding or participating in special events (such as automobile shows) that are open to the public and private sector and held on a military installation or in an AAFES facility, subject to the following:

(a) Such events do not directly compete with other MWR programs or similar events offered in the local civilian community.

(b) Merchandise will not be advertised; however, event-related merchandise, souvenirs, and food and beverages consumed on the premises may be sold at the event.

(c) Open events and event advertising will be coordinated in advance with the local public affairs office.

(d) Open events are infrequent, not weekly or monthly, and enhance community relations.

(e) Outside continental United States advertising conforms to existing SOFA regulations, command policy, and local laws.

(4) Ads, premiums, coupons, and samples (except for tobacco, alcohol, and adult-oriented products) may be distributed directly to authorized patrons. A disclaimer is not required.

g. Official channels are not used for distribution of ads and promotional materials that are primarily advertising devices. Such media may be placed in locations on the installation for personal pickup, if a disclaimer is attached.

h. The AAFES may sell space for commercial advertising in any media (printed, electronic, and so forth.) produced for or prepared by AAFES, subject to the following:

(1) A disclaimer is included that the ad does not constitute AAFES, DOD, Army, Air Force, or Federal Government endorsement. The phrase “PAID ADVERTISEMENT” is displayed prominently.

(2) Advertising is limited to only those products and services AAFES is authorized to sell.

(3) Publication of paid commercial advertising by AAFES is bound by similar standards that apply to civilian enterprise publications.

(4) Acceptance of paid commercial advertising on AFRTS, local commander channels, or any APF electronic media is prohibited.

(5) Prominent displays containing commercial advertising complies with applicable Service regulations governing signage on military installations.

(6) Advertising will be rejected if it—

(a) Undermines, or appears to undermine, an environment conducive to successful mission performance and preservation of loyalty, morale, and discipline.

(b) Is considered in “poor taste” or contrary to DOD policy.

(c) Contains advertising for any establishment placed “off limits” by the garrison/installation commander, or from contractors who are suspended or debarred from doing business with the Federal Government.

(d) Competes directly with AAFES sales of merchandise or services, unless approved by the AAFES U.S. Region or Overseas Senior Vice President.

7-17. Promotions

a. See paragraph 7-16*a* and 7-16*b*, above related to the use of AAFES premises, facilities, personnel, and funds.

b. Mailings (written or electronic) of announcements promoting exchange products and services are permitted only to authorized patrons. Such mailings may contain advertisements for specific commercial products, commodities, or services provided by or for any private individual, firm, or corporation, and are permitted only to those who voluntarily agree to receive such mailings. Mailings may include advertisements or promotions on behalf of other DOD organizations, including other exchanges, other MWR programs, and the commissary, if such advertising meets the standards in this regulation and is the result of a cooperative effort between AAFES and the other DOD programs. The cost of promotional mailing and postage is NAF funded. A mechanism shall be adopted so those individuals who had consented to such mailings may remove their names from the list. All customers are informed of their right to have names removed from mailing lists, upon their request.

c. Ads, premiums, coupons, samples, and similar promotions (like those used in the commercial sector) may be

distributed directly to authorized patrons unless specifically prohibited by DOD policy. The distribution of free samples of tobacco products is prohibited.

d. The AAFES may accept premiums with a value of \$10.00 or less when voluntarily initiated and prepared by vendors. AAFES may accept such funds as part of promotional discounts offered by AAFES vendors, under contracts for purchase of retail merchandise by AAFES. Materials prepared as part of such discounts may be at the vendor's expense. Funds are not solicited from vendors or other non-DOD sources to offset costs of premiums.

e. Army and Air Force Exchange Service gift certificates/gift cards and merchandise for use in customer promotions and contests are not sold to, or put into the possession of, vendors or vendor representatives.

f. Point of sale displays and promotional material, such as reduced price and special offer coupons, may be used.

g. The vendor may provide merchandising assistance and training of exchange sales personnel. Equipment which combines display and utility, such as retail merchandise counter dispensers of light bulbs or shoestrings, is authorized as prescribed by the AAFES commander when useful and not considered to be primarily advertising devices.

h. In-store demonstrations may be provided by vendors on the use or application of products stocked.

i. The vendor may provide free clinics for inspection and servicing of a vendor's products.

j. The AAFES may participate in national and local coupon redemption programs available to the general public, as well as the military community.

k. The AAFES may accept promotional displays of products being featured in AAFES programs.

7-18. Web sites

Army and Air Force Exchange Service may establish, operate, and maintain unclassified web sites in accordance with policies and procedures prescribed for official and unofficial Web sites.

7-19. Public Affairs

The AAFES Public Affairs Officer (PAO) is responsible for advising and informing the AAFES commander of the public affairs impact and applications inherent in daily, planned, contingency, or wartime operations. The PAO serves as the command spokesperson for response to media queries and crisis communications concerning AAFES operations as well as ensuring information for public dissemination is reviewed for compliance with policy requirements. The PAO prepares the public affairs annex or portions of operations orders, plans, and standard operating procedures. Additionally, the PAO serves in an advisory capacity to the media and works closely with the staff to ensure that command liaison activities support the command mission and commander's intent.

Chapter 8 Procurement

8-1. General

a. Army and Air Force Exchange Service contracts will be solicited, evaluated, and awarded in keeping with DODD 4105.67, and procedures issued by the AAFES commander. Competitive negotiation, as distinguished from sealed bidding, will be used to the maximum extent practicable.

b. Each contractual relationship will be documented, in writing, on a prescribed AAFES form.

c. The AAFES will not negotiate, purchase, or otherwise conduct any procurement business, including in-store or other contract service, with active duty military personnel, U.S. Government employees, NAF employees, or immediate Family members of the above who reside in the same household. Exceptions include—

(1) The AAFES commander may waive the prohibition for immediate Family members.

(2) In overseas areas only, contracts for court reporting on a fee basis may be awarded to immediate Family members, if the Overseas Region Commander determines, in writing, that—

(a) Insufficient competition exists without using Family members as sources.

(b) There is no conflict or apparent conflict of interest.

(c) An exception is otherwise in the best interest of AAFES.

(3) Individuals are acting in an official capacity as outlined in paragraph 8-1e, below.

d. Source lists will include only those sources, which are not debarred, suspended, or ineligible in accordance with applicable Congressional mandates, Federal law and regulations, and AAFES purchasing procedures. Recommendations for suspension or debarment of individuals and firms doing business with AAFES will be prepared by the cognizant contracting officer and submitted to the AAFES General Counsel for review and appropriate action.

e. Army and Air Force Exchange Service may enter into contracts or other agreements with other NAFIs, DOD elements or other Federal Departments, Agencies, or instrumentalities, pursuant to 10 USC 2492, to provide those goods and services specifically authorized for exchanges. Under this authority, AAFES may also provide services inherent to their internal operation. The AAFES will not enter into contracts or agreements with other NAFIs, DOD elements, or other Federal Departments, Agencies, or instrumentalities for the provision of goods and services that will

result in the loss of jobs created pursuant to the Randolph-Sheppard Act, Javits-Wagner-O'Day Act, or small business programs. Before entering into a contract or other agreement, AAFES will ensure that the contract or agreement will financially benefit AAFES, considering fixed and variable direct and overhead costs (including depreciation).

f. Other Government activities referenced above may consider AAFES as a provider of such goods and services prior to the initiation of the competitive procurement process. However, if the competitive procurement process by other Government activities has been initiated, pursuant to the above authority, AAFES may submit bids or proposals in response to the competitive procurement.

8-2. Authority

a. The AAFES commander is vested with the responsibility and authority for worldwide AAFES procurement of merchandise, supplies, motion picture services, facilities, equipment, architect-engineering services, construction, and renovation of equipment and facilities. The official assigned responsibility for procurement management, HQ AAFES, is subdelegated the procurement authority of the AAFES commander to manage procurement policies, procedures, and authority as outlined herein. Procurement, including preliminary communications and negotiations, will be done only through, or as authorized by, the AAFES commander or designee.

b. The procurement authority of the AAFES commander includes—

- (1) Authority to negotiate, execute, approve, and administer contracts and amendments or changes to them.
- (2) Authority to appoint contracting officers.
- (3) Authority to issue uniform purchasing instructions and standard contract forms. The AAFES commander may approve deviations from the instructions and forms when consistent with applicable departmental regulations.

c. Only duly appointed AAFES contracting officers who have been specifically delegated the authority to execute contracts will perform AAFES procurement.

d. Army and Air Force Exchange Service HQ will procure all feature-length entertainment motion pictures for AAFES exhibition at AAFES theaters on Army and Air Force installations, to include contingency locations.

e. Aside from the automatic sub-delegation stated in paragraph 8-2a, above, the AAFES commander's procurement authority may be further delegated. All delegations are written and may be contained in AAFES purchasing procedures. Delegations may be by categories of personnel or to individuals. Authority of delegation will be as set forth in AAFES purchasing procedures.

f. A certificate of appointment will designate AAFES contracting officers. Appointing officials are delegated authority to issue certificates of appointment in purchasing procedures issued by the AAFES commander.

(1) Army and Air Force Exchange Service is not obligated to recognize or ratify actions by AAFES personnel who do not have certificates of appointment, or actions by personnel that exceed the limits of appointment. The AAFES personnel may be liable for unauthorized procurement actions and may be subject to administrative actions to include disciplinary actions.

(2) When issuing certificates of appointment, the appointing official considers the appointee's experience, training, education, business acumen, judgment, character, reputation, and ethics.

(3) Termination of contracting officer's authority will be automatic upon termination of the individual. Other types of terminations of authority will be in writing.

8-3. Mandatory contract clauses

Clauses that must be included in all AAFES contracts are listed below. If language is not specified in this regulation, as shown by quotation marks below, the AAFES commander issues required language in AAFES purchasing procedures, subject to review and approval by the AAFES General Counsel. If language is specified below, all deviations must be approved in advance by the AAFES commander with concurrence of the General Counsel.

a. *Legal status.* "The Army and Air Force Exchange Service (AAFES), including its activities, offices and individual exchanges, is an integral part of the Departments of the Army and Air Force and an instrumentality of the United States Government. AAFES contracts are United States contracts; however, they do not obligate appropriated funds of the United States except for a judgment or compromise settlement in suits brought under the provisions of the Contract Disputes Act of 1978, as amended, in which event AAFES will reimburse the U.S. Government. AAFES procurement policy is established by applicable directives and instructions promulgated by the Department of Defense. The Federal Acquisition Regulation (FAR) does not apply to AAFES."

b. *Disputes.* A clause implementing the Contract Disputes Act of 1978, as amended.

c. *Representations.* "Contractor will not represent himself/herself to be an agent or representative of AAFES, another instrumentality, or an agency of the United States."

d. *Advertisements.* "Contractor will not represent in any manner, expressly or by implication, that products purchased under this contract are approved or endorsed by any element of the United States, including AAFES. All contractor advertisements that refer to AAFES or military exchanges will contain a statement that the advertisement was neither paid for nor sponsored, in whole, or in part, by AAFES, the military exchange system, or the United States Government."

e. *Examinations of records.*

(1) This clause applies if the amount of the contract exceeds \$10,000 and the contract was entered into by means of negotiation. The contractor agrees that the contracting officer or his duly authorized representative will have the right to examine and audit the books and records of the contractor directly pertaining to the contract during the period of the contract and until the expiration of three years after the final payment under the contract. The contractor agrees to include this clause in all subcontracts that exceed \$10,000.

(2) "General Accountability Office" may be substituted for "contracting officer or his duly authorized representative" when the prospective contractor does not accept the standard wording of the examination clause.

(3) Contracts awarded to foreign contractors may exclude the examination clause when its use is precluded by the laws of the country involved, subject to the approval of the servicing AAFES General Counsel (AAFES HQ and AAFES-Europe). Contract files will in such circumstances be documented to show the basis for exclusion of the clause.

f. Hold harmless clause. A clause providing that the contractor will hold harmless the United States and AAFES from any claims or legal actions arising from the contractor's activities. Such clause will not give the contractor the right to control defense of any suit brought against AAFES or the United States.

g. Defining clause. A clause defining the term "Contracting Officer" and any other personnel authorized to act on behalf of AAFES with regard to the contract.

h. Insurance. Insurance clauses appropriate for the contract.

i. Gratuity and contingent fee. A gratuities and contingent fee clause.

j. Assignment of Claims Act. A clause prohibiting the assignment of AAFES contracts under the Assignment of Claims Act.

k. Labor. Clauses implementing labor and socioeconomic laws and regulations applicable to AAFES contracts, including but not limited to:

(1) Equal Employment Opportunity requirements.

(2) Department of Labor requirements.

(3) Service Contract Act.

(4) Davis-Bacon Act.

(5) Contract Work Hours and Safety Standards Act.

l. Construction. In construction contracts, the AAFES commander, pursuant to AAFES purchasing procedures, waives clauses implementing the Copeland Anti-Kickback Act and the Miller Act.

m. Termination. A contract termination clause.

8-4. Minority business concerns

a. Certain contracts for concession services, not currently available on a military installation, may be set aside for minority business concerns. The Minority Business Development Agency (MBDA) identifies the eligible concerns and the AAFES commander issues purchasing procedures for contract awards. The definition of "concession services" for purposes of this provision will be as contained in AAFES purchasing procedures.

(1) Each nominated minority concern is eligible for only one reserved contract at a time. If the nominee is a franchisee or subsidiary of a minority business enterprise, the one contract limitation will apply to the franchiser or parent firm as if it and the franchisee or subsidiaries were one entity. If a nominated firm is determined ineligible for a reserved contract under this provision, it will be included on the source list for competitive solicitation of the service if otherwise eligible.

(2) Any follow-on contracts for the same service will not be set-aside for the incumbent minority business concern. The concern will be placed on the source list, subject to AAFES purchasing procedures concerning eligible sources.

(3) Before making awards to minority business concerns under this program, the Contracting Officer must determine that price and/or fees are fair and reasonable.

b. Contracting Officers award contracts for equipment or expense items under \$1,000 (or construction or renovation not exceeding \$2,000) to responsible minority businesses, when AAFES requirements can be met and prices are determined to be fair and reasonable. Contracts will be awarded to these firms without competition and according to purchasing procedures issued by the AAFES commander.

8-5. Services, agency, concession, and vending agreements

a. Contractually-operated activities operate under one of the following types of contracts, as defined in the glossary:

(1) Services.

(2) Agency.

(3) Concession.

(4) Vending.

b. These contracts may be for a period not to exceed 5 years. The AAFES commander may approve an initial contract period, or a combination of initial contract period and renewal options exceeding five years, but not more than 25 years total. Such approval may be granted only when—

- (1) The contract investment is largely unrecoverable within 5 years.
- (2) It is necessary in order to allow a reasonable return on investment to AAFES.
- (3) It is necessary for the life cycle cost of a particular product or service to include product upgrades, enhancement, and maintenance support.
- (4) It is of such magnitude that a longer period is necessary in order to allow a reasonable return to AAFES and/or the contractor or in order to permit amortization consistent with industry standards.

c. These contracts may contain provisions permitting the Contracting Officer to extend the contract without resorting to competitive solicitation. To extend the contract without competition, the Contracting Officer must find that the issuance of a competitive solicitation will not be to the advantage of AAFES. Such contracts must be opened to competitive solicitation not less frequently than once every 5 years, unless a longer period has been approved per paragraph *b*, above, or prior approval for extension beyond a 5-year period has been granted, in writing, by the AAFES commander. The authority to approve contract extensions for a period beyond 5 years may be delegated by the AAFES commander to officials who are assigned responsibility for AAFES HQ procurement management, without power of redelegation.

d. Short-term concession contracts may be awarded noncompetitively by GMs for the sale of unique merchandise or services that are not normally sold in AAFES exchanges. Authority to award these contracts may not be delegated to subordinate exchange personnel. Short-term concessionaires may sell only “cash and carry” merchandise and shall not be allowed to take customer orders that cannot be filled by the last day of the sales period during which the order is taken. Short-term concessionaires may not sell or provide customer services except as incidental to the sale of merchandise.

