

**Army Regulation 215–8
DAFI 34–110(I)**

Morale, Welfare, and Recreation

Army and Air Force Exchange Service Operations

**Headquarters
Departments of the Army,
and the Air Force
Washington, DC
14 July 2023**

UNCLASSIFIED

SUMMARY of CHANGE

AR 215–8/DAFI 34–110(I)

Army and Air Force Exchange Service Operations

This administrative revision, dated 8 January 2024—

- o Changes DAFI 34–211(I) to DAFI 34–110(I) (cover).
- o Updates Signature Block (title page).

This major revision, dated 14 July 2023—

- o Rescinds AD 2012–15, (Reaffirmation of the Army and Air Force Exchange Service as a Joint Nonappropriated Fund Instrumentality of the U.S. Army and The U.S. Air Force) (paras 1–10*a* and 1–10*b*).
- o Revises/defines new responsibilities (chap 2).
- o Incorporates additional guidance for garrison/installation commanders relative to appropriated funds and nonappropriated funds (para 2–5).
- o Incorporates additional guidance for general managers, Army and Air Force Exchange Service (para 2–11).
- o Incorporates additional instruction for Army and Air Force Exchange Service facility construction site conditions and appropriated fund/nonappropriated fund uses (para 3–2).
- o Adds nonappropriated fund instrumentality successor in interest instruction (para 3–5).
- o Updates processes for grievances, counseling, disciplinary actions (para 5–6).
- o Incorporates AD 2018–29, (Non-Federal Entity Competition with Appropriated and Nonappropriated Fund Activities on Army Installations) (paras 6–17, 6–19, and 8–11*b*(2)).
- o Clarifies school food service responsibilities (para 6–8).
- o Amends and adds additional patronage categories for unlimited exchange privileges and limited exchange privileges, implementing Office of the Secretary of Defense policy changes (tables 7–1 and 7–2).
- o Implements Department of Defense tobacco pricing policy (para 8–6).
- o Modifies contracting officer authority and clarification of agreements (paras 9–1 and 9–2).
- o Changes references of film and movies to subscriber identity module cards (chap 12).
- o Updates medical/dental services information, clarifies information pertaining to vehicle leasing outside the continental United States (appendix C).
- o Changes relative to Personal Information Services (any service typically delivered via Wi-Fi and cellular emitters, coax or fiber optic cables, and satellite transmission) to update technical references (appendix C).
- o Adds Army and Air Force Exchange Service Board of Directors information (appendix F).

- o Adds Internal Control Evaluation (appendix G).

Headquarters
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Washington, DC
14 July 2023

***Army Regulation 215–8**
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Effective 14 August 2023

Morale, Welfare, and Recreation
Army and Air Force Exchange Service Operations

By Order of the Secretary of the Army:

RANDY A. GEORGE
General, United States Army
Chief of Staff

Official:


MARK F. AVERILL
Administrative Assistant to the
Secretary of the Army

Official:


ALEX WAGNER
Assistant Secretary of the Air Force
(Manpower and Reserve Affairs)

History. This publication is a administrative revision. The portions affected by this administrative revision are listed in the summary of change.

Summary. This regulation implements DoDI 1330.09 and DoDI 1330.21, and it prescribes policies for providing exchange services to Army and Air Force activities worldwide. Also, this regulation implements the appropriated funding and/or support rules contained in DoDI 1015.15.

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

Proponent and exception authority. The proponent of this regulation is the Deputy Chief of Staff, G–9. 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 requirements.

Army internal control process.

This regulation contains internal control provisions in accordance with AR 11–2 and identifies key internal controls that must be evaluated (see appendix G).

Supplementation. Supplementation of this regulation and establishment of command and local forms are prohibited without prior approval from the DCS, G–9 (DAIN–ZA), usarmy.pentagon.hqda-dcs-g-9.mbx.publication-management@mail.mil.

