



Defense Finance and Accounting Service

DFAS 7900.4-M

Financial Management Systems Requirements Manual
Volume 19, Non-Appropriated Fund Instrumentalities

September 2012

Strategy, Policy and Requirements

SUBJECT: Description of Requirement Changes

The complete listing and description of the requirements changes, deletions, and additions by chapters and systems requirements can be found below.

All changes in this volume are denoted by bold blue font.

VOLUME 19 - Non-Appropriated Fund Instrumentalities		
Req ID	Change Type	Reason for Change
19.01.008	D	Authoritative Source Deleted
19.01.012	C	Requirement verbiage updated.
19.01.016	D	Accounting for the government is double entry accrual. It is not unique for NAFL.
19.01.018	A	This requirement was moved from 01.01.045, to realign it to a more applicable functional area.
19.01.019	A	This requirement was moved from 02.01.214, to realign it to a more applicable functional area.

Chart Legend:

A - Added FFMRs

These are new requirements due to revised and updated source document

C - Changed FFMRs

These requirements were contained in previous versions, but were changed for various reasons, as described in the Requirement Changes Appendix.

D - Deleted FFMRs

These requirements were removed from this version because they were no longer required by the source document or were redundant with another FFMR

Note: If there is no code in the requirements value added or change type columns for an FFMR, it is by definition, unchanged from previous versions.



Defense Finance and Accounting Service

DFAS 7900.4-M

Financial Management Systems Requirements Manual Volume 19, Non-Appropriated Fund Instrumentalities

September 2012

Strategy, Policy and Requirements

SUBJECT: Financial Management Systems Requirements
Volume 19, Non-Appropriated Fund Instrumentalities

1. PURPOSE

a. This Volume presents the financial management system design and implementation requirements for Department of Defense (DoD) military components' and agencies' Non-Appropriated Fund Instrumentalities financial management systems. This Volume is part of the publication which reissues Defense Finance and Accounting Service (DFAS) 7900.4-M, "Financial Management Systems Requirements Manual," commonly known as the "Blue Book." This manual is a comprehensive compilation of the Federal and Department of Defense (DoD) systems requirements.

b. The Blue Book serves as a "roadmap" to Federal and DoD financial management system requirements by major financial management functional areas and their authoritative sources, and will assist managers who are responsible for financial management systems in planning, designing, enhancing, modifying, and implementing financial management systems. Managers are ultimately responsible for being knowledgeable of and complying with the various authoritative sources of financial requirements (both legislative and regulatory). Guidance and procedures are contained in several volumes located on the DFAS Reference Library at <http://www.dfas.mil/dfasffmia/bluebook.html>. Appendix 4 of the manual includes links to where authoritative sources of requirements may be accessed.

c. Adherence to these requirements will enable DoD military components and agencies to meet Federal mandates and will help facilitate DFAS to progress toward reaching its strategic goal of providing services faster, better, and cheaper. The objective of this Volume is to promulgate the financial management systems requirements for system and program managers' use in developing Non-Appropriated Fund Instrumentality functionality.

2. APPLICABILITY:

Requirements contained within this document are applicable to accounting and finance systems operated and maintained by DoD.

3. POLICY:

a. This Volume provides a synopsis of Federal and DoD financial system requirements, mandated by policy, for Non-Appropriated Fund Instrumentalities financial management systems. It is a comprehensive compilation of financial management systems requirements mandated by Public Law 104-208, "Federal Financial Management Improvement Act of 1996"

September 30, 1996.

b. This Volume incorporates revisions to existing financial system requirements from the authoritative sources **via highlighting the appropriate text in bolded blue font**. See description of requirement changes for a complete listing and description of the financial systems requirements changes, deletions, and additions, for this volume.

c. Users of this Volume may forward questions, comments and suggested changes to:

Defense Finance and Accounting Service
Strategy, Policy and Requirements
Attn: Financial Management Systems and Requirements Branch
8899 East 56th Street
Indianapolis, IN 46249-0002