8-6. Procurement of retail merchandise

a. Retail merchandise is selected consistent with industry standards and Federal laws and regulations applicable to AAFES. (See chap 10 for procurement of alcoholic beverages.)

b. Purchases of merchandise for resale will not be made under extended credit arrangements or on a consignment basis, except as authorized, in writing, by the AAFES commander.

c. Interested suppliers will be treated fairly. If their merchandise is not selected for purchase, they will be advised of the reason.

8-7. Procurement of fixtures, equipment, and supplies

Procurement of AAFES fixtures, equipment, and supplies is accomplished in accordance with purchasing procedures issued by the AAFES commander. AAFES is authorized to purchase, on a reimbursable basis, expense-type supply items in the operation of exchange activities from Army and Air Force installation-level stocks.

8-8. Military uniforms

Purchase of articles of uniform and insignia will be from sources approved and certified in accordance with applicable quality control procedures of the Departments of the Army and the Air Force and purchasing procedures issued by the AAFES commander.

8-9. Sources of supply

Army and Air Force Exchange Service HQ will issue contracts for requirements that are common among AAFES exchanges. The CONUS and overseas regions may also establish contracts for items that are not available from a HQ-established source, consistent with purchasing procedures issued by the AAFES commander.

8-10. Quality assurance program

The AAFES commander establishes/maintains a quality assurance program to ensure high standards of merchandise, services, equipment, and supplies sold or used worldwide.

8-11. Procurement for contractors

a. Region Senior Vice Presidents or Overseas Region Commanders may authorize AAFES procurement, or transfers of AAFES-owned merchandise, supplies, or equipment, to contractors, on a reimbursable basis, when determined that it will result in better service and lower prices to the customer or it will contribute to uniformity in operations. This does not authorize tax-free purchases for private organizations. However, such transfers will not be made if they are in violation of applicable international agreements in overseas regions.

b. The AAFES commander issues operating procedures for AAFES procurement or transfers of AAFES-owned goods to contractors.

8–12. Liability as an agent

Where an AAFES activity acts in an agency capacity for a vendor or a supplier, its liability will be limited to that of an agent and it will not bind itself to perform any of the obligations of the principal.

Chapter 9 Transportation

9–1. Mode of transportation

- a.* The AAFES commander is responsible for traffic management as it concerns movements of AAFES goods.
- b.* The mode of transportation of AAFES cargo destined for overseas is determined by AAFES in accordance with applicable departmental transportation regulations. When costs of transporting AAFES cargo are paid from NAFs, AAFES, at its option, may use the Defense Transportation System or contract for commercial transportation.

9–2. Ocean shipments

- a. Surface shipments.* The oceanic surface movements of exchange cargo will be financed per applicable departmental transportation regulations.
- b. Shipments through port terminals.* Movement of AAFES merchandise, equipment, and supplies through military ocean terminals will be per applicable departmental transportation regulations. AAFES liaison personnel may be stationed at military terminals to assist in the management of the movement and control of AAFES supplies.

9–3. Inland movement

The funding and mode of transportation of AAFES merchandise, equipment, and supplies within CONUS and not destined for OCONUS is the responsibility of AAFES.

9–4. Air transport

- a. Military airlift.* AAFES will coordinate, as necessary, with U.S. Transportation Command for movement of AAFES cargo via military aircraft. Requirements for military airlift from CONUS in connection with essential exchange merchandise, equipment, or supplies in all categories will be confined to high value, emergency type or seasonal items when other modes of transport are not reasonably available at reasonable cost or will not meet the delivery requirements. Air shipments will be limited to sufficient quantities for immediate needs with the balance directed by water or other means of transport.
- b. Commercial air shipments.* Per applicable DOD Directives and Instructions, when it is determined to be more cost effective and efficient than military airlifts or to satisfy emergency requirements, AAFES may use tailored, commercial air service for expedited movement of highly perishable, time-sensitive commodities.

9–5. Mail shipments to destinations outside continental United States

Army and Air Force Exchange Service small package shipments (such as catalog/Internet sales) of merchandise, supplies, or equipment may be mailed from CONUS to OCONUS exchanges through the military postal channels (APO or FPO).

9–6. Funding

- a.* The Department of the Army is the responsible military Service for APF fiscal requirements for transportation of AAFES cargo.
- b.* The APF are authorized and will be used to cover the expenses involved in the process of transporting AAFES merchandise, equipment, and supplies to destinations outside the continental United States (10 USC 2643). This includes—
 - (1) Inland surface transportation from the point of origin in CONUS to the port of embarkation.
 - (2) Over-ocean transportation terminating where the goods arrive at the port of debarkation.
 - (3) Overland transportation from the OCONUS port of debarkation to an AAFES receiving/processing facility.
 - (4) Overland transportation from the AAFES receiving/processing facility to the AAFES retail facility.
 - (5) Transportation of AAFES goods between OCONUS exchange facilities.
- c.* Army and Air Force Exchange Service NAFs are not authorized for expenses involved in the process of transporting AAFES products OCONUS. Army and Air Force Exchange Service NAFs will be used for the transportation costs of AAFES merchandise, equipment, and supplies from OCONUS to CONUS and within CONUS when not destined for OCONUS.
- d.* Appendix B outlines funding authorizations for this expense and other elements of expenses.

Chapter 10

Alcoholic Beverage Sales

10-1. Class Six Program

a. Army and Air Force Exchange Service is the single manager of packaged alcoholic beverage stores (historically called Class Six) and the primary wholesaler of alcoholic beverages on Army and Air Force installations and other locations where AAFES has exchange outlets.

b. Army and Air Force Exchange Service will operate the Class Six Program for the sale of alcoholic beverages.

c. Packaged nonalcoholic, alcoholic beverage substitutes are sold only in exchange facilities and only to those customers authorized to purchase alcoholic beverages.

d. For all locations, garrison/installation commanders, in coordination with AAFES, authorize where Class Six stores are sited. AAFES will coordinate proposed Class Six facility closures/consolidations with the garrison/installation commander. There will be no expansion of distilled spirits or wine products to traditional AAFES activities without agreement of the garrison/installation commander. Once introduced, AAFES will manage products as any other category of merchandise.

e. The AAFES commander prescribes the alcoholic beverage stock assortment using similar criteria as any other category of merchandise.

f. Outside of the United States, wines and malt beverages produced in the United States receive equitable distribution, selection, and price when compared with wines and malt beverages produced in the host nation.

g. Outside the United States, the sale of packaged alcoholic beverages with an alcoholic content of more than 7 percent by volume may be approved by the exchange service commander/chief executive officer provided such sales do not contradict treaties, SOFA, and local Government agreements.

h. All beverages sold by AAFES will be labeled according to the Alcoholic Beverage Labeling Act of 1988, as amended.

i. Credit cards may be accepted for alcoholic beverage purchases.

j. The price of bulk/case items must be displayed by signage or through individual pricing methods.

k. Garrisons/installations will not enter into competition with AAFES operations. Sale of packaged alcoholic beverages by other authorized MWR programs for off-premise consumption will be restricted to time periods when AAFES-operated retail activities are closed and at no less than AAFES prices. Sales of beer and wine products incidental to party contracts or take-out food/beverage operations are excluded from the foregoing. Take-out beverage sales for personal/individual use are normally limited to sales of 4-packs, 6-packs, or similar small quantities. Other exceptions must be approved jointly by the respective Services and AAFES.

10-2. Promotions

a. AAFES sponsored promotions of alcoholic products are not authorized. For example, there will be no distribution of coupons and free samples to promote or advertise the sale or consumption of specific brands of alcohol.

b. Commercially-sponsored promotions are authorized for Class Six stores, if—

(1) The promotion is not targeted exclusively to the military community.

(2) The promotion is of the type available to the general public.

c. Beverage tastings, sponsored either by AAFES or vendors, are authorized if patronage controls and all restrictions concerning the sale of alcoholic beverages are enforced during tastings.

10-3. Controls

a. Packaged alcohol beverage outlets are operated solely for the benefit of authorized purchasers. Members of the Uniformed Services and other authorized purchasers will not sell, exchange, or otherwise divert packaged alcoholic beverages to unauthorized personnel or for purposes that violate Federal, State, or local laws, or SOFAs.

b. Garrison/installation commanders remain responsible for ensuring that the use of alcoholic beverages is consistent with the DOD controls in paragraph a, above. Garrison/installation commanders, with the coordination of the Exchange GM, remain responsible for reviewing the amount of alcoholic beverages purchased in packaged alcohol beverage outlets against the number of authorized purchasers.

10-4. Packaged alcoholic beverage outlet establishment

a. Departmental regulations prescribe policy on establishment of packaged alcoholic beverage outlets.

b. Where a package store operation is authorized for a garrison/installation, the exchange may operate in an independent facility or merge the alcoholic beverage operation with other exchange activities provided the garrison/installation commander concurs, the stock and displays are segregated, and all inventory controls, ration controls, and signage required for alcoholic beverages are in effect.

10-5. Triennial review

a. A review of packaged alcoholic beverage store operations in the United States is required every 3 years. The review is to determine the need for continued operation. The evaluation will consider such factors as—

- (1) Number of authorized patrons.
- (2) Contributions of profits to providing, maintaining, and operating military MWR programs.
- (3) Availability of wholesome family social clubs to military personnel in the local civilian community.
- (4) Geographic inconveniences.
- (5) Limitations of nonmilitary sources.
- (6) Disciplinary and control problems.
- (7) Highway safety.

b. The above factors are generally the same as those for establishing such operations, prescribed in AR 215-1 and AFI 34-219.

c. If any of the above factors are adversely affected, consideration will be given to closing the packaged alcoholic beverage store operation.

10-6. Purchase eligibility

a. *Overseas.* The authorized age for the purchase of alcoholic beverages in AAFES overseas facilities is 18 years or older. This applies to all authorized patrons. Decisions on a higher minimum age will be based on treaties and international agreements and policies of the local command.

b. *United States.* The authorized age for the purchase of alcoholic beverages in AAFES U.S. facilities is consistent with the law of the State in which the installation is located. As States enact new drinking age laws, the timing of revised installation drinking age policy shall coincide with implementation of the new State laws by State and local authority. Exceptions to this guidance are as provided in applicable departmental regulations.

c. *Proof of eligibility.* All patrons are required to show purchase eligibility before a sale is made. An exception is patrons in full regulation uniform need no identification unless there is doubt as to active duty status or age. Special procedures for ration control regulations may be required, if applicable.

10-7. Alcohol seller training

Annually, each member of the sales force receives alcohol seller training. Training is documented in the employee's personnel file.

10-8. Procurement procedures

a. AAFES procures alcoholic beverages under the most advantageous contract unless applicable Federal laws and regulations restrict procurement.

b. Locations within the United States must obtain beer, wine, and wine coolers from in-State sources. If an installation is located in more than one State, then the source may be in any State in which the installation is located. Locations in Alaska, Hawaii, and Washington must obtain all alcoholic beverages from in-State sources. At all locations, direct purchase of beer from the brewery is not authorized unless prior approval is obtained from the AAFES commander.

c. Consignment sales of alcoholic beverages are prohibited. AAFES must own the product sold.

10-9. Sales to morale, welfare, and recreation/nonappropriated funds activities

a. Army and Air Force Exchange Service provides requested products to authorized MWR/NAF activities selling alcoholic beverages by the drink, on a priority basis.

b. Army and Air Force Exchange Service provides alcoholic beverages to MWR/NAF activities at landed cost from the servicing Class Six store. MWR/NAF activities are not authorized to resell such merchandise for less than full AAFES retail price, or as determined by the AAFES commander.

c. If permitted by departmental regulations, sales of alcoholic beverages to non-MWR/NAF activities will be at no less than full AAFES retail price, or as determined by the AAFES commander. HQs of the Army and Air Force may grant exceptions for official Government functions when alcohol is purchased with APFs by other U.S. Government agencies.

Chapter 11

Motion Picture Service

11-1. Establishment and operational requirements of entertainment motion picture theaters

A written request for establishment of motion picture service will be submitted to appropriate CONUS Region Director

or Overseas Region Commander through command channels, sufficiently in advance of requirement for service, with information as follows:

- a. Name, mailing, and message addresses of requesting unit.
- b. Name, grade, and telephone numbers (military and civilian) of unit officer to be contacted regarding the establishment of service.
- c. Telephone numbers (military and civilian) of unit commander's office.
- d. Present and projected military and Family member strength, number of civilians authorized to attend the theater, and will attendance be sufficient to support this service.
- e. Distance (in miles) from nearest civilian theater. If overseas service is requested, distance from nearest English language civilian theater, if there is one in the host nation.
- f. Distance (in miles) from nearest videocassette or 35mm U.S. Forces military theater.
- g. Accessibility of post office or other methods of transporting video cassettes or films.
- h. If 35mm film service is desired and a theater building is to be used, the following items should be considered:
 - (1) Facility available, including type of building, floor plan, longitudinal and horizontal sections of auditorium, and sizes, types, and locations of entrance and exit doors.
 - (2) Accurate projection room dimensions, including the type of construction, and the location of the projection and observation portholes.
 - (3) Voltage, cycle, and phase of electric power.
 - (4) Adequate seating and sanitary facilities for the seating capacity, appropriate lighting and a building suitable for presenting motion pictures.
- i. If 35mm film is desired and a multi-purpose building not designed for motion picture showings is to be used, the following items should be considered:
 - (1) Type of building.
 - (2) Distance, in feet, from screen to proposed location of projector.
 - (3) Ceiling height, in feet, at screen location.
 - (4) Indication of any lighting fixtures or other obstructions that would interfere with projection.
 - (5) Distance, in feet, from proposed location of projectors to power outlet.
 - (6) Indication of whether projector, screen, and speaker will be left in position from one performance to another, or whether they will be removed to permit other activity in the building.
- j. If videocassette service is desired, the following items should be considered:
 - (1) Type of building.
 - (2) Room location.
 - (3) Type of storage security for cassettes.
 - (4) Check-out security procedures for cassettes.
 - (5) Type of viewing and playback of videocassette equipment.
 - (6) Estimated number of reviewers for each movie.
- k. Request for service for field training exercises or maneuvers will be submitted reasonably in advance of requirements and will include the following additional information:
 - (1) Identification of all units served.
 - (2) Rotation period of each unit to be served.
 - (3) Unit strength or average number of troops in the field each week.
 - (4) Distances of troop billeting or bivouac areas to nearest military and commercial theaters.
 - (5) Duration of requirement for film service.

11-2. Type of film service

Based on the information provided in paragraph 11-1, above, the AAFES commander will determine the type of service to be provided. The service originally provided may be changed at any time that conditions warrant.