Suggested improvements. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications

and Blank Forms) directly to the DCS, G–9 (DAIN–ZA), usarmy.pentagon.hqda-dcs-g-9.mbx.publication-management@mail.mil.

Committee management. AR 15–39 requires the proponent to justify establishing/continuing committee(s), coordinate draft publications, and coordinate changes in committee status with the Office of the Administrative Assistant to the Secretary of the Army, Department of the Army Committee Management Office (AARP–ZA), 9301 Chapek Road, Building 1458, Fort Belvoir, VA 22060–5527. Further, if it is determined that an established “group” identified within this regulation, later takes on the characteristics of a committee, as found in AR 15–39, then the proponent will follow all AR 15–39 requirements for establishing and continuing the group as a committee.

Distribution. This publication is available in electronic media only and is intended for the Regular Army, the Army National Guard/Army National Guard of the United States, and the U.S. Army Reserve; and the Active Air Force, Air National Guard, Air Force Reserve, and the U.S. Space Force.

*This regulation supersedes AR 215–8, dated 5 October 2012 and AR 15–110/AFI 34–203(I), dated 10 July 2009. AD 2012–15 is rescinded upon publication of this AR.

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Glossary

Chapter 1

Purpose, Objectives, Organization, and Legal Status

1–1. Purpose

This regulation contains the operating policy of the Army and Air Force Exchange Service (AAFES). If inconsistencies exist between this regulation and other 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 and forms

See appendix A.

1–3. Explanation of abbreviations and terms

See the glossary.

1–4. Responsibilities

Responsibilities are listed in chapter 2.

1–5. Records management (recordkeeping) requirements

The records management requirement for all record numbers, associated forms, and reports required by this regulation are addressed in the Records Retention Schedule-Army (RRS–A). Detailed information for all related record numbers, forms, and reports are located in Army Records Information Management System (ARIMS)/RRS–A at <https://www.arims.army.mil>. If any record numbers, forms, and reports are not current, addressed, and/or published correctly in ARIMS/RRS - A, see DA Pam 25–403 for guidance.

1–6. Army and Air Force Exchange Service mission

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

1–7. 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. Dividends are based on Army and Air Force distribution formulas as determined by the AAFES BOD. Distributions by the Services to garrisons and installations are meant for an officially established and recognized military MWR nonappropriated fund instrumentality (NAFI).

1–8. Army and Air Force Exchange Service organization

- a. AAFES is a Joint NAFI.
- b. As a Joint NAFI, AAFES has a governing council known as a BOD. The composition of the AAFES BOD is detailed in appendix F.
- c. AAFES is categorized by DoDI 1015.15 as a Program Group II, NAFI, Category C, revenue-generating program.

1–9. Command relationships, policy, and operating procedures

- a. The Principal Deputy Under Secretary of Defense for Personnel and Readiness (PDUSD P&R) is responsible for AAFES policy as well as a number of other AAFES-related activities in accordance with DoDI 1330.21.
- b. AAFES is a Joint NAFI of the Departments of the Army and the Air Force and is under the jurisdiction of the Chief of Staff of the Army and the Chief of Staff of the Air Force. AAFES consists of all activities, personnel, property, and NAF activities that provide exchange services to the Army, the Air Force, the Space Force, and other governmental agencies identified in this regulation.
- c. The AAFES BOD directs AAFES and is responsible to the Secretary of the Army and the Secretary of the Air Force through their respective Chiefs of Staff.
- d. The departmental staffs of the Services develop general policy governing AAFES by developing uniform DoD policy and guidance to ensure proper administration and management of AAFES programs and monitor compliance

in accordance with DoDI 1330.21. This policy is published in Joint Army regulations and Department of the Air Force instructions. The Army is responsible for developing, staffing, and administering publication of AAFES policy. The AAFES director and chief executive officer issues exchange operating procedures (EOPs) and exchange service regulations.