E-mail questions, comments, and suggestions to: ffmiarequirements@dfas.mil

4. ORGANIZATIONAL RESPONSIBILITIES FOR FFMIA COMPLIANCE

a. Within DoD, various organizations operate financial management systems. In an overall scheme, many of these systems should be linked in an integrated network. However, these systems frequently “stand-alone” or “stovepipe” systems that are not logically integrated with other related systems. Critical financial data, instead of being transferred electronically between systems through well-controlled interfaces, are often transferred manually by means of journal vouchers, hardcopy spreadsheets, “data calls,” or other inefficient and error-prone methods.

b. DFAS functions as the primary Departmental entity responsible for producing a Trial Balance from the ERP general ledger and preparing the financial reports for the DoD. Much of the data used by DFAS to carry out the DoD’s accounting and financial reporting functions—such as property and inventory values—originate in non-DFAS organizations or systems. Therefore, other organizations, primarily the military services and Defense agencies, should be held responsible for the compliance of their financial management systems with all applicable Federal requirements. Appendix 5 of DFAS 7900.4-M contains Federal and DoD guidance on FFMIA compliance, evaluation, and reporting.

5. PROCEDURES:

Procedures are presented in each Volume of this Manual as appropriate.

6. RELEASABILITY:

UNLIMITED. This Volume as part of DFAS 7900.4-M is approved for public release and may be accessed at <http://www.dfas.mil/dfasffmia/bluebook.html>

7. EFFECTIVE DATE: This Volume is effective immediately.

TABLE OF CONTENTS

NON-APPROPRIATED FUND INSTRUMENTALITIES (NAFI) INTRODUCTION	1
NON-APPROPRIATED FUND INSTRUMENTALITIES (NAFI) REQUIREMENTS	2
Chapter 01 - Non-Appropriated Fund Instrumentalities	2
ACRONYMS	8

NON-APPROPRIATED FUND INSTRUMENTALITIES INTRODUCTION

1. Non-Appropriated Funds (NAFs) are monies that are not appropriated by the Congress to incur obligations and make payments out of the United States (U.S.) Treasury. NAFs come primarily from the sale of goods and services to DoD military and civilian personnel and their family members. These funds are used to support Morale, Welfare, and Recreation (MWR); lodging; civilian welfare; post restaurant; and certain religious and educational programs. NAFs are entitled to the same protection as funds appropriated by the Congress of the U.S. and are used for the collective benefit of military personnel, their family members, and authorized civilians. These funds are separate from funds that are recorded in the books of the Department of the Treasury.
2. A NAF Instrumentality (NAFI) is a fiscal entity of the U.S. Government that is fully or partially supported by NAFs. NAFIs assist Secretaries of the Military Departments in providing programs for DoD personnel. NAFIs are not incorporated under the laws of any state or the District of Columbia, but have the legal status of an instrumentality of the U.S. and have the same immunities and privileges as the U.S. Government in the absence of specific Federal Statute.
3. NAFIs act in their own name, federal agencies create them and regulate their activities but they are not federal agencies or government corporations. Although NAFIs are an integral DoD organizational entity that performs essential government functions within DoD, they operate independently to provide or assist DoD organizations in the execution of programs supporting military personnel and authorized civilians. As a fiscal entity, NAFIs maintain custody of and control over its NAFs and is responsible for exercising reasonable care relative to administering, safeguarding, preserving, and maintaining prudent care over those resources made available to carry out functions.
4. Although NAFIs function under the umbrella of a federal entity (e.g., DoD), the nature of its business operations in providing a support function to DoD use proceeds obtained from business operations and activities rather than with appropriated funds. The significance of NAFIs relationship with DoD does not in any manner cause the government's financial statements as a whole to be misleading or incomplete. NAFIs are not considered "federal reporting entities" for the purpose of financial statement reporting. NAFI financial statements are not in any manner associated with DoD financial statements that feed into the Government-wide financial statements.