11-3. Film showings

- a. HQ AAFES will procure all feature length 35mm entertainment motion pictures for AAFES exhibition at theaters on Army and Air Force garrisons/installations.
- b. AAFES has the exclusive authority to obtain films from industry distributing companies.
- c. Film ratings established by the motion picture industry are used.
- d. Other than films obtained from the motion picture industry, AAFES may exhibit national anthem trailers. These trailers will be supplied by the local command.
- e. Motion picture films, videocassettes, and digital versatile discs (DVDs) will not be shown to support fund-raising activities.

f. Films are exhibited only with subjects scheduled by AAFES, only in officially authorized theaters, and only at authorized performances.

g. Motion picture facilities are intended for the purpose of motion picture entertainment; all nonmilitary uses are subordinate. The facility will be known as an entertainment motion picture theater only during the period when used for the paid-admission exhibition of 35mm entertainment motion pictures.

h. Garrison/installation commanders will provide APFs to equip, operate, and maintain theater facilities. Maintenance of facilities includes maintenance of the grounds and structures or the outdoor areas approved for presenting entertainment motion picture programs. Commanders will use APFs to equip, operate, and maintain theater facilities for all purposes except when they are used for showing entertainment motion picture programs.

i. Theater changeable letter signs, one sheet display frames, and sound and projection equipment will be used for approved performances of entertainment motion picture films only.

j. Garrison/installation commanders will appoint a building custodian for the theater facility when it is used for purposes other than a paid-admission theater.

k. The cancellation of motion picture showings to promote attendance at other recreational or athletic activities or the observance of religious holidays is not authorized.

l. For films not shown by AAFES, see paragraph 11-7, below.

m. Guests may attend motion picture theaters provided they are accompanied by personnel authorized exchange privileges.

11-4. Additional theater expenses

In the routine operation of paid-admission entertainment motion picture theaters, AAFES will pay civilian employees and off-duty military employees per chapter 4. AAFES will also pay for the purchase of operating equipment and supplies. AAFES will pay janitorial services only for the periods when the theater is used to show AAFES 35mm entertainment motion pictures. When the theater is used for other purposes, the commander (Army or Air Force supply agency) will provide janitorial services, to include expendable articles of regular issue needed to maintain and clean the theater.

11-5. Admission charges

a. Admission charges will be established by the AAFES commander.

b. All 35mm entertainment films will be shown on a paid-admission basis, noting provisions referenced in paragraph 11-7, below, for special shows.

c. Videocassette showings are to be on a free-admission basis, unless paid-admission service is approved by the AAFES commander.

d. Free-admission videocassette showings may be established under the following circumstances:

(1) Where the present and projected population is such that paid-admission service is not economically feasible.

(2) When military personnel are engaged in field training exercises or maneuvers for a period exceeding 7 days.

(3) Equipment, supplies, personnel, and servicing costs required will be provided by the garrison/installation commander with APFs.

(4) When theater facilities are not available.

(5) Free-admission videocassette service will not be set up within 3 miles of, or at, any place considered to be in competition with a paid-admission Army, Air Force, or commercial theater, unless approved by the AAFES commander.

(6) A maximum of two programs a week on a free-admission basis may be provided at military confinement facilities. Attendance will be restricted to military prisoners and essential attendants.

11-6. Exhibition

a. Entertainment videocassette or 35mm film programs will consist only of subjects scheduled by AAFES and will be exhibited only in officially authorized theaters. No part of a motion picture program may be used at other than authorized performances.

b. Television films and nonentertainment motion pictures and slides in such subjects as orientation, training, appeals for funds, appeals for attendance at activities, appeals to support a cause, recruitment, or those of a purely educational nature will not be used in connection with regularly-scheduled entertainment motion picture programs.

c. Requests will not be made upon motion picture companies or their agents or employees for free- or paid-admission showings of any film subject. Any offers of a film subject for free- or paid-admission showings will be rejected unless a unit at a particular installation participated in making the picture. In these cases, the commander will inform HQ AAFES of the arrangements that were made with the producer so that the showing may be cleared with the appropriate distributing company.

11-7. Special shows and other uses

a. *Showing of films for special programs.* Showings of 35mm motion pictures without an individual admission

charge are authorized for organization day programs or special programs in which the organization participates as a whole. These may be held when paid for from funds available to the organization, based on the actual attendance and the established admission rates.

b. Showing of films in other facilities. Installations are not authorized to obligate or spend NAFs for the rental or purchase of any motion picture films or videocassette for entertainment for recreational showings. Commercially-sponsored films (including television films) not of feature length, and available without cost, may be shown in recreation centers and military clubs (open messes). These showings will start a half hour after the scheduled opening performance at the Army and Air Force theaters and will not be held more frequently than twice a week. Films used for this purpose will not include those that are normally included in Army and Air Force theater programs.

c. Utilization for training purposes. Occasionally, requests are received from installations for authority to exhibit, on a free-admission basis, AAFES-scheduled motion pictures (or portions) that may be considered to have training or orientation value. AAFES does not hold title to the films. Such requests will not be approved.

d. Utilization for benefit purposes. Entertainment motion picture films and videocassettes will not be used to support fund-raising activities.

11-8. Leasing arrangement

a. Entertainment motion picture films and videocassettes distributed by AAFES are leased from commercial distributors authorized to do so under film and videocassette copyrights. AAFES has a property right, as a lessee, only during the license period specified in the rental contracts.

b. The taking, damaging, destruction, or unauthorized use of motion pictures and videocassettes leased by AAFES could subject individuals to civilian liability, and to criminal prosecution.

Chapter 12 Claims and Incidents of Misconduct and Losses

12-1. Tort and tort-type claims

a. Tort and tort-type claims arising from AAFES operations will be investigated, processed, and settled in accordance with applicable departmental regulations.

b. Awards on administrative claims will be paid from AAFES self-insurance funds.

c. Army and Air Force Exchange Service GMs will notify, immediately, the servicing Staff Judge Advocate (SJA) of any incident likely to result in a claim for personal injury or property damage. Servicing legal offices will notify the office of the AAFES General Counsel, General and Revenue Recovery Law Branch, within 3 duty days of receiving a claim (SF 95 (Claim for Damage, Injury, or Death)) against AAFES. For cases such as serious vehicular incidents occurring off-post, the SJA should consider requesting investigative assistance from AAFES Regional Loss Prevention personnel. These requests may be submitted through the AAFES General Counsel. The AAFES GM will also notify the installation of any corrective measures necessary to prevent potential incidents from occurring.

12-2. Other claims

a. The Military Personnel and Civilian Employees' Claims Act of 1964 provides for AAFES civilian personnel benefits, except that payment of claims will be made only from AAFES self-insurance funds or per applicable insurance contracts.

(1) Personal property claims of AAFES civilian employees for loss or damage incident to their service, inclusive of those arising out of the authorized permanent change of station (PCS) movement or storage of household effects, personal effects, and privately-owned vehicles (POVs), will be investigated, processed, and settled per AR 27-20 and AFI 51-502.

(2) AAFES employees may, at their own expense, insure against any damages or losses in excess of limits of applicable regulations.

b. Cash payment, services, or replacement will settle customer complaints arising out of operations of AAFES activities in kind. Any such claims that cannot be satisfactorily settled in this manner, or any claim of this nature that includes a demand for consequential damages (such as personal injury or property damage other than to the article purchased, serviced, lost, or damaged), will be investigated, processed, and settled by the same authorities and procedures applicable to tort and tort-type claims.

c. Claims arising out of, or related to, AAFES contracts will be processed according to applicable Federal law, contract provisions, and AAFES EOPs.

d. The following miscellaneous claims will be processed in accordance with EOPs issued by the AAFES commander:

(1) Marine cargo losses.

(2) Claims against vendors, commercial carriers, and the U.S. Postal Service.

- (3) Claims arising out of workmen's compensation.
- (4) Group insurance and retirement annuity insurance.

12-3. Criminal investigations

Army and Air Force Exchange Service personnel will comply with applicable departmental regulations concerning criminal investigations.

a. The Overseas Region Commanders, AAFES HQ Chief of Staff, U.S. Region and Overseas Senior Vice Presidents, and GMs will report the following incidents promptly to the servicing military or civilian law enforcement authority for investigation or referral to USACIDC, OSI and FBI, as appropriate: arson, assault, burglary, embezzlement, forgery, homicide, larceny, robbery, shoplifting, and other acts of criminal misconduct involving exchange operations. Incidents requiring criminal investigations in offshore and overseas areas will be reported as indicated above, except when alternate procedures are established by host country agreements or local command directives.

b. Irregularities involving standards of conduct, other than criminal misconduct, of exchange personnel, contractors, suppliers, their agents, and representatives will be promptly reported to the servicing Loss Prevention Office or the AAFES HQ Office of Inspector General Fraud, Waste, Abuse, or Mismanagement Hotline.

c. All AAFES personnel are responsible for reporting any incidents or suspicion of incidents of misconduct or irregularities involving AAFES operations. Reports are given to an immediate supervisor, or higher official, if any person in the chain of command is suspected of involvement. Failure to report such incidents constitutes grounds for separation for cause or other disciplinary action. Incidents can also be reported to the AAFES HQ Office of Inspector General Fraud, Waste, Abuse, or Mismanagement Hotline.

d. Incident reports and reports of investigations covering the incidents above will be furnished to AAFES HQ, ATTN: Loss Prevention, per applicable departmental regulations and EOPs issued by the AAFES commander.

12-4. Other noncriminal investigations

a. An investigation required under this regulation is conducted by an officer (military or civilian) appointed by the AAFES commander. At the discretion of the AAFES Chief Financial Officer (CFO), if no qualified commissioned officer assigned to duty with AAFES or no AAFES civilian employee is reasonably available, or it is determined that an investigating officer outside of AAFES would be advisable, the AAFES commander may appoint any qualified commissioned officer made available by the local garrison/installation commander.

b. Reports of investigation will be prepared in the format and processed per procedures prescribed by the AAFES commander.

c. Loss or damage of APF property is processed per applicable departmental regulations.

12-5. Restitution and collection

Restitution and collection action, as specified below, is taken when a recommendation of pecuniary liability by an investigating officer has been approved, or when the CFO has made an administrative determination that an individual is pecuniary liable or accountable for a loss or shortage. The CFO may delegate this authority. An administrative determination of indebtedness in favor of a constituent element of AAFES is a determination that the indebtedness is due and owed AAFES. AAFES, its constituent exchanges, and other exchange facilities constitute a single integrated fiscal entity. The following procedures apply to restitution or collection (they do not apply to dishonored checks):

a. The individual concerned receives a written request for payment, with a copy of the report of internal management review or investigation or other documentation upon which pecuniary liability is based. The request will show the basis for the liability, provide notice that an administrative determination has been made that the individual is liable to AAFES, and include appeal rights specified in paragraph 12-6, below.

(1) If the individual concerned is a military member assigned to a remote location or employed by an AIFA, the request for payment is submitted to the individual's commanding officer, with a copy of the report of internal management review or investigation or other documentation upon which pecuniary liability is based.

(2) If the individual concerned is an AAFES civilian employee and refuses to pay the indebtedness voluntarily, the amount of the claim is deducted from any money AAFES owes the employee. Collection of claims against AAFES foreign national personnel in overseas areas is according to local laws.

(3) If the individual concerned is an active duty Servicemember, the AAFES GM, having been unable to effect voluntary collection, will report the indebtedness, with all relevant information, to the individual's unit commander. If the unit commander cannot effect voluntary cash settlement in a timely basis, the exchange—

(a) Prepares the appropriate departmental form naming the exchange as claimant.

(b) Submits it to the servicing finance and accounting office as certification and payment.

(4) If the individual concerned is a retired Servicemember and indebtedness is not voluntarily collected, the claim is submitted to the appropriate retired pay branch for collection. The finance office records the indebtedness on the individual's pay and forwards collected amounts to the exchange concerned.

(5) If the individual concerned is a civilian employee paid from APFs, and the debt is not voluntarily collected, the

appropriate civilian personnel officer or the garrison/installation commander will be asked to assist in collecting the debt. Documentation supporting the indebtedness will be forwarded with the request.

(6) If the individual concerned is an AAFES employee paid from NAFs, and the debt is not voluntarily collected, the responsible manager will send collection notification to the payroll office unless there is an appeal. A copy of the collection notification is sent to the employee. The amount deducted in any one pay period must be reasonable in terms of net pay and, generally, should be sufficient to satisfy the debt in 5 to 10 pay periods.

b. Consistent with applicable laws and regulations, AAFES may use all available means to collect valid debts to AAFES.

12-6. Appeals

a. Except for losses resulting from dishonored checks, when a person is notified of an approved report of investigation or determination of pecuniary liability for a loss, reconsideration may be requested. A written request for reconsideration to the AAFES CFO, with supporting explanation, must be submitted within 30 days after receipt of the notice of assessment of pecuniary liability. The appeal must state specifically the alleged errors or irregularities relied upon.

b. In coordination with AAFES General Counsel review, the CFO will reconsider the earlier action and give full consideration to the request and any other matter presented in support thereof. The appellant will be advised promptly of one of the following results:

- (1) The action is revoked and a refund of any previous collection will be issued.
- (2) A new or revised report of investigation will be completed.
- (3) The request is denied and will be submitted to the AAFES commander for final decision.

c. If the request is denied, the CFO will submit a memorandum stating the basis for denial to the AAFES commander. This, with the following documents attached, will constitute the appeal of the CFO's decision to decline to change the assessment upon reconsideration.

- (1) A copy of the request for reconsideration.
- (2) All correspondence and other pertinent material.
- (3) A copy of the approved report of investigation.

d. AAFES commander's decision on an appeal is final. The CFO will notify the appellant of the decision.

Chapter 13 Financial Planning, Accounting, and Accountability

13-1. Financial management

a. The financial objectives of AAFES are programmed and controlled by the Annual Financial Plan prepared by the AAFES commander and approved by the BOD. The plan includes projected income and expenses, the proposed capital program, the capital requirements schedule, and actual operating data to permit an analysis of projected data worldwide.

b. Quarterly, and at the close of each fiscal year, the AAFES commander issues a statement of financial position worldwide. Separate statements of financial position will not be prepared by any exchange, CONUS region, or exchange system within AAFES.

c. Exchange Operating Statements showing sales and other income costs, expenses, profits, depreciation, and significant statistical data will be prepared monthly as prescribed by the AAFES commander.

d. The AAFES commander publishes a uniform chart of accounts used worldwide, deviations from which are permitted only with prior written approval of the AAFES commander.

e. As prescribed by the AAFES commander, financial statements will be maintained to show AAFES assets and liabilities for management control of resources and operations.

f. To provide timely and essential management information and ensure adequate internal controls, Finance and Accounting will maintain standard accounting records as prescribed by the AAFES commander.

13-2. Financial and personnel management reports

a. The AAFES commander submits financial and personnel management reports, required by DODI 1015.15 and DODI 1330.20, respectively, for the preceding AAFES fiscal year to designated officials of the Departments of the Army and Air Force. AAFES' financial reports are audited by an external audit firm. The BOD submits these reports annually to the Secretaries of the Army and Air Force.

b. Annually, the Departments of the Army and Air Force will submit to AAFES data on APF costs and expenses in support of AAFES. This will be included in the reports required by applicable departmental regulations and the annual reports to the Secretaries.

c. The Family and MWR Command (Department of the Army) forwards AAFES reports to the PUSD(P&R) after obtaining Air Force (AF/A1S) coordination.