1–10. Legal status

a. 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. AAFES is immune from direct state taxation and state laws and regulations that would interfere with its 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) is bound by DoD 5500.07–R.

1–11. Freedom of Information Act requests

Freedom of Information Act (FOIA) requests for AAFES documents must be submitted in writing to the AAFES headquarters (HQ) at HQ, AAFES, General Counsel (FOIA), PO Box 650060, Dallas, TX 75265–0060. Requests will be processed in accordance with applicable Federal laws and regulations. The AAFES General Counsel, or designee, in accordance with AR 25–55, is the initial denial authority for FOIA requests.

Chapter 2 Responsibilities

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

The Secretary of Defense has vested in the Secretary of the Army and the Secretary of the Air Force all functions, powers, and duties relating to exchange activities within their respective military departments. This authority is held jointly and equally. The Secretary of the Army and the Secretary of the Air Force have oversight responsibility of the AAFES BOD and exchange operations. The Secretary of the Army and the Secretary of the Air Force will—

- 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.

2–2. Assistant Secretary of the Army for Manpower and Reserve Affairs

On behalf of the Secretary of the Army, the Assistant Secretary of the Army for Manpower and Reserve Affairs serves as the administrative lead for AAFES providing administrative support in obtaining Service level coordination on tasks from the Office of the Secretary of Defense, coordinating with the Air Force as needed.

2–3. Deputy Chief of Staff, G–9 (Army) and Deputy Chief of Staff for Manpower, Personnel and Services (Air Force)

The following administrative agent responsibilities rest with the DCS, G–9 (Army). The DCS, G–9, in coordination with the AF/AIS (Director of Services), will—

- a.* Oversee policy development and interpretation of AAFES operations.
- b.* Revise and update this regulation with necessary coordination among the Army, Air Force, and AAFES.

2–4. Army region directors of Installation Management Commands and commanders, Air Force Installation and Mission Support Center

Army region directors of IMCOMs and commanders, AFIMSC will—

- a.* Designate an appropriate staff element to act as liaison with the AAFES director and chief executive officer.
- 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 services to customer needs and command requirements and adequacy of patronage controls.
- d.* Enforce departmental resale policy, including acting on disagreements between garrison/installation commanders and exchange general managers (GMs) that involve local MWR 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 non-reimbursable basis in accordance with 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 director and chief executive officer for exchange support, during declared emergencies, mobilizations, and wartime operations.
- h.* In addition to the previous information, overseas Army IMCOM region directors and AFIMSC commanders 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.

2–5. Army garrison and/or Air Force installation, and/or Space Force garrison commanders

In command organizations where the term garrison/installation commander is not applicable, Army commands, Army service component commands, direct reporting units, and Air Force MAJCOMs and Space Force will assign the following responsibilities to the most appropriate command element. Garrison/installation commanders will—

- a.* Provide AAFES activities adequate and suitable buildings and facilities, and applicable services. Buildings may be provided from existing structures or construction of facilities (see chap 4). At remote and isolated locations, APF support is afforded the same level of support provided to category B, military MWR programs, as outlined in AR 215–1 and AFI 65–106. All buildings and facilities will have operational HVAC systems.
- b.* Plan, program, and budget APF for AAFES personnel, facilities, and activities to facilitate non-reimbursable support wherever APF is authorized under appendix B. The delegation of these activities to tenant units is not applicable to AAFES.
- c.* Provide facilities and services to AAFES personnel, facilities, and activities on a non-reimbursable basis to the fullest extent of APF availability. APF are considered available in the fiscal year of execution when the installation resource office has submitted requirements in the program objective memorandum process that includes the fiscal year of execution and requirements were validated.
- d.* Initiate installation support agreements. For administrative purposes only, DoDI 4000.19 will be referenced for this process.
- e.* Include AAFES activities in command information programs and other community information services.
- f.* 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 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.
- g.* Provide essential logistical and administrative support for military personnel assigned to AAFES, including the administration of military justice.
- h.* Evaluate the responsiveness of AAFES to command requirements, convey results to exchange management and the GM, and recommend changes as appropriate.
- i.* Enforce local rules for dress, appearance, and uniform regulations for patrons using exchange facilities, consistent with applicable departmental regulations.