NON-APPROPRIATED FUND INSTRUMENTALITIES REQUIREMENTS

DFAS 7900.4-M, Vol. 19

Chapter	Req Id	Change Type	Requirement	Federal Sources	DoD Sources	BPM Processes	End 2 End Process	DFMIG Rule Name
Non-Appropriated Fund Instrumentalities	19.01.001		The nonappropriated funds (NAF) financial system shall support the retention of all records relating to payments to individuals and firms for at least four years and making them available for IRS review.		Source: DoDFMR Volume 13, Chapter 7; Source Date: 2/1/2011; Source Number: 070501			NonAppropriated_Funds_001
Non-Appropriated Fund Instrumentalities	19.01.002		The nonappropriated funds (NAF) financial system shall support the reporting of cumulative payments made by Nonappropriated Funds Instrumentalities (NAFIs) under service contracts of \$600 or more to anyone, during a calendar year, to the IRS along with the total amounts paid to include the name, address, and Social Security number of the individual.		Source: DoDFMR Volume 13, Chapter 7; Source Date: 2/1/2011; Source Number: 070502			NonAppropriated_Funds_002
Non-Appropriated Fund Instrumentalities	19.01.003		Nonappropriated Funds Instrumentality (NAFI) payroll systems must provide complete, accurate, and prompt processing and accounting for pay, leave, and deductions.		Source: DoDFMR Volume 13, Chapter 8; Source Date: 9/1/2008; Source Number: 080201 A			NonAppropriated_Funds_003
Non-Appropriated Fund Instrumentalities	19.01.004		Nonappropriated Funds Instrumentality (NAFI) payroll systems must provide complete, accurate, and prompt generation and maintenance of payroll records and transactions.		Source: DoDFMR Volume 13, Chapter 8; Source Date: 9/1/2008; Source Number: 080201 B			NonAppropriated_Funds_004
Non-Appropriated Fund Instrumentalities	19.01.005		Nonappropriated Funds Instrumentality (NAFI) payroll systems must provide timely access to complete and accurate information to those internal and external to the NAFI who require the information.		Source: DoDFMR Volume 13, Chapter 8; Source Date: 9/1/2008; Source Number: 080201 C			NonAppropriated_Funds_005

NON-APPROPRIATED FUND INSTRUMENTALITIES REQUIREMENTS

DFAS 7900.4-M, Vol. 19

Chapter	Req Id	Change Type	Requirement	Federal Sources	DoD Sources	BPM Processes	End 2 End Process	DFMIG Rule Name
Non-Appropriated Fund Instrumentalities	19.01.006		Nonappropriated Funds Instrumentality (NAFI) payroll systems must provide timely and proper interaction of payroll systems with the core financial systems.		Source: DoDFMR Volume 13, Chapter 8; Source Date: 9/1/2008; Source Number: 080201 D			NonAppropriated_Funds_006
Non-Appropriated Fund Instrumentalities	19.01.007		Nonappropriated Funds Instrumentality (NAFI) payroll systems must provide adequate internal controls, to ensure that payroll systems are operating as intended.		Source: DoDFMR Volume 13, Chapter 8; Source Date: 9/1/2008; Source Number: 08/0201 E			NonAppropriated_Funds_007
Non-Appropriated Fund Instrumentalities	19.01.008	D	Deleted: The accrual of annual leave is material and must be recognized as a liability and expense monthly in the individual NAFIs accounting records.		Source: DoDFMR Volume 13, Chapter 8; Source Date: 9/1/2008; Source Number: 080205 A			NonAppropriated_Funds_017
Non-Appropriated Fund Instrumentalities	19.01.009		In accordance with Internal Revenue Service (IRS) Publication 15, (Circular E), Employers Tax Guide, records of employment taxes shall be maintained for a period of 4 years following the due date of such tax or from the date for which such tax has been paid, whichever date is later.		Source: DoDFMR Volume 13, Chapter 8; Source Date: 9/1/2008; Source Number: 080206			NonAppropriated_Funds_012
Non-Appropriated Fund Instrumentalities	19.01.010		Documentation on pay shall be stored and transferred to the National Personnel Records Center, St. Louis, MO, for 56 years retention in accordance with the National Archives and Records Administration General Records Schedules.		Source: DoDFMR Volume 13, Chapter 8; Source Date: 9/1/2008; Source Number: 080206			NonAppropriated_Funds_013