13-3. Accountability

a. In normal practice, sales are made and accounted for in U.S. dollars or dollar instruments. The AAFES commander may authorize sales in foreign currencies in overseas areas.

b. Selling activities account for merchandise at retail value, using the retail inventory method. Accounting for other merchandise, supplies, equipment, and vehicles is at cost value.

c. Accountability and responsibility for AAFES assets worldwide is prescribed in EOPs.

d. Assignment and relief of accountable individuals on a temporary or permanent assignment basis will be documented as stipulated in EOPs issued by the AAFES commander.

13-4. Physical inventories

a. The AAFES commander designates the dates for worldwide physical inventories of cash, merchandise, and supplies. Such inventories will be taken at least annually. Fixed assets will be inventoried as directed by the AAFES commander.

(1) The AAFES commander delegates authority to the Region Senior Vice President/Vice President to appoint disinterested (not within the direct chain-of-command or permanently assigned to that location) chief and branch inventory inspectors, in writing.

(2) Appointed inventory inspectors are required to recheck assigned exchange inventories.

(3) Chief and branch inventory inspectors will control the use of inventory sheets.

(4) Chief and branch inventory inspectors will be disinterested AAFES employees. If sufficient exchange personnel are not available, the military commander provides the necessary personnel.

(5) When accountability variances occur as a result of the official annual physical inventory, adjustments will be made to the ledger. An adjustment to the ledger does not eliminate the requisite actions prescribed for asset write-offs, losses, restitution, and collections.

b. The AAFES commander, Overseas Region Commanders, Region Senior Vice Presidents or GMs may direct an inventory in case of catastrophe (for example, fire, flood, storm), burglary or theft, hostile action, or evidence of unsatisfactory accountability. When inventories other than the annual inventory are taken, variance will be maintained in a memorandum format.

13-5. Write-off of assets

a. The AAFES commander may approve write-off of AAFES assets. Write-off procedures, including delegations of write-off authority, will be contained in EOPs. Write-offs will be supported by documentation and justification initiated by the accountable and responsible individual.

(1) When a fixed asset is surplus to AAFES requirements and cannot be disposed of by trade-in or sale for reuse, it will be written off. The amount of the write-off will be acquisition cost less applicable accumulated depreciation.

(2) Write-off of accounts receivable, including Military Star Card payment charges, expired gasoline credit card charges, and vendor debit balances, will be initiated if and when considered uncollectable or expired.

b. Merchandise, supplies, or other inventory items of no value will be marked down to zero and disposed of by one of the following methods:

(1) *Donation.* Donate to an installation MWR fund/garrison MWR entity, the installation chaplain, other governmental entities, or the Defense Reutilization and Marketing Office (DRMO). Receipt is issued for the no-value inventories. If the no-value inventory is sold by DRMO, 90 percent of the proceeds of the sale will be sent to the exchange.

(2) *Destruction.* The AAFES commander appoints an AAFES employee as a disinterested party to witness and certify.

13-6. Insurance

AAFES self-insurance funds are reserved to pay for losses not commercially insured. The AAFES commander issues policy concerning insurance coverage.

a. *Named insured.* Insurance policies covering claims against AAFES will expressly name the United States of America and AAFES as named insured. As appropriate, other AAFES elements may be listed as named insured to protect the interests of the United States against claims arising out of the activities of AAFES.

b. *Legal proceedings.* The legal status of AAFES, as a U.S. Government instrumentality, will not be interposed as a defense in any legal proceedings in which the insurer's liability is in any way concerned, unless so requested in writing by the AAFES commander, after obtaining approval of the appropriate Judge Advocate.

c. *Subrogation.* No subrogation action will be taken against the United States.

d. Contractor's insurance and bonds. The AAFES commander issues policy prescribing the types of insurance required of all businesses under contract with AAFES. Required insurance will be funded by the contracted business.

Chapter 14

Taxes

14-1. Federal taxes

a. Reporting and remittance of Federal taxes, including claims for exemptions, refunds, and drawback of duties, will conform to applicable Federal laws, regulations, and EOPs issued by the AAFES commander.

b. The U.S. Department of the Treasury may issue levies against the pay of exchange personnel.

c. Exchanges located in CONUS, Alaska, Hawaii, and U.S. possessions, are subject to occupational taxes if imposed by the U.S. Department of the Treasury.

d. AAFES must pay Federal excise taxes on items that are subject to the taxes unless the purchase is for immediate export from the United States. In such case, the purchase by AAFES can be made tax-free if the appropriate exemption certificate prescribed by the Treasury Department is completed by the appropriate AAFES official and given to the vendor of the item.

e. Drawback of duties is allowed upon the exportation of articles manufactured or produced in the United States wholly or in part with the use of imported or substituted merchandise.

14-2. State, territorial, and local taxes

a. As an instrumentality of the United States, AAFES is entitled to the same immunity accorded the U.S. Government from the taxes of States, the District of Columbia, territories and possessions of the United States, the Commonwealth of Puerto Rico, and their political subdivisions.

b. Sales by exchanges are immune from State sales and use taxes. Purchases by exchanges are immune from direct State taxation.

c. The immunity of AAFES from direct State taxation does not extend to indirect taxation (taxes the legal incidence of which is on the wholesaler, manufacturer, importer, and the like, unless the State by law or regulation has granted an exemption on sales to the United States).

d. Concessionaires and other independent contractors are not entitled to claim AAFES immunity from taxation. Concessionaires must collect and remit applicable sales and use taxes as required by State jurisdictional law; contractors may be liable for sales and use taxes as provided by jurisdictional law.

e. State and territorial income taxes will be withheld from compensation of all civilian employees whose regular place of employment is within the State or territory.

(1) Taxes will be withheld when an agreement exists between the Secretary of the Treasury and the State or territory, pursuant to applicable Federal law or regulation.

(2) On the request, and with the authorization of a civilian employee, and otherwise subject to withholding of pay under these agreements, voluntary withholding of income tax may be made in favor of the State of residence if that State has entered into such a withholding agreement.

f. Where the Secretary of the Treasury has entered into an agreement with a city to withhold from the pay of Federal employees city income or employment taxes, AAFES is subject to such withholding requirements.

g. Taxes of a State, the District of Columbia, or a territory of the United States upon or measured by sales, purchases, storage, or use (except United States Government use) of gasoline or other motor fuels will be collected and paid according to applicable Federal law.

h. Exchanges located in foreign countries, including occupied areas and the Trust Territory of the Pacific Islands, will not pay to, nor collect for, any foreign country or political subdivision of a foreign country any tax, unless the United States has consented to that levy or collection by international agreement.

i. Except as permitted by this regulation, or required by applicable law, taxes will not be paid or collected without the express authorization of the AAFES commander. Inquiries, questions, tax levies, and any other matter concerning taxation will be promptly forwarded to the AAFES General Counsel.

j. AAFES is authorized to conduct negotiations with taxing authorities, except that no formal administrative contest or litigation will be undertaken without express authorization of the AAFES General Counsel and the appropriate Judge Advocate General's Litigation Division.

14-3. U.S. Department of the Treasury records retention policy

All records relating to payments to individuals and firms must be retained for at least four years and must be available for review by the U.S. Department of the Treasury, if required. CONUS operators should consult their local U.S. Department of the Treasury office when forms, publications, or assistance is needed. Overseas local Judge Advocate

offices should be consulted for the address and telephone number of the nearest office of the U.S. Department of the Treasury representative.

14-4. Federal occupation taxes

a. Exchanges located in CONUS, Alaska, Hawaii, and U.S. territories are subject to the following U.S. Department of the Treasury occupation taxes:

(1) *Wholesale dealer in liquor.* For the purpose of this tax, a military reservation constitutes one location under the same proprietorship so that only one tax is due regardless of the number of outlets that an exchange operates within the geographical limits of the reservation. The wholesale dealer's tax is paid where AAFES sells to another organization authorized to purchase from the Class Six store.

(2) *Retail dealer in liquor, unless the tax has been paid under (1) above.* For the purpose of this tax, a military reservation constitutes one location under the same proprietorship so that only one tax is due irrespective of the number of outlets that an exchange operates within the geographical limits of the reservation.

b. The AAFES commander issues procedures relating to obtaining wholesale and retail dealer liquor tax licenses for Class Six stores.

14-5. State tax exemptions

a. The sale by AAFES of merchandise including soft drinks, alcoholic and malt beverages, and tobacco products is exempt from State taxes. This exemption applies to all Army and Air Force installations, organizations, activities, and personnel within the United States and its territories.

b. The immunity of AAFES from direct State taxation does not extend to indirect taxes whose legal incidence is on a party other than the exchange (such as a manufacturer, importer, processor, or wholesaler).

c. Several States have granted military exemptions from excise taxes that would otherwise be applicable to alcoholic beverages and tobacco products, and soft drinks procured by exchanges for resale to authorized patrons. This exemption is enjoyed as a privilege and not as a matter of legal right and is, therefore, to be respected and observed through full compliance with applicable restrictions, including the prohibition against unauthorized sale or disposition.

14-6. Sale of State tax-free items

a. State tax-free alcoholic and malt beverages may be sold for on-premises consumption at exchange food service outlets to those persons and organizations authorized to use food service outlets.

b. State tax-free packaged alcoholic beverages will be sold only to individuals, organizations, and activities entitled to unlimited exchange privileges and civilian employees of the Federal Government who work and permanently reside on the installation. The aforementioned civilians are prohibited however from removing State tax-free beverages from the military installation.

c. State tax-free tobacco products shall be sold only to those individuals, organizations, and activities entitled to unlimited exchange privileges.

d. The AAFES commander prescribes and enforces necessary controls to ensure that no sales are made to persons who lack prescribed identification. The garrison/installation commander, in coordination with AAFES GMs, may establish reasonable purchase quantity limitations, and will ensure that restrictions and limitations governing the sale and disposition of State tax-free items are strictly enforced. Garrison/installation commanders will cooperate with State tax officials and will investigate all complaints. Garrison/installation commanders may take appropriate action for abuse of exchange privileges related to purchase of tax-free items, to include revoking or suspending exchange privileges.

Chapter 15 Audits and Inspections

15-1. Audits

a. The AAFES Audit Division fulfills all internal audit functions required by DOD regulations. Operating procedures will be issued by the AAFES commander.

(1) The U.S. Army Audit Agency (USAAA) is designated to evaluate the adequacy of AAFES internal audit function. The Army Auditor General is the principal point of contact for the peer review function and for reporting results to the AAFES commander and to the Audit Committee of the AAFES BOD. Peer reviews are in consultation with, and with the assistance of, the U.S. Air Force Auditor General.

(2) The Office of the Assistant Inspector General for Audit Policy and Oversight, Office of The Inspector General (OTIG), with the assistance of representatives from the DOD internal audit organizations may also conduct external quality control "peer" reviews of the AAFES Audit Division.

b. The General Accountability Office (GAO), or authorized representatives, have access to all books of accounts,

records, and documents needed to audit AAFES operations, accounting, internal controls, other audits, and funds. Representatives from the GAO coordinate their reviews of AAFES operations with the AAFES Audit Division. All levels of AAFES management will cooperate with GAO representatives and advise the AAFES Audit Division of GAO contacts.

c. DOD Inspector General (DOD-IG) auditors are authorized to have access to all books of accounts, records, and documents needed to audit operations and funds of AAFES. DOD-IG auditors coordinate their reviews of AAFES operations with the AAFES Audit Division. All levels of AAFES management will cooperate with OTIG auditors and advise the AAFES Audit Division of OTIG contacts.

d. AAFES contracts with a Certified Public Accountant (CPA) firm to perform annual examinations of its financial statements. The CPA's work must meet the standards specified in the Government Auditing Standards issued by the Comptroller General of the United States. CPA work is subject to USAAA review to ensure that Government Auditing Standards are met.

15-2. Inspector General (IG)

a. AAFES will maintain an Inspector General (IG) office operating under the regulatory policies and procedures of the DOD-IG. The AAFES commander will issue operating procedures.

b. The AAFES IG, in compliance with applicable departmental guidelines, will—

(1) Operate the AAFES Fraud, Waste, Abuse, or Mismanagement Hotline program.

(2) Conduct inquiries to resolve assistance complaints and perform investigations as directed by the AAFES commander.

(3) Inspect AAFES facilities and operations reporting findings/observations (including, but not limited to, operational efficiency, employee morale and effectiveness and chain-of-command relationships) to the AAFES commander on a scheduled and unscheduled basis.

(4) Be the primary point of contact (POC) with external IG officials for nonaudit actions.

(5) Obtain DOD, DA, or USAF IG assistance, as necessary, for Service or Joint support on significant issues beyond AAFES control.

15-3. IG inquiries and investigations

a. The IG may investigate or conduct investigative IG inquires into allegations of violations of policy, regulation, or law and mismanagement, unethical behavior, or misconduct which, if true, may be of concern to the directing authority. See paragraph 12-3 for processing of criminal misconduct.

b. Allegations against AAFES senior officials will be forwarded to the DOD-IG. Senior officials are defined as active duty military officers in grades O-7 and above and equivalent senior civilian employees.

c. Investigation of allegations against senior officials, not cited elsewhere in this regulation, will be administered in accordance with the applicable Component IG regulation of that senior official or by the AAFES IG, if civilian.

d. Any allegation of misconduct may be investigated, at the direction of the AAFES commander, under the purview of IG procedures, departmental investigation procedures, or commander's inquiry procedure. This includes command inquiries conducted by IG or Loss Prevention personnel, as well as inquiries conducted by NAF civilian personnel.

15-4. Department and command inspections

a. The Inspectors General of the Army and Air Force jointly inspect AAFES, as directed by the applicable Service Chiefs of Staff. Lead responsibility alternates between the Departments. The IG of the lead Department submits departmental inspections through the AAFES BOD to the AAFES commander.

b. The AAFES IG will conduct inspections below department level. The AAFES IG will develop an annual program based on the AAFES commander's guidance and provide the inspection results to the AAFES commander.

15-5. Release of Army and Air Force Exchange Service Inspector General records

Release and use of AAFES IG records outside AAFES requires the approval of the AAFES commander or higher authority. The AAFES IG is designated the Initial Denial Authority for all AAFES IG records requested under the Freedom of Information Act.

Appendix A References

Section I Required Publications

AFI 34-262

Services Program and Use Eligibility (Cited in para 5-14c.)

AFI 65-106

Appropriated Fund Support of Morale, Welfare, and Recreation and Nonappropriated Fund Instrumentalities (Cited in paras 2-4a, 5-14c(2), B-2.)

AR 15-110/AFJI 34-203

Board of Directors, Army and Air Force Exchange Service (AAFES) (Cited in para 1-8a.)

AR 215-1

Military Morale, Welfare, and Recreation Programs and Nonappropriated Fund Instrumentalities (Cited in paras 2-4a, 5-14c, 7-12d, 10-5b, B-2.)

DOD 5500.7-R

Joint Ethics Regulation (Cited in paras 1-10d, 4-8.)

DODI 1015.15

Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources (Cited in paras 1-8a, 3-2b, 5-19a, 13-2a, B-1, B-2, B-3, table B-1.)