- j.* Liaise with exchange personnel.
- k.* Ensure that decisions based on needs, mission readiness, and community requirements (including recommended hours of operation) are coordinated with exchange management and the GM.
- l.* Enforce departmental resale policy (see chap 6 and applicable departmental regulations).
- m.* Act on proposals for garrison and installation entities and NAFIs to open resale and service outlets; and review periodically or as required by Army IMCOM, G-9 (Family and MWR programs)/Air Force Services the continued need for these outlets (see para 6-14e of this regulation for guidance on AAFES operation of MWR sales operations on a management fee basis).
- n.* Review the need for new exchange concession, agency, and vending services, and review source lists in accordance with paragraph 9-1d of this regulation.
- o.* Advise the GM of all claim matters that affect exchange operations.
- p.* Issue identification documents, in accordance with applicable departmental regulations and criteria outlined in chapter 7, 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.
- q.* Ensure disciplinary actions, when appropriate, are taken against persons who violate patron privileges (see para 7-6). 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.
- r.* Ensure the identification card issuing office maintains a current listing of locally reported lost and stolen identification cards and provides this to exchange management.
- s.* Promote the cash benefits provided to the installation as a result of AAFES operations and how these funds are used to support local MWR programs, at least once per year. Commanders may choose their preferred format(s) to disseminate this information at the installation level (for example, newspapers, bulletins, town halls, monument signs, and so forth).

2-6. Director and Chief Executive Officer, Army and Air Force Exchange Service

The AAFES director and chief executive officer's position is filled by an NF-6-3. The AAFES director and chief executive officer, on behalf of the AAFES BOD, has primary interdepartmental responsibility for the worldwide administration and operation of AAFES activities. The director and chief executive officer will—

- a.* Appoint the executive secretary for the AAFES BOD.
- b.* Manage all AAFES activities and issue EOPs and exchange service regulations to fulfill policies in this regulation and to establish new policies. Authority vested in the AAFES director and chief executive officer by this regulation may be delegated, unless stated otherwise.
- c.* Supervise AAFES personnel, property, and funds worldwide.
- d.* Operate, manage, and supervise exchange activities worldwide.
- e.* Submit an annual report, through the AAFES BOD, to the Secretary of the Army and the Secretary of the Air Force. This report will include—
 - (1) An annual audit statement issued by a certified public accountant (CPA).
 - (2) A summary of exchange operations for the prior fiscal year.
- f.* Provide clearance for personnel within a specific area of control for access to classified Department of Defense (DoD) information, according to applicable departmental regulations.
- g.* Plan for and support Army and Air Force mobilization, contingency, and wartime operations or other emergency situations within the capabilities and limitations of AAFES.
- h.* 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.
- i.* 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.
- j.* Administer the AAFES capital expenditure program as directed by the AAFES BOD.
- k.* Report, annually, to DoD on the customer satisfaction index and the results of standardized market basket price survey.
- l.* Under authority granted, suspend or remove privileges from patrons who abuse catalog and internet ordering systems controlled and managed by AAFES (see para 7-6e).

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

The chief operating officer, AAFES, will—

- a.* Assist the director and chief executive officer, AAFES 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 region 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 geographical areas.

2–10. Headquarters staff, Army and Air Force Exchange Service

The AAFES HQ staff will formulate and execute procedures to implement the operating policy in this regulation and EOPs and exchange service regulations as issued by the AAFES director and chief executive officer. The AAFES HQ staff includes senior vice presidents, vice presidents, division directors, AAFES chief of staff, and special staff directors (for example, inspector general (IG), general counsel, audit agency, and equal employment opportunity (EEO)).