NON-APPROPRIATED FUND INSTRUMENTALITIES REQUIREMENTS

DFAS 7900.4-M, Vol. 19

Chapter	Req Id	Change Type	Requirement	Federal Sources	DoD Sources	BPM Processes	End 2 End Process	DFMIG Rule Name
Non-Appropriated Fund Instrumentalities	19.01.011		The Nonappropriated Funds Instrumentality (NAFI) payroll system shall support the withholding of taxes from the wages of civilian employees for, and remitting them to, tax jurisdictions wherever the Federal Government has entered into agreements for withholding taxes. State and local taxes shall be withheld from the pay of enlisted personnel compensated from nonappropriated funds(NAF) for work performed during off-duty hours.		Source: DoDFMR Volume 13, Chapter 8; Source Date: 9/1/2008; Source Number: 080701			NonAppropriated_Funds_014
Non-Appropriated Fund Instrumentalities	19.01.012	C	If the gross salary of an employee is not sufficient to permit all deductions to be made, then deductions will be made in the order of precedence established by Office of Personnel Management (OPM) "Order of Precedence" (see http://www.opm.gov/oca/pay/html/index_of_laws.asp). Nonappropriated Funds Instrumentalities (NAFIs) must consult policies, legal staff, and collective bargaining agreements to ensure the proper Order of Precedence is followed.		Source: DoDFMR Volume 13; Source Date: 9/1/2008; Source Number: 080705			NonAppropriated_Funds_008

NON-APPROPRIATED FUND INSTRUMENTALITIES REQUIREMENTS

DFAS 7900.4-M, Vol. 19

Chapter	Req Id	Change Type	Requirement	Federal Sources	DoD Sources	BPM Processes	End 2 End Process	DFMIG Rule Name
Non-Appropriated Fund Instrumentalities	19.01.013		All payroll disbursements shall be paid to nonappropriated funds (NAF) employees by electronic fund transfer (EFT) unless the head of the agency or designee has granted a waiver. The head of the agency or designee may waive the EFT requirement upon receipt of written certification from the employee which states that they do not have an account with a financial institution or for some other extenuating circumstances.		Source: DoDFMR Volume 13, Chapter 8; Source Date: 9/1/2008; Source Number: 0809			NonAppropriated_Funds_009
Non-Appropriated Fund Instrumentalities	19.01.014		System documentation must be of sufficient scope and depth to provide management, users, auditors, and system operation maintenance and modification personnel with an understanding of the design and operation of each component in the system and its integration with and relation to other components.		Source: DoDFMR Volume 13, Chapter 9; Source Date: 11/1/2008; Source Number: 090315			
Non-Appropriated Fund Instrumentalities	19.01.015		The NAFI accounting system must produce reports to compare current and prior period performance and planned performance with actual performance on an accrual basis		Source: DoDFMR Volume 13, Chapter 9; Source Date: 11/1/2008; Source Number: 090311			
Non-Appropriated Fund Instrumentalities	19.01.016	D	Deleted: The NAFI accounting system must use the double entry accrual basis of accounting.		Source: DoDFMR Vol 13, Ch 1; Source Date: 9/1/2008; Source Number: 010302			NonAppropriated_Funds_015