DODI 1330.21

Armed Services Exchange Regulations (ASER) (Cited in paras 3-7a, 5-4, 5-14c, 7-12a, 13-2a, B-1, D-1, E-2, G-5.)

DODI 7060.03

International Balance of Payments Program-Nonappropriated Fund Activities (Cited in para 7-4.)

Section II Related Publications

A related publication is a source of additional information. The user does not have to read a related publication to understand this publication. Army publications are available on the APD Web site, <http://www.apd.army.mil>. Air Force publications are available at <http://www.e-publishing.af.mil>. DOD publications are available at <http://www.dtic.mil/whs/directives>. P.L. citations are available at <http://Thomas.loc.gov>. The United States Code is available at <http://www.gpoaccess.gov/uscode>.

AR 12-15/AFI 16-105

Joint Security Assistance Training (JSAT)

AR 15-110/AFI 34-203(I)

Board of Directors, Army and Air Force Exchange Service (AAFES)

AR 27-20

Claims

AR 210-7

Personal Commercial Solicitation on Army Installations

AR 210-22

Private Organizations on Department of the Army Installations

AR 210-25

Vending Facility Program for the Blind on Federal Property

AR 215-7

Civilian Nonappropriated Funds and Morale, Welfare, and Recreation Activities

AR 380-67

The Department of the Army Personnel Security Program

AR 700-84

Issue and Sale of Personal Clothing

AFI 16-105(I)

Joint Security Assistance Training

AFI 31-501

Personnel Security Program Management

AFI 32-6001

Family Housing Management

AFI 34-206

Vending Facility Program for the Blind on Air Force Property

AFI 34-219

Alcoholic Beverage Program

AFI 34-223

Private Organization (PO) Program

AFI 34-407

Air Force Commercial Sponsorship Program

AFI 51-502

Personnel and Government Recovery Claims

AFMAN 23-110 (Volume 1)

U.S. Air Force Supply Manual

AFPD 36-29

Military Standards

CG-2650

Coast Guard Auxiliary ID Card

DOD 1400.25-M

Department of Defense Civilian Personnel Manual (CPM)

DOD 1401.1-M

Personnel Policy Manual for Nonappropriated Fund Instrumentalities

DOD 5200.2-R

Personnel Security Program

DOD 7000.14-R

Department of Defense Financial Management Regulations (FMRS)

DOD 7000.14-R, Volumes 2a and 2b

Department of Defense Financial Management Regulations, Budget Formulation and Presentation

DODD 1015.2

Military Morale, Welfare, and Recreation (MWR)

DODD 4105.67

Nonappropriated Fund (NAF) Procurement Policy

DODI 1000.13

Identification (ID) Cards for Members of the Uniformed Services, Their Dependents, and Other Eligible Individuals

DODI 1000.15

Private Organizations on DOD Installations

DODI 1010.15

Smoke-Free DOD Facilities

DODI 1015.10

Programs for Military Morale, Welfare, and Recreation

DODI 1015.12

Lodging Program Resources Management

DODI 1015.13

DOD Procedures for Implementing Public-Private Ventures (PPVs) for Morale, Welfare and Recreation (MWR), and Armed Services Exchange Category C Revenue-Generating Activities

DODI 1330.20

Reporting of Morale, Welfare, and Recreational (MWR) Activities Personnel Information

DODI 1401.1

Personnel Policies for Nonappropriated Fund Instrumentalities (NAFIs)

DODI 2000.16

DOD Antiterrorism (AT) Standards

DODI 4000.19

Interservice and Intragovernmental Support

DODI 4105.70

Sale or Rental of Sexually Explicit Material on DOD Property

DODI 7600.6

Audit of Nonappropriated Fund Instrumentalities and Related Activities

DODI 7700.18

Commissary Surcharge, Nonappropriated Fund (NAF) and Privately Financed Construction Reporting Procedures

EO 13149

Greening the Government through Federal Fleet and Transportation Efficiency

EOP 15–10

Exchange Operating Procedures: Managing Human Resources

JTR

Joint Travel Regulations (Available at: [http://perdiem.hqda.pentagon.mil/perdiem/.](http://perdiem.hqda.pentagon.mil/perdiem/))

PL 93–259

Amendment to the Fair Labor Standard Act

PL 92–392

Federal Wage System

41 CFR 302

Relocation Allowances

4 USC 104

Tax on motor fuel sold on military or other reservations - reports to State taxing authority

5 USC 552

Freedom of Information Reform Act of 1986

5 USC 7101

Findings and Purpose

10 USC 147

Commissaries and exchanges and other morale, welfare, and recreation activities

10 USC 801–940

Uniform Code of Military Justice (UCMJ)

10 USC 1059

Dependents of members separated for dependent abuse: transitional compensation; commissary and exchange benefits

10 USC 2492

Nonappropriated fund instrumentalities: contracts with other agencies and instrumentalities to provide and obtain goods and services

10 USC 2643

Commissary and exchange services: transportation overseas

10 USC 2783

Nonappropriated fund instrumentalities: financial management and use of nonappropriated funds

20 USC 107

Randolph-Sheppard Vending Stand Act

27 USC 215

Alcoholic Beverage Labeling Act of 1988

31 USC 1301

Application

31 USC 1341

Limitations on Expending and Obligating Amounts

31 USC 3721

Military Personnel and Civilian Employees' Claims Act of 1964

31 USC 3727

Assignment of Claims Act

37 USC 3701

Federal Claims Collection Act

40 USC 3141

Davis Bacon Act

40 USC 327

Contract Work Hours and Safety Standards Act

40 USC 3131

Miller Act

41 USC 46–48

Javits-Wagner-O'Day Act

41 USC 51

Copeland Anti-Kickback Act

41 USC 605 (P.L. 95-563)

Contract Disputes Act of 1978

42 USC 6374

Alternative fuel use by light duty Federal vehicles

42 USC 7586

Centrally fueled fleets

42 USC 12101

Americans with Disabilities Act of 1990

47 USC 548

Development of competition and diversity in video programming distribution

RCS DD-P&RA(A) 1096

Military Exchange Deviation Report. This annual report is required by DODI 1330.21. Instructions relative to the report are provided annually to the Southeast Region IMCOM.

Section III

Prescribed Forms

DD Form 2574

Armed Services Exchange Service Identification and Privilege Card (Cited in paras 2-4e, 6-4a(3).)

Section IV

Referenced Forms

DD forms are available from the OSD Web site, <http://www.dtic.mil/whs/directives/infomgt/forms/formsprogram.htm>. Standard forms (SFs) are available at <http://contacts.gsa.gov/webforms.nsf>.

DD Form 2 (ACT)

Armed Forces of the United States - Geneva Conventions Identification Card

DD Form 2 (RES)

Armed Forces of the United States - Geneva Conventions Identification Card (Reserve)

DD Form 2 (RET)

United States Uniformed Services Identification Card (Retired)

DD Form 2S (ACT)

Armed Forces of the United States - Geneva Conventions Identification Card (Active) (Green)

DD Form 2S (RES)

Armed Forces of the United States - Geneva Conventions Identification Card (Reserve) (Green)

DD Form 2S (RESRET)

United States Uniformed Services Identification Card (Reserve Retired) (Red)

DD Form 2S (RET)

United States Uniformed Services Identification Card (Reserve Retired) (Blue)

DD Form 1173

Uniformed Services Identification and Privilege Card

DD Form 1173-1

DOD Guard and Reserve Family Member Identification Card

DD Form 1610

Request and Authorization for TDY Travel of DOD Personnel

DD Form 1618

DOD Transportation Agreement Transfer of Civilian Personnel to and within Continental United States

DD Form 2750

DOD Civilian Identification Card

DD Form 2764

United States DOD/Uniformed Services Civilian Geneva Conventions Identification Card

DD Form 2765

DOD/Uniformed Services Identification and Privilege Card

SF Form 95

Claim for Damage, Injury, or Death

**Appendix B
Funding Authorizations****B-1. Appropriated fund (APF) authorization**

DOD 1015.15 and DODI 1330.21 authorize APF support to AAFES.

B-2. Remote and isolated locations

At designated remote and isolated locations, AAFES is authorized APF funding under category B rules in accordance with DODI 1015.15. Army designated remote and isolated sites are listed in AR 215-1 and Air Force designated sites are listed in AFI 65-106.

B-3. Base realignment and closure (BRAC) locations

Exchanges at installations identified for closure under BRAC procedures may receive APF support authorized for category B activities (see DODI 1015.15). APFs may finance costs that are a direct result of an approved BRAC action. Those costs include, but are not limited to PCS for NAF employees, exchange unemployment and severance payments associated with NAF personnel, and facilities construction. Exchange BRAC costs are authorized funding from all BRAC accounts (see DODI 1015.15) and other valid appropriations.

B-4. Force protection conditions

During force protection conditions Charlie and Delta, exchanges are authorized APF support for civilian personnel with installation executive control and essential command supervision (ECECS) functions (excluding personnel directly and primarily involved in resale), rents, and custodian and janitorial services.

B-5. Elements of expense

Table B-1 outlines the elements of expense authorized APF and AAFES NAF support.

Table B-1
General funding authorizations for AAFES activities

Elements of Expense	APF (see footnotes 1 and 2)	AAFES NAF
1. Military personnel.		
a. Active duty military personnel assigned and used on a full-time permanent basis to perform ECECS.	Authorized.	Not applicable.
b. All other personnel.	Not authorized 3.	Not applicable 4.
2. Civilian personnel.		
a. Permanent assignment for ECECS purposes.	Authorized, only per footnote 5.	Authorized.

Table B-1
General funding authorizations for AAFES activities—Continued

Elements of Expense	APF (see footnotes 1 and 2)	AAFES NAF
b. Personnel performing managerial functions or requiring technical and/or professional qualification. Also personnel accountable for APF resources and the protection in the interest of the Federal Government.	Not authorized, except at locations identified in paras B-2, B-3, and B-4, above, and footnote 5.	Authorized.
c. Personnel directly and primarily involved in resale.	Not authorized.	Authorized.
d. Additional and collateral duties. Applies to APF employees who are assigned duties on an additional or collateral duty basis. These duties are in addition to the civilian employee's primary duty assignment and may be of an ECECS or operational nature.	Not authorized, except at locations identified in paras. B-2, B-3, and B-4, above and footnote 5.	Not applicable.
3. Civilian Personnel Office Assistance and Administration. Relates to APF CPAC/CPOC support for—		
a. Technical advice and counsel that may be provided by the CPAC/CPOC to assist in the personnel management of employees paid with NAF.	Authorized.	Not authorized.
b. Day-to-day personnel administration of employees paid with NAF to include, but not limited to recruitment, placement, position classification, salary and wage administration, training, personnel records maintenance, employee relations, and personnel matters.	Authorized, when no additional incremental APF costs are incurred.	Authorized.
4. Family housing overseas. Applies to those employees who are authorized housing or a housing allowance in overseas areas.		
a. APF	Authorized.	Not authorized.
b. NAF	Authorized, for APF-authorized NAF positions.	Authorized.
5. Personnel evacuation expenses. Includes evacuation payments, evacuation transportation to and from safe haven locations, and per diem and subsistence allowances for those employees ordered to evacuate by the commanding officer or other DOD authority.		
a. APF personnel.	Authorized.	Not authorized
b. NAF personnel.	Authorized.	Authorized, only when APFs are not available or sufficient.
6. Travel of personnel. Applies to personnel employed by or assigned or detailed to AAFES programs and activities.		
a. PCS. Applies to the relocation of APF and NAF personnel assigned on a full-time permanent basis.	Authorized for APF personnel and APF-authorized AAFES NAF personnel, and at locations identified in paras B-2, B-3, and B-4, above.	Not authorized for APF personnel. Authorized for AAFES NAF personnel.
b. Temporary duty travel (TDY) and/or Temporary assigned duty (TAD) travel for military and APF civilian personnel and for AAFES NAF personnel.	Authorized for military and APF civilian personnel. Authorized for AAFES NAF personnel, when directed by the DOD and relates to DOD business.	Authorized for personnel engaged in internal AAFES operations.
7. Use of Government-owned, motor pool-controlled passenger vehicles by AAFES activities.	Authorized when assisting in ECECS functions.	AAFES NAFs are authorized to reimburse APF when Government-owned vehicles are used for other than ECECS functions.
8. Transportation of AAFES goods.		

Table B-1
General funding authorizations for AAFES activities—Continued

Elements of Expense	APF (see footnotes 1 and 2)	AAFES NAF
a. Purchased with APF.	Authorized.	Not authorized.
b. Purchased with NAF.		
(1) Transoceanic movement expenses of transporting supplies and products from CONUS sea and aerial ports of embarkation to OCONUS final AAFES retail facility. (See chap 9.)	Authorized.	Not authorized (per DODI 1015.15 as implemented by 10 USC 2643).
(2) Movement of U.S. and foreign goods within foreign areas when commercial transportation is not available, or in contingency areas.	Authorized.	Authorized, when APF are not available.
(4) Movement of U.S. goods between DOD installations because of base closures, or to safeguard goods under emergency conditions, for example, threat of hostile force or natural disaster.	Authorized.	Authorized when APF are not available.
(5) All other transportation of NAF goods.	Not authorized, except on a reimbursable basis; initial APF funding permitted only when NAF will reimburse APF.	Authorized.
9. Household goods.		
a. APF personnel.	Authorized.	Not authorized.
b. AAFES personnel.	Authorized for APF-authorized AAFES NAF positions. Initial APF funding is permitted for other AAFES NAF positions only when AAFES will reimburse APF (except at BRAC closure locations that are authorized APF).	Authorized.
10. Utilities. Applies to heat, steam, water, gas, electricity, air conditioning, and other utility services for facilities used primarily for AAFES purposes.	Authorized.	Authorized for costs in CONUS when APF are not available 6.
11. Rents. Applies to the use and possession of non-DOD lands, buildings, and other improvements and installed equipment for a specified period through contract, lease agreement, or other legal instrument when authority is granted through appropriate channels.	Not authorized, except upon specific approval by the SecArmy/SecAir Force concerned.	Not authorized, except upon specific approval by the SecArmy/SecAir Force concerned and in accordance with real property acquisition regulations of the Army and Air Force.
12. Communications.		
a. Electronic communications. Applies to electronic communications (telephone, teletype, television, fax, Internet), Defense Switched Network (DSN), public address systems, and other electronic media) provided to AAFES.	Authorized in support of ECECS functions, statistical data gathering, communications with other DOD and Government agencies, and OCONUS.	Authorized when supporting the operational function of the activity, such as procurement of items for resale and collection of income for merchandise or services sold in CONUS.
b. Postal service and postage. Official communications within and between Government agencies/individuals, communications with commercial agencies, persons, private commercial agencies, not related to the sale of goods and services.	Authorized.	Authorized for all other correspondence related to the operation of AAFES, sale of goods and services, such as the inventory procurement and sales, collection of income, advertising, AAFES equipment maintenance. (Does not preclude use of Army Post Office/Fleet Post Office for unofficial mail.)
13. Equipment maintenance.		
a. Government-owned equipment. Applies to maintenance, repair, overhaul, or rework of equipment.	Authorized, except for surplus/excess Government equipment.	Authorized.

Table B-1
General funding authorizations for AAFES activities—Continued

Elements of Expense	APF (see footnotes 1 and 2)	AAFES NAF
b. Equipment acquired with NAF. Applies to maintenance, repair, overhaul, or rework of equipment acquired with NAF.	Authorized for equipment acquired with NAF, but authorized for purchase with APF where the title transfers to the Government.	Authorized.
14. Printing and reproduction. Applies to printing and reproduction such as work done on printing presses, lithographing, and other duplicating, related binding operations, photography, electronic media, microfilming, formats and forms, editing, and graphics.	Authorized for all costs except those related to the sale of merchandise or services and to the internal operation of AAFES.	Authorized.
15. Education and training. Pertains to the advancement of job knowledge, development of skills, and improvement of abilities of AAFES personnel.	Authorized for APF positions and APF-authorized AAFES positions and for Army/Air Force-approved training that is not job unique such as management and/or leader development courses, quality training, health and safety, sexual harassment, and so forth.	Authorized for AAFES NAF personnel. Not authorized for APF nontuition courses.
16. Auditing services. Relates to the independent examination, review, and evaluation of the records, controls, practices, and procedures in the area of financial and operational management of AAFES by DOD Components' audit organizations or independent public accountants.	Authorized in accordance with DODI 7600.6.	Authorized in accordance with DODI 7600.6.
17. Data automation. Applies to automatic data processing system development or operation (personnel, equipment, supplies) needed for either ECECS or internal operation of AAFES.	Authorized for services required for ECECS and to discharge a commander's supervisory responsibility for management review and analysis.	Authorized for costs related to internal management of AAFES NAF resources.
18. Financial management services. Relates to those services that reflect the preparation of APF and AAFES NAF budgets; provide accounting for financial management data; facilitate the preparation of financial reports; and provide for management review and analysis to ensure proper control over all the resources that support AAFES.	Authorized to provide technical guidance and assistance in preparing budgets, financial and analytical data required for ECECS. Not authorized for AAFES NAF accounting and analytical functions.	Authorized for all costs related to AAFES NAF accounting and analytical functions required for the operation of AAFES.
19. Legal services. Applies to that service and assistance provided by or through the Judge Advocates General (JAG) or General Counsel.	Authorized.	Authorized for AAFES internal legal staffing.
20. Procurement office assistance and administration.		
(a) Assistance. Applies to technical advice and assistance that may be provided by the procurement office to assist AAFES management in the procurement of goods and services with NAF.	Authorized.	Not applicable.
(b) Administration. Applies to the functions of procurement (source development, preparation of procurement documents, negotiation of prices, contract administration and audit, and related procurement functions) being performed by the procurement office in the procurement of goods and services with NAF.	Authorized when no additional incremental APF costs are incurred and when existing APF contracts may be used to purchase the item or services.	Authorized.
21. Custodial and janitorial service. Applies to the manpower, supplies, and equipment provided by the installation engineer, the public works department, or by contract.	Authorized for locations identified in paras B-2, B-3, and B-4, above. Not authorized all other locations.	Authorized when APF are not available or not sufficient at locations identified in paras. B-2, B-3, and B-4, above. Authorized all other locations.

Table B-1
General funding authorizations for AAFES activities—Continued

Elements of Expense	APF (see footnotes 1 and 2)	AAFES NAF
<p>22. Other services. Relates to those services of a protective or sanitary nature normally supplied as a command function. Such services include, but are not limited to fire protection, including acquisition and installation of extinguishers and sprinkler and alarm systems; security protection, including physical security of buildings (such as alarm systems and security bars), personnel background investigations under the provisions of DOD 5200.2-R and protection of funds; pest control; sewage disposal; environmental compliance and remediation; trash and garbage removal; snow removal; safety; medical, veterinary and sanitary inspections; rescue operations.</p>	<p>Authorized for all costs associated with protecting the health and safety of participants and employees and with protecting AAFES NAF resources. Trash and garbage removal are not authorized for AAFES activities in CONUS. Trash and garbage removal are authorized OCONUS.</p>	<p>Authorized only when APF are not available or sufficient. Trash and garbage removal are authorized for AAFES activities in CONUS.</p>
<p>23. Minor construction and modernization. These terms are defined in the Glossary. Also see terms for restoration, sustainment, real property, construction project, construction costs, and construction.</p>	<p>Authorized, only per footnotes 7, 8, and 9.</p>	<p>Authorized category C and PCS Lodging; not authorized for conditions outlined in footnotes 7, 8, and 9.</p>
<p>24. Sustainment and restoration. These terms are defined in the Glossary.</p>	<p>Authorized.</p>	<p>Authorized when APF are not available or sufficient.</p>
<p>25. Supplies. Applies to supply items (expendables) that are consumed or lose their identity when used, or whose low value does not require the same accountability required for equipment. Included in this group are clothing, tentage, organizational tools, administrative and housekeeping supplies (other than in para 21, above), petroleum fuels, lubricants, preservatives, coolants, oil derivatives.</p>	<p>Authorized for supplies required for ECECS.</p>	<p>Authorized.</p>
<p>26. Investment equipment. Relates to the acquisition and use of equipment that meets the criteria of investment items, as defined in DOD 7000.14-R (Volumes 2A and 2B).</p>	<p>Not authorized, except for use of surplus/excess Government equipment unless permitted by footnote 10.</p>	<p>Authorized.</p>
<p>27. Equipment. Includes the acquisition cost of any item of equipment, furniture, or furnishing that does not meet the criteria of an investment cost as defined in DOD 7000.14-R (Volumes 2A and 2B).</p>	<p>Authorized for equipment required for ECECS and surplus/excess Government equipment at all other locations per footnote 10.</p>	<p>Authorized.</p>
<p>28. Other operating expenses. Includes the cost of types of resources not otherwise provided for, such as investments and loans, grants, subsidies and contributions, insurance claims and indemnities, interest and dividends, and payments instead of taxes, if such resources are included in operations appropriations.</p>	<p>Authorized for costs incurred incident to the performance of functions related to ECECS or as specifically authorized by statute or DOD publication.</p>	<p>Authorized.</p>
<p>29. Architecture and Engineering services. Applies to professional services that include the necessary consultations, preparation of preliminary studies, analyses, cost estimates, working drawings, specifications, interior design and decoration, and the inspection and supervision services required for the construction, alteration, or restoration of real property facilities.</p>	<p>Authorized for APF construction. Authorized for NAF construction when no additional manpower authorizations are required.</p>	<p>Authorized for NAF construction, except for inspection and supervision services required for Government acceptance of the facility.</p>
<p>30. Major construction. See glossary for a definition of this term.</p>	<p>Not authorized unless permitted by footnotes 7, 8, and 9.</p>	<p>Authorized for Category C and PCS Lodging; not authorized for conditions in footnotes 7, 8, and 9.</p>

Table B-1
General funding authorizations for AAFES activities—Continued

Elements of Expense	APF (see footnotes 1 and 2)	AAFES NAF
31. Purchase of real property. Relates to the acquisition cost of land, buildings, and other fixed improvements.	Authorized only to the extent approved by the Congress.	Not authorized, except for the purchase of commercially-owned buildings located on Government property.
32. Merchandise, service, and equipment for resale or rent. Pertains to that procured by AAFES for resale or rent to authorized patrons or related to the sale of merchandise or services.	Not authorized, unless permitted per footnotes 10 and 11.	Authorized.

Notes:

¹ AAFES activities at designated remote and isolated locations are authorized APF funding under category B rules (AR 215-1 and AFI 65-106).

² During Force Protection conditions at Charlie and Delta, AAFES activities are authorized APF support for civilian personnel with installation management and supervisory functions (excluding personnel directly and primarily involved in resale), utilities, rents, and custodian and janitorial services.

³ Active duty military personnel performing ECECS are authorized in sufficient numbers for AAFES programs to provide a trained cadre to meet wartime and deployment requirements and to perform managerial functions.

⁴ Enlisted personnel may be employed during nonduty hours by NAFIs as part-time NAF-paid employees.

⁵ APF authorized for civilian personnel in sufficient numbers to provide a trained cadre to perform ECECS and managerial functions to meet exchange wartime deployment requirements in support of contingency, humanitarian, and peacekeeping operations. APF civilian positions may be provided by permanent assignment utilization and the assignment of additional or collateral duties, in lieu of military positions authorized by paragraph 1b of this table and footnote 3, above. Where NAF positions are utilized, APF support is authorized for NAF expenditures incurred for compensation and benefits, travel of personnel, transportation of household goods, and education and training. APF support will be executed under a MOA as prescribed in DOD Instruction 1015.15, pertaining to MWR Utilization, Support and Accountability (MWR USA) and Uniform Funding and Management (UFM) practices.

⁶ Rates charged shall not include incremental or prorated share of overhead, maintenance, and repair to utility systems, or capital investments in the installation's utility infrastructure system unless otherwise specified by a MOU or ISA.

⁷ APF may be used for all AAFES facility construction related to the establishment, activation, or expansion of a military installation or relocation of facilities for convenience of the Government; replacement of facilities denied by country-to-country agreements; restoration of facilities and improvements destroyed by acts of God, fire, or terrorism; anti-terrorism/force protection measures required under DODI 2000.16, and to correct life, safety, and Americans with Disabilities Act and force protection deficiencies. In the case of installation "expansion" a major increase in authorized and assigned personnel strength over a short period of time is necessary before APF construction can be programmed. Such expansion must be the result of a mission change or influx of new units or systems. For example, a 25 percent increase in a 2-year time span satisfies these criteria. In contrast, personnel increases resulting from an evolutionary expansion occurring over several years do not satisfy these criteria.

⁸ APFs are authorized and will be used for site development costs, archeological and ammunition clearances, environmental assessment and remediation, water purification, demolition, excessive utility connections, and road services.

⁹ APFs will be used for exchange logistical, administrative, storage, and maintenance facilities outside the United States; NAFs will be used for these facilities inside the United States. APFs are authorized for exchange facilities required in areas of military conflict, wartime deployments, and in support of contingency, humanitarian, and peacekeeping operations, as well as those exchange-operated laundry and dry cleaning plants, bakeries, dairies, or similar facilities, and exchange facilities required as integral parts of air terminals, hospital, housing, or other military construction projects. For all other exchange facilities, NAFs will be used.

¹⁰ APFs authorized for losses caused by acts of God, during wartime deployments, in support of contingency, humanitarian, and peacekeeping operations, and equipment required to be in compliance with the Americans with Disabilities Act.

¹¹ APFs authorized for military clothing and other APF-funded items sold in military exchanges on a cost-reimbursable

Appendix C

AAFES/State-Owned Installation Support Agreement

C-1. Installation support agreements

Installation support agreements between State Adjutant's General Offices and AAFES will be administered under the following conditions:

a. AAFES has determined that the operation of an exchange activity (at Installation X) is economically feasible, and the State has determined that the establishment of the exchange facility will not create unfair competition with local commercial interests.

b. The State agrees to provide a suitable (as determined by AAFES Engineering representatives) facility for the operation of an exchange (including retail, storage, and administrative space). The State agrees to finance any capital investment necessary to renovate or convert such facility into a suitable exchange activity.

c. AAFES agrees to operate the facility for the sale of authorized goods and services according to the applicable military departmental regulations. The State agrees to exercise patronage control for the exchange facility and to designate an active duty officer to serve as the "installation commander" for discharging the responsibilities prescribed by the military departments.

d. The State agrees to provide all necessary utilities.

e. The State agrees to provide custodial support; maintenance and repair of the building with State funds, except for repairs to equipment and interior finishes of the exchange facility for which AAFES will be responsible; and

appropriate fire protection and security for funds and property. AAFES will be reimbursed by the State for loss or damage to merchandise or equipment, which would otherwise be the responsibility of APFs.

f. AAFES will be authorized to install all necessary equipment and furnishings for the operation of an exchange, and title to all items purchased with AAFES funds (except installed property that becomes a part of the building) will remain with AAFES. AAFES agrees to perform no structural additions or alterations without the written approval of the designated commander.

g. The establishment of this exchange will be evaluated biennially, to ensure that it meets the minimum criteria for continued operations.

h. The agreement may be terminated upon the disestablishment of the military activity, upon failure of revalidation, or upon 90-days written notice by either party.

C-2. Signature

The designated representative of the State and the AAFES GM will sign the agreement. The designated representative will include his/her signature, printed name, title, date, and the State represented. The AAFES GM will include his/her signature, printed name, title, and date.

C-3. Dividends

Dividends from the operation of such outlets will be distributed to the Army and Air Force on the same basis as dividends from Active Component exchange operations and the support Service may share its dividends with the Guard unit in accordance with its policies.

Appendix D

Authorized AAFES Resale Activities

D-1. AAFES primary activities

AAFES is authorized to operate the below listed revenue-generating activities on military installations; in areas of military conflict; in military air terminals, hospitals, and housing areas (including government-owned, -leased or -contracted); and in support of military operations. Any differences in this appendix and DODI 1330.21, encl 3, are resolved in favor of DOD Instruction 1330.21, enclosure 3.

- a.* Retail stores.
- b.* Mail order, catalog, and e-commerce services.
- c.* Automobile services, including garages, fuel sales, car washes, and service stations.
- d.* Restaurants, cafeterias, and snack bars, and name-brand fast food outlets, including nationally and regionally recognized franchises and exchange signature brands.
- e.* Packaged beverage stores.
- f.* Barber and beauty services, including nail salons, day spas.
- g.* Flower shops.
- h.* Laundry, dry cleaning, and pressing plants and services.
- i.* Alteration and tailor services.
- j.* Product repair services, such as watch, shoe, radio, television, computer and electronic repair.
- k.* Photographic studios.
- l.* Vending machines.
- m.* Taxicab and bus services (see limitations in appendix G).
- n.* Personal services.
- o.* Newsstands.
- p.* Unofficial telecommunication services (including but not limited to pay telephone stations and telephone calling centers).
- q.* Military clothing sales operations.
- r.* Exchange credit programs.
- s.* Tax preparation services.
- t.* Exchange marts.
- u.* Motion picture theaters.
- v.* Rental of any merchandise AAFES is authorized to sell.
- w.* The Secretaries of the Army and Air Force may prescribe in their regulations a selection of food and beverages, including malt beverages, wines, and other alcoholic beverages. Food items will supplement the primary full-line grocery service provided by the commissary system.

D-2. Departmental authorized activities

The Secretaries of the Army and Air Force may authorize the exchanges to operate the below activities. Requests for AAFES operation will be forwarded to the Army and Air Force at the addresses in paragraph 5-1, this regulation.

a. Membership clubs (open messes), restaurants, cafeterias, and snack bars incidental to MWR programs. Includes national name-brand casual dining (full table service) restaurants as replacements for existing military MWR food operations.

b. Lodging operations in categories A, B, and C, as permitted in DODI 1015.12, enclosure 3. Authorized users of these facilities are outlined in DODI 1015.12, paragraph 4. (Note: Office of the Assistant Secretary of the Army for Human Resources authorized AAFES to operate by memorandum 9 November 2005.)

c. School lunch programs.

d. AAFES will own and operate, or contract for, amusement machines located in AAFES-operated outlets, and at the discretion of the garrison/installation commander in other locations. Displacement of AAFES-controlled amusement machines, or transfer of amusement machines to AAFES control, will be planned and coordinated with local AAFES management for orderly transition, to preclude disruption of service, financial loss, or conflict with expiration terms of contracts.

e. Recreational, social, and family support activities.

f. Pet services, including pet grooming services.

g. Internet services, Internet wireless services, and Voice Over Internet Protocol Calling.