NON-APPROPRIATED FUND INSTRUMENTALITIES REQUIREMENTS

DFAS 7900.4-M, Vol. 19

Chapter	Req Id	Change Type	Requirement	Federal Sources	DoD Sources	BPM Processes	End 2 End Process	DFMIG Rule Name
Non-Appropriated Fund Instrumentalities	19.01.018	A	Within the Nonappropriated Fund Instrumentalities (NAFIs), the system must have the functionality to implement the SGL to support financial statement reporting at the Program Group level and the consolidated Military Department level. All data must summarize to the 4-digit SGL accounts and be traceable to the NAFIs using sub-accounts.		Source: DoDFMR Vol 13, Ch 2; Source Date: 3/1/2011; Source Number: 020401			Maintain_GL_Chart_of_Accounts_032
Non-Appropriated Fund Instrumentalities	19.01.019	A	The financial reporting system must allow NAFIs to issue financial reports that include full and adequate disclosure of financial and accounting information in accordance with Chapter 7 > of this volume and DoDI 1015.15 specific reporting requirements (e.g., disclosure of fund equity adjustments and eliminating entry transactions between NAFIs); this includes Military Service Headquarters, Major Command and/or Region, and installation NAFIs. Following these requirements ensures that financial and accounting information is properly treated in preparing consolidated reports.		Source: DoDFMR Vol 13, Ch 09; Source Date: 11/1/2008; Source Number: 090309D	Perform Financial Reporting	Budget-to-Report Deployment-to-Redeployment/Retrograde Environmental Liabilities Hire-to-Retire Market-to-Prospect Plan-to-Stock -- Inventory Management	Financial_Reporting_049

WORKING CAPITAL FUNDS REQUIREMENTS

DFAS 7900.4-M, Vol. 20

Chapter	Req Id	Change Type	Requirement	Federal Sources	DoD Sources	BPM Processes	End 2 End Process	DFMIG Rule Name
Working Capital Funds	20.01.001	D	This requirement was moved to 03.04.041, to realign it to a more applicable functional area.		Source: DoDFMR Vol 10, Ch 12; Source Date: 7/1/2010; Source Number: 120101			
Working Capital Funds	20.01.002	D	This requirement was moved to 03.04.042, to realign it to a more applicable functional area.		Source: DoDFMR Vol 10, Ch 12; Source Date: 7/1/2010; Source Number: 120101			
Working Capital Funds	20.01.003	D	This requirement was moved to 08.07.001, to realign it to a more applicable functional area.		Source: DoDFMR Vol 10, Ch 12; Source Date: 7/1/2010; Source Number: 120101			
Working Capital Funds	20.01.004	D	Deleted: DWCF financial management systems must ensure that assets are properly safeguarded to deter fraud, waste and abuse.		Source: DoDFMR Volume 11B, Chapter 01; Source Date: 4/1/2010; Source Number: 010401			Working_Capital_004
Working Capital Funds	20.01.005	D	Deleted: DWCF financial management systems must ensure that performance measurement information is adequately supported.		Source: DoDFMR Vol 11B, Chap 01; Source Date: 4/1/2010; Source Number: 010401			Working_Capital_005
Working Capital Funds	20.01.006	D	This requirement was moved to 08.07.002, to realign it to a more applicable functional area.		Source: DoDFMR Vol 10, Ch 12; Source Date: 7/1/2010; Source Number: 120101			
Working Capital Funds	20.01.007	D	This requirement was moved to 08.07.003, to realign it to a more applicable functional area.		Source: DoDFMR Vol 10, Ch 12; Source Date: 7/1/2010; Source Number: 120101			

ACRONYMS

DFAS	Defense Finance and Accounting Service
DoD	Department of Defense
DoDFMR	DoD Financial Management Regulation
EFT	Electronic Funds Transfer
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contribution Act
FSIO	Financial System Integration Office
IRS	Internal Revenue Service
NAF	Non-Appropriated Fund
NAFI	Non-Appropriated Fund Instrumentality
OFFM	Office of Federal Financial Management
TFM	Treasury Financial Manual