D-3. Additional authorized activities with special requirements

a. Fresh meat and produce departments. The garrison/installation commander may request the local AAFES GM to sell fresh meat, fresh poultry, fresh seafood, fresh fruit, and produce when no commissary store is available on the installation or when fresh meat and produce are not available within a reasonable distance at a reasonable price, or in satisfactory quality and quantity. Other necessary grocery items may be sold without limitation in the number of items or container size.

b. Mini-storage facilities. Proposals for individual activities must be submitted 60 days in advance to the PDUSD(P&R) for Congressional notification prior to approval and will document the lack of adequate commercial storage facilities in the area around the installation. Reporting requirements for construction and public private ventures are found in DODI 7700.18.

c. Medical and dental services including pharmacies. Medical services include, but are not limited to, dental, optometry, audiology, and pharmacy activities.

(1) Proposals for medical services at specific locations must be submitted 60 days in advance to PDUSD(P&R) for Congressional notification. The PDUSD(P&R) must approve the offering of new medical and dental services and shall notify Congress of such approval. Congressional notification and PDUSD(P&R) approval must be obtained before exchanges initiate construction or contract action, including entering into any license agreement with private practitioners.

(2) Proposals must include the installation's name and location; statements that solicitations will include small businesses from the surrounding communities and that no military doctors will be used in the clinic; that the garrison/installation commander and local military health care facility commander support the project; the number of customers to be served; projected sales and financial return to the DOD, and/or AAFES; projected customer savings; a statement that space available for the service meets DOD military medical space requirements; a detailed site specific description of the contract award process, the contract requirements, the length of the contract, the scope of services to be offered; and specific benefits to Servicemembers. While there is no requirement that local business leaders agree with the new service, the local business community and government officials must be made aware of the initiative and the proposal must include their views.

(3) MOA with the Army and Air Force Surgeons General are required for all health care services provided.

(4) Renotification is not required for renewal of a previously-approved specific medical concession at a specific location.

d. Optical shops. Services may not include eye exams or any medical procedures.

e. Magazines and periodicals. Magazines and periodicals are authorized exchange sale items. DODI 4105.70 governs the sale or rental of sexually explicit material on DOD property.

f. Firearms and ammunition. Firearms and ammunition are authorized exchange sale items. Firearms will be sold in compliance with Federal laws and regulations. Overseas activities shall conform to all applicable SOFA requirements, as well as any requirements imposed by bilateral agreements between the United States and the host nation.

g. Name-brand fast-food operations. When establishing name-brand commercial fast-food operations, concession operations are preferred for military bases in the United States, and exchange direct-run operations are the preferred method for bases overseas. Both economic and noneconomic factors shall be evaluated to decide on the method of operation that best meets the exchange mission for each location. In addition, the following factors shall be considered in the aggregate: financial risk, customer service, employment opportunities, management control, operational risk, and investment opportunities. Primary consideration will be given to the overall quality of life and welfare of the active

duty military community. Notice of deviations from the preferred method that result in major construction projects as defined in DOD Instruction 7700.18 will accompany the major construction program submitted to the PDUSD(P&R) and include the evaluation of economic and noneconomic factors.

h. New car sales. Only Armed Services exchanges are permitted to sell, publicize, or display new or factory certified cars or motorcycles on overseas DOD installations. This does not preclude brief periods of publicity and display of foreign cars or motorcycles as sponsor recognition authorized for military MWR programs. AAFES may sell automobiles and motorcycles only to authorized patrons who are stationed or are assigned overseas for 30 consecutive days or more. Orders may be taken for U.S.-made automobiles, foreign name-plated vehicles with at least 75 percent U.S. or Canadian content, and motorcycles. Sales may be made for stateside delivery or for in-country delivery where permitted under the SOFA.

i. Alternative fuels. AAFES may sell alternative fuels to the general public in compliance with 42 USC 6374, 42 USC 7586, and Executive Order 13149.

j. Cable television services. AAFES may provide cable television services in compliance with 47 USC 548.

k. Home services. AAFES is authorized to operate home services, including but not limited to maid service, lawn care, and fence construction under concession contracts.

l. Automobile rental. AAFES is authorized to operate short-term automobile, truck, and trailer rental services on a concession basis. Leasing of vehicles is not authorized, nor is the sale of used vehicles.

m. Logistical facilities. AAFES is authorized to operate logistical, administration, storage, and maintenance facilities in support of the exchange mission.

n. Plants. AAFES is authorized to operate laundries, dry cleaning plants, bakeries, dairies, or similar facilities in support of a military mission.

o. Insurance contracts. AAFES may sell, place, solicit, or service insurance contracts of any description to authorized patrons as a customer service only as specifically authorized by the AAFES commander and with the approval of the AAFES BOD.

Appendix E

CONUS-Only Merchandise Restrictions

E-1. Sale restrictions

Exchanges in CONUS will not sell—

- a.* Televisions with a cost to the exchange of more than \$3,500.
- b.* Diamond settings with individual stones that exceed one carat.
- c.* Jewelry other than diamond jewelry with per unit (piece) cost to the exchange in excess of the cost price of 2 ounces of gold.
- d.* Finished furniture with per unit (piece) cost to the exchange in excess of \$900.
 - (1) CONUS exchanges may not undertake new capital construction or renovation of an exchange facility of any kind for the purpose, in whole or in part, of providing additional space in which to sell finished furniture.
 - (2) At any location at which AAFES proposes to sell finished furniture, the AAFES GM or garrison/installation commander will consult in advance with local furniture merchants and ascertain in writing whether there are any objections to the introduction of furniture at the exchange facility.
 - (3) Any objections, along with a list of locations where exchanges propose to sell finished furniture, will be forwarded to the Office of the OPDUSD(P&R) within 60 days in advance of sales, so OPDUSD(P&R) can notify the Congressional Committees on Armed Services in advance.
 - (4) The OPDUSA(P&R) must approve the offering of finished furniture at new locations and will notify Congress of such approval prior to offering finished furniture at new locations.
- e.* Decorative housewares and furnishings with per unit (piece) cost to the exchange in excess of \$500.
- f.* Small appliances with per unit (piece) cost to the exchange in excess of \$150, except that there is no cost limitation on floor polishers, food processors, fans, coffee makers, humidifiers, dehumidifiers, air purifiers, microwave ovens, rotisseries, roasters, broilers, and vacuum cleaners.
- g.* Recreational boats with per unit (piece) cost to the exchange in excess of \$750.
- h.* Sports, recreational, garden, and manual arts equipment and supplies, photographic supplies and film with per unit (piece) cost to the exchange in excess of \$500. There is no cost limitation on aquatic equipment; bicycles; cameras and projectors; camera and projector accessories; fishing equipment; golf club sets; guns and gun accessories; physical fitness exercise equipment; power tools; outdoor power equipment, including lawn mowers, edgers, and snow blowers; ski equipment; surfboards; and tents.

E-2. Changes to sale restrictions

Differences between the above restrictions and those contained in DODI 1330.21, enclosure 4, are resolved in favor of those contained in DODI 1330.21, enclosure 4.

Appendix F Prohibited Exchange Activities

F-1. Unauthorized activities

AAFES will not—

- a.* Sell or solicit the sale of real estate to authorized patrons, either as a retail item or a service.
- b.* Sell used media of any type, including but not limited to books, magazines, videos, recorded music, or computer software unless specifically authorized by the AAFES commander. This does not apply to previously-rented videos which may be sold by AAFES or its concessionaires when clearly identified as such.
- c.* Operate pawnshops, adults-only entertainment centers, or child care centers.
- d.* Sell, lease, or display new cars on installations except overseas. See appendix D for new car sales overseas.
- e.* Sell or lease space in AAFES facilities. AAFES in-store bank, automated teller machine, and concession and franchise agreements are not leases as contemplated by this prohibition.
- f.* Provide services that require the customer to sign a separate contract with a service provider, except as approved by the AAFES commander.
- g.* Provide paid or free babysitting services, nonsports or nontherapeutic massage (whether clothed or unclothed), legal services, financial planning services, or funeral/mortuary services.
- h.* Sell or solicit the sale of stocks, bonds, mutual funds, or other investment instruments.
- i.* Sell live animals, including fish, birds, or reptiles unless specifically authorized by the AAFES commander.
- j.* Offer any form of permanent tattooing or body piercing (other than ear piercing consistent with standard industry retail practices) unless approved in advance by the AAFES commander.
- k.* Use vendor-owned equipment except as authorized by the AAFES commander.
- l.* Use service or equipment items that contain product promotional advertisement, except where the product name is an integral part of the display. (Examples: packaged cereal and dessert displays, table condiments, gasoline pumps, and gasoline pylons.)
- m.* Authorize credit sales except as provided in this regulation.
- n.* Stock or sell drug abuse paraphernalia.
- o.* Sell or rent media of any type if it contains sexually explicit material (DODI 4105.70).
- p.* Operate gambling devices in CONUS.

F-2. Taxi service

Taxi service is an authorized AAFES activity; however, it will not be provided to customers other than military personnel, military Family members, or civilians employed on military installations. Each trip must either start or end on the military installation. Any travel off the installation must be incidental to providing transportation to or from the military installation.

Appendix G Exceptions to the Armed Services Exchange Regulations (ASER)

G-1. Exceptions to exchange patronage - CONUS

CONUS garrison/installation commanders may request (through command channels) approval of deviations to the ASER with regard to patronage privileges for individuals or classes/groups of persons. Exceptions for patronage privileges are approved only by the appropriate Department Secretariat. Delegation of this authority is prohibited.

- a.* The garrison/installation commander must sign the request, and commanders at all levels must ensure that requests are fully responsive to the requirements prescribed herein.
- b.* The Army Installation Management Command (IMCOM) or the Air Force MAJCOM recipients will conduct a judicious review of the respective garrison/installation request to determine if it should be forwarded.
- c.* If forwarded, requests will be forwarded to—
 - (1) Army—

Commander, Family and MWR Command
ATTN: IMWR-PO-P
4700 King Street
Alexandria, VA 22302-4419
(2) Air Force—

Deputy Chief of Staff for Logistics, Installations, and Mission support
ATTN: AF/A1S
1770 Air Force Pentagon
Washington, DC 20330-1770

G-2. Evaluation criteria

The Secretaries will approve exceptions for patronage privileges only under the most stringent circumstances.

a. Requests for exceptions will be submitted and evaluated primarily on the basis of the geographic isolation of the installation concerned. Such requests will be strictly limited to those items necessary to ensure a reasonable standard of living to DOD civilian and contract personnel and their families assigned to the isolated location.

b. Requests for exchange privilege exceptions will be submitted and evaluated solely on the basis of their necessity for alleviating conditions of personal hardship.

G-3. Justification

Requests for exceptions will include the following:

a. A by-name listing of civilians or classes/groups of persons (to include the number of individuals within the class/group) and their Family members at the specific installation for who exchange privileges are being requested.

b. The personal hardships being experienced, described in detail (see table 6-2).

c. The reasons why commercial retail facilities cannot be used will be explained.

G-4. Exceptions to exchange and commissary patronage – U.S. Territories and Possessions

a. DOD civilian employees and their dependents may be granted limited exchange and commissary access by the garrison/installation commander in accordance with table 6-2. DOD civilian employees must be assigned under a valid transportation agreement (as defined in Title 41, Chapter 302, Code of Federal Regulations). An annual report of all approved exceptions is required for the 12-month period prior to 30 January.

b. Employees of firms under contract to the U.S. Government and their dependents may be granted limited exchange and commissary access by the garrison/installation commander in accordance with table 6-2. Employees must be hired in the 50 States or the District of Columbia and must exclusively serve the DOD. An annual report of all approved exceptions is required for the 12-month period prior to 30 January.

c. Non-DOD Federal employees and their dependents may be granted limited exchange and commissary access by the Secretaries of the Army or Air Force and/or Combatant Commanders in accordance with table 6-2. Delegation of this authority outside the Secretariat or Combatant Command Headquarters concerned is prohibited. Employees must be assigned under a service agreement or tour renewal agreement (defined in Chapter 302, Title 41, Code of Federal Regulations). Requests will be sent to the garrison/installation commander by the Federal agency and then forwarded through command channels to the appropriate address in paragraph G-1, above, for consideration and processing to the Secretariat. An annual report of all approved exceptions is required for the 12-month period prior to 30 January.

G-5. Reports

A report of deviations granted by the garrison/installation commander and appropriate Department Secretariat is required by DODI 1330.21, under Report Control Symbol DD-P&R(A) 1096. Deviations approved by commanders allowing access to exchanges and commissaries (see para G-4a and b, above) will be submitted through command channels to the appropriate Army/Air Force at the address in paragraph G-1, above. The report must include the names of the employee and Family members and the justification required in paragraphs G-4a and b above. This report will be compiled with approvals granted by the Secretariats and provided to the Office Secretary of Defense by headquarters DA and DAF (para G-1).

Glossary

Section I Abbreviations

AAA

Army Audit Agency

AAFES

Army and Air Force Exchange Service

ACOM

Army Command

ACSIM

Assistant Chief of Staff for Installation Management

AF/A4/7

Air Force Deputy Chief of Staff for Logistics, Installations, and Mission Support

AF/A1S

Air Force Director of Services

AFI

Air Force Instruction

AFMAN

Air Force Manual

AFOSI

Air Force Office of Special Investigations

AFRTS

Armed Forces Radio and Television Service

AIFA

Army and Air Force Exchange imprest Fund Activity

APF

appropriated fund

APO

Army/Air Force Post Office

AR

Army regulation

ASCC

Army Service Component Command

ASER

Armed Services Exchange Regulations

ASYMCA

Armed Services Young Men's Christian Association

ATTN

attention

AWG

administrative wage garnishments

BBA

business based action

BOD

board of directors

BRAC

base realignment and closure

BX

base exchange

CEO

chief executive officer

CFO

chief financial officer

CIO

chief information officer

CONUS

continental United States

COO

chief Operating Officer

CPA

Certified Public Accountant

CSI

customer satisfaction index

DEERS

Defense Enrollment Eligibility Reporting System

DOD

Department of Defense

DODD

Department of Defense directive

DODDS

Department of Defense Dependent Schools

DODI

Department of Defense instruction

DOD-IG

Department of Defense Inspector General

DOX-T

direct operating exchange-tactical

DRMO

Defense Reutilization and Marketing Office

DRU

Direct Reporting Unit

DSN

defense switched network

DVD

digital versatile disc

ECECS

executive control and essential command supervision

EEO

Equal Employment Opportunity

EMP

Executive Management Program

EOP

exchange operating procedure

EUR

Europe

FAR

Federal Acquisition Regulation

FBI

Federal Bureau of Investigation

FMWRC

Family and Morale, Welfare, and Recreation Command

FPO

Fleet Post Office

GAO

General Accountability Office

GM

general manager

HQ

headquarters

ID

identification

IG

inspector general

IMCOM

Installation Management Command

ISA

installation support agreement

JAG

judge advocate general

LWOP

leave without pay

MAJCOM

Major Air Force Command

MBDA

Minority Business Development Agency

MCSS

military clothing sales store

MOA

memorandum of agreement

MOU

memorandum of understanding

MWR

morale, welfare, and recreation

NAF

nonappropriated fund

NAFI

nonappropriated fund instrumentality

NOAA

National Oceanic and Atmosphere Administration

OCONUS

outside the continental United States

PAC

Pacific

POC

point of contact

OPDUSD(P&R)

Office of the Principal Deputy Under Secretary of Defense (Personnel and Readiness)

OPM

Office of Personnel Management

OTIG

Office of The Inspector General

PAO

public affairs office

PCS

permanent change of station

PDUSD(P&R)

Principal Deputy Under Secretary of Defense (Personnel and Readiness)

POL

petroleum, oil, and lubrication

POV

privately-owned vehicle

PX

post exchange

SES

senior executive service

SJA

staff judge advocate

SOFA

status of forces agreement

SRM

sustainment, restoration, and modernization

TAD

temporary assigned duty

TDY

temporary duty travel

TFE

tactical field exchange

TV

television

UCMJ

Uniform Code of Military Justice

USAAA

U.S. Army Audit Agency

USACIDC

U.S. Army Criminal Investigation Division Command

USC

United States Code

USDA

United States Department of Agriculture

USO

United Services Organization

USS

United Seaman's Service

VHS

Video Home System

Section II**Terms****AAFES Imprest Fund Activity (AIFA)**

An activity that furnishes exchange support to a small military unit where it is impractical to establish a regular exchange outlet.

Adverse action

An action taken against an employee that is contrary to the employee's best interests; it can be appealed under the procedures in EOP 15-10.

Agent

A specific named person authorized on a temporary basis (not exceeding 1 year unless extended for continuing hardship) by the commanding officer, at the command level designated by the Army/Air Force, concerned to shop for an authorized patron in extreme hardship cases; or when no adult dependent member is capable of shopping, due to sickness or stationing away from his or her household.

Alcoholic beverage

Beverages including wines, malt beverages, and distilled spirits.

Amusement machine

Electronic machine that accepts coins to play and provides entertainment or pleasurable diversions. This does not include Army Recreation Machine Program machines.

Annex

A facility reporting directly to a branch and which, for accounting, management, and operational and administrative control, is considered to be a component of that branch.

Branch

An activity for which separate asset and financial accountability exists.

Business based action

Nondisciplinary, involuntary action taken to adjust personnel resources.

Complaint

An expression of dissatisfaction.

Continental United States (CONUS)

The 48 contiguous States and the District of Columbia.

Construction

Includes major and minor construction and modifications (see definitions).

Construction costs

The direct cost for labor, material, installed equipment integral to the facility, supervision, inspection and overhead, and profit required in order to construct a facility. It includes design costs when part of a design/build construction contract. It does not include design costs prior to construction contract award or the cost of collateral equipment.

Construction project

The erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; or the relocation of a facility from one place to another. Includes equipment installed and made a part of such facilities, and related site preparation, demolition, excavation, filling, and landscaping, or other improvements.

Contracting officer

A person authorized to execute and administer contracts on behalf of AAFES, within the limits imposed in his or her designation, and to make determination and findings with respect thereto.

Contracts

Contracts include all contractual arrangements prescribed by the AAFES commander, in AAFES purchasing procedures, including—

a. Agency contract. A contract whereby AAFES performs certain services as an agent for another who is dealing with AAFES customers.

b. Concessionaire contract. A contract between AAFES and another, known as a concessionaire, whereby the concessionaire performs certain authorized exchange activities on a military installation.

c. Vending machine contract (rental basis). A contract whereby a contractor rents to AAFES and services vending machines that vend merchandise owned by AAFES on a military installation.

d. Installment contract. An agreement whereby, in consideration of the purchase of property or equipment, the purchase price is divided into parts payable over a period of time.

e. Service contract. A contract whereby a contractor performs a service for AAFES off a military installation, such as laundry, dry cleaning, photo processing, and repair service. This type contract may also include procurement of direct services such as janitorial and window cleaning service, or financial services provided by a financial institution.

Exchange (PX/BX)

The organizational grouping of businesses and services that provide exchange services on Army and Air Force military installations and other locations where AAFES operates.

Expense supplies

Materials and articles, exclusive of motor vehicles, equipment, and other fixed assets that are used or consumed in performing administrative or customer services.

Facility

A general term used to designate any separate unit of real property at which exchange selling and administrative or support functions are performed.

Family member

An individual whose relationship to the sponsor leads to entitlement, benefits, or access administered by the Uniformed Services. Family members include—

a. Dependent children 21 or over. Children, including adopted children, stepchildren, and wards, who are 21 years of age or older, unmarried, and dependent upon the sponsor for over half of their support and either incapable of self-support because of a mental or physical handicap; or have not passed their 23rd birthday and are enrolled in a full-time course of study at an institution of higher education.

b. Dependent children under 21. Unmarried children under 21 years of age, including pre-adoptive children, adopted children, stepchildren, foster children, and wards dependent on the sponsor for over half of their support.

c. Lawful spouse. If separated, a dependent spouse retains privileges until a final divorce decree is issued.

d. Orphans. Surviving unmarried children of a deceased Uniformed Servicemember or retired member of a Uniformed Service, who are either adopted or natural born and under the age of 21, or who are over 21 and incapable of self-support; or under 23 and enrolled in a full-time course of study. The surviving children must have been dependents under the *Family member* definitions at the time of the death of the parent or parents.

e. Parents. Father, mother, stepparent, parent by adoption, and parents-in-law, who depend on the sponsor for over half of their support. The surviving dependent parents of a member of the Armed Services who dies while on active duty are included.

f. Surviving Family member. Children or parents of a sponsor who are dependent on the surviving spouse for over half their support.

g. Surviving spouse. A widow or widower of a sponsor who has not remarried or who, if remarried, has reverted through divorce, annulment, or the demise of the spouse, to an unmarried status.

h. Unmarried children. Unmarried children, including pre-adoptive children, adopted children, stepchildren, foster children, and wards not having passed their 23rd birthday and enrolled in a full-time course of study at an institution of higher education and dependent on the sponsor for over half of their support.

i. Unremarried former spouse. An unremarried former spouse of a member or former member of the Uniformed Services, who (on the date of the final decree of divorce, dissolution, or annulment) had been married to the member or former member for a period of at least 20 years during which period the member or former member performed at least 20 years of service creditable for retired or retainer pay, or equivalent pay.

Fixed assets

Buildings and improvements, motor vehicles, equipment, and other fixed assets owned and capitalized by AAFES.

a. Building and improvements. AAFES investment in renovation and construction of facilities.

b. Equipment. Any item not for resale that meets the dollar thresholds as established by the AAFES commander in EOPs that have a life expectancy of 1 year or more, including—

(1) Vehicles used exclusively for sale of food, merchandise, or services. (These vehicles will be considered motor vehicles for insurance purposes.)

(2) Equipment designed for use in depots, warehouses, stockrooms, and port operations, such as forklifts, tow motors, tow tractors, and trailer movers.

(3) Equipment designed for earth moving, lawn cutting, and snow removal.

c. Motor vehicles. Passenger, cargo, and special purpose vehicles designed for use on public highways.

d. Other fixed assets. Multiple or groups of similar items not for resale that don't meet the dollar threshold for being

classified as equipment (see b, above) but that meet the established categories and dollar thresholds for being capitalized.

Garrison commander

For the purposes of this regulation, garrison commanders are responsible for exchange operations at Army locations, such as a base, camp, post, station, yard, center, homeport facility for any ship, or other activity under the jurisdiction of the DOD, including leased facilities.

General manager

An AAFES civilian employee who is responsible to a Region Senior Vice President for the operational supervision of AAFES activities located on a garrison/installation that is part of a region.

Grievance

A complaint that has been reduced to writing. (This definition applies only to proceedings within the purview of this regulation and EOP 15–10.)

Inside the United States

The 50 United States and the District of Columbia.

Installation commander

For purposes of this regulation, installation commanders are responsible for exchange operations at Air Force locations, such as a base, camp, post, station, yard, center, homeport facility for any ship, or other activity under the jurisdiction of the DOD, including leased facilities.

Landed cost

Vendor invoice plus warehousing and applicable transportation costs.

Limited privileges

Generally, purchasing privileges exclude tax-free alcoholic beverages, tobacco products, and military uniforms. Other limitations are explained in table 6–2.

Major construction

A construction project with a construction component cost that exceeds \$750,000.

Matters of official interest

Any matter that concerns or affects AAFES business, personnel, customers and/or reputation; either on-duty conduct, or off-duty conduct that has a nexus to AAFES or has any implications regarding the employee’s ability to perform her/his job. This includes, but is not limited to, activities on AAFES premises and/or involving AAFES merchandise, funds, or property; interactions between activities of, or actions by and/or affecting AAFES personnel whether in their official capacity or in any way affecting AAFES; information about or concerning customers including transactional information and financial activities; and any matter affecting AAFES’ reputation in the community, within the Government, or with its customers.

Media

Any method used to convey an advertising message; it includes newspapers, magazines, trade, and professional journals, special printed matter, circulars, flyers, posters, signs, radio, television, and other promotional devices such as decals, table tents, or activity calendars.

Merchandise

Items of consumer goods purchased and offered for sale to authorized customers through retail, food, service, and vending outlets.

Minor construction

A construction project with a construction component cost between \$200,000 and \$750,000.

Modernization

Includes alterations of facilities solely to implement new or higher standards (including regulatory changes) to accommodate new functions, or to replace building components that typically last more than 50 years (such as foundation, structural members).

Nonappropriated funds

Cash and other assets received from sources other than Congressional appropriations. NAFs are Government funds used for the collective benefit of those who generate them. These funds are separate and apart from funds that are recorded in the books of the Treasurer of the United States.

Nonappropriated fund instrumentality

A U.S. Government organization and fiscal entity that performs essential Government functions. It is not a Federal agency. It acts in its own name to provide, or assist other DOD organizations in providing MWR and other programs for military personnel, their Families, and authorized civilians. It is established and maintained individually or jointly by two or more DOD components. As a fiscal entity, it maintains custody of and control over its NAFs, equipment, facilities, land, and other assets. It is responsible for the prudent administration, safeguarding, preservation, and maintenance of those APF resources made available to carry out its function. With its NAFs, it contributes to the MWR program of other authorized organizational entities, when so authorized. It is not incorporated under the laws of any State or the District of Columbia and enjoys the legal status of an instrumentality of the United States. NAFIs are not "persons" subject to Federal trade and antitrust laws, and they are not subject to State regulation or control in absence of specific authorization in a Federal statute.

Outside continental United States (OCONUS)

Outside the continental United States. Areas other than the 48 contiguous States and the District of Columbia. Includes Alaska, Hawaii, Puerto Rico, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. territories and possessions.

Outside the United States

All locations except the 50 United States and the District of Columbia.

Overseas

Any installation or location located outside the 48 contiguous United States.

POG

An artificial coin used in combat, mobilization, contingency areas where U.S. coinage is not readily available.

Packaged alcoholic beverage

Alcoholic beverages in unopened containers for consumption at a location other than the place of sale.

Premium

Items furnished without charge to advertise an activity, product, service, or event or to serve as an inducement to buy.

Procurement

All functions pertaining to purchasing, renting, leasing, or otherwise obtaining merchandise, equipment, supplies, facilities, and services.

Purchasing activity

An organizational element assigned the responsibility for purchasing merchandise, equipment, supplies, facilities, or services.

Real property

Lands, buildings, structures, utilities systems, improvements and appurtenances thereto. Includes equipment attached to and made part of buildings and structures (such as heating systems) but not movable equipment (such as plant equipment).

Remote and isolated

Sites identified as remote and isolated locations, in accordance with DODI 1015.10 and the DOD approved list of military locations. Also see departmental regulations.

Reserve Components

The term 'Reserve Components' means the Army National Guard, the Army National Guard of the United States, the Air National Guard, the Air National Guard of the United States, the Army Reserve, the Naval Reserve, the Marine Corps Reserve, the Air Force Reserve, the Coast Guard Reserve, and Reserve Officers of the Public Health Service. Members of the Reserve Components include all individuals in any category of the foregoing, whether on active or

inactive status, to include any retirees who would be eligible for retired pay except for the fact that they have not reached age 60.

Restoration

Includes the restoration of facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes.

Retired uniformed military personnel

The term "retired personnel" includes the personnel carried on the official retired lists of the Uniformed Services as defined in this glossary; members of the Fleet Reserve and Fleet Marine Corps Reserve; nonregular personnel of the Army and Air Force retired for physical disability pursuant to the Act of April 3, 1939 (Section 5, 53 stat. 557); personnel of the Navy retired pursuant to the Act of 27 August 1940 (Section 4, 54 stat. 864); persons granted retired pay under 10 USC Chapter 67; personnel retired pursuant to 10 USC Chapter 61; Army and Air Force personnel retired pursuant to 10 USC 3911 or 10 USC 8911; Navy personnel retired pursuant to 10 USC 6323; personnel of the Emergency Officers Retired Lists of the Army, Navy, Air Force, Marine Corps who have been retired pursuant to the Act of May 24, 1928 (45 stat. 735; M.L. 1949; sections 1122 and 3D7); retired officers and crews of vessels, and light keepers and depot keepers of the former Lighthouse Service (33 USC 754a); retired commissioned officers and ship's officers of vessels of the National Oceanic and Atmosphere Administration (NOAA) and its predecessors, the Coast and Geodetic Survey, and the Environmental Science Services Administration (33 USC 3474). (For the purposes of this section, retired ship's officer and retired crewmember means a noncommissioned ship's officer or crewmember of a vessel of the Coast and Geodetic Survey who either was on active duty as a vessel employee on 9 July 1963, and whose employment as such vessel employee was continuous from that date until the date of his retirement, or who had retired as a vessel employee on or before 19 July 1963.)

State tax-free items

Soft drinks, alcoholic beverages, and tobacco products which are purchased and resold by AAFES free of State and local excise taxes.

Sustainment

Includes maintenance and repair activities necessary to keep an inventory of facilities in good working order. It includes regularly scheduled adjustments and inspections, preventive maintenance tasks, and emergency response and service calls for minor repairs. It also includes major repairs or replacement of facility components (usually accomplished by contract) that are expected to occur periodically throughout the life cycle of facilities. This work includes regular roof replacement, refinishing of wall surfaces, repairing and replacement of heating and cooling systems, replacing tile and carpeting, and similar types of work. It does not include environmental compliance costs, facility leases, or other tasks associated with facilities operations (such as custodial services, grounds services, waste disposal, and the provision of central utilities).

Tactical field exchange

An exchange activity established for a temporary period to support a military contingency operation or training exercise.

Uniformed personnel

Members of the Army, Navy, Air Force, Marine Corps, and Coast Guard; cadets and midshipmen of the United States Army, Navy, Air Force, and Coast Guard academies; commissioned officers of the NOAA; commissioned officers of the Public Health Service; and members of the Reserve Components while on extended active duty.

Uniformed Services

The Army, Navy, Air Force, Marine Corps, Coast Guard; commissioned officers of the Public Health Service; and active duty and retired commissioned officers of vessels of the NOAA and its predecessors, the Coast and Geodetic Survey, and the Environmental Science Services Administration.

U.S. Government employee

Government employees are those paid from APF, as well as civilians paid from NAF and under control of DOD (Army, Air Force, and Navy).

U.S. Territories and Possessions

Includes Guam, the Commonwealth of Puerto Rico, the American Virgin Islands, American Samoa, and the Commonwealth of the Northern Mariana Islands.

Section III**Special Abbreviations and Terms**

This section contains no entries.

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