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

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 non-food merchandise and patron services on military installations, except where military and Civilian MWR, lodging, and other NAFIs (for example, museums, veterinary offices, and prisons) 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 commanders.
- e. Ensure alleged crimes are reported to loss prevention personnel for coordination with the appropriate law enforcement agency; provost marshal; U.S. Army Criminal Investigation Command element; or Air Force Office of Special Investigations.
- f. Request services or other support from the installation using the installation's established administrative processes. Coordinate with garrison or installation leadership, including the installation engineer or public works officer, concerning the terms of any memorandum of agreement to provide services or complete contract work with NAF in the event of insufficient APF.
- g. Brief the local Army garrison and/or Air Force installation, and/or Space Force garrison commander(s) on the status of AAFES operations, to include cash and in-kind benefits provided, relevant initiatives, and opportunities and challenges to AAFES operations, at least semi-annually.
- h. Coordinate with the installation Base Civil Engineer or Directorate of Public Works for installation support services and APF funding responsibilities consistent with DoDI 1015.15. APF must be used to support AAFES requirements as directed in paragraph 2–5, paragraph 3–2, and table B–1 of this regulation/instruction.

Chapter 3 Funding

3–1. Funding of Army and Air Force Exchange Service activities

As a Program Group II, NAFI, Category C, revenue-generating activity, AAFES will use its revenue-generating capability to fund ongoing operations and capital improvement projects. Within the limits established by law and DoDI 1015.15, AAFES can be provided limited APF support as outlined in paragraph 3–2 and in appendix B of this regulation.

3–2. Appropriated funds

- a. *Appropriated funds funding standard.* The basic financial standard for AAFES programs is to use APFs to fund 100 percent of costs for which it is authorized. Appropriated funding will be used to the maximum extent possible to fund those elements of expense authorized by DoDI 1015.15 and Office of the Under Secretary of Defense (Personnel and Readiness) memorandum, subject: Funding Sources for Nonappropriated Fund Instrumentality (NAFI) Facilities, dated 4 December 2007 (until it is incorporated into the DoDI 1015.15). Details are summarized in appendix B of this regulation.

b. AAFES facility construction funding.

(1) Appropriations must be used for AAFES facilities modernization and construction (minor or major) for—

(a) Exchange facilities required in areas of military conflict, wartime deployments, and in support of contingency, humanitarian, and peacekeeping operations.

(b) Exchange facilities required as integral parts of air terminal, hospital, housing, or other military construction projects.

(c) Exchange-operated laundries, dry cleaning plants, bakeries, dairies, or similar facilities operated by AAFES in support of military conflict, wartime deployments, and in support of contingency, humanitarian, and peacekeeping operations.

(d) Administrative, storage, and maintenance facilities outside the United States.

(2) Appropriations must be used for major and minor facility construction determined by the Army/Air Force to—

(a) Establish, activate, or expand a military installation, including base realignment and closures (BRAC) and global restationing requirements. Expansion must be the result of a mission change or influx of new units or systems and result in a 25 percent increase in authorized and assigned personnel strength within a 2-year time span.

(b) Relocate facilities for convenience of the government.

(c) Replace facilities denied by country-to-country agreements.

(d) Restore facilities and improvements destroyed by acts of nature, fire, or terrorism.

(e) Incorporate antiterrorism and force protection measures required under DoDI 0-2000.16.

(f) Correct deficiencies in life, safety, and force protection measures.

(g) Meet Americans with Disabilities Act of 1990 requirements.

(h) Ensure designated AAFES facility construction sites are free and clear of all surface and subsurface hazardous materials prior to construction, to the extent required by Federal and state laws and regulations.

c. Appropriated funding. APFs will be used for heating, ventilation, and air conditioning systems capitalized and transferred as part of a capital improvement, repair, or renovation project that is classified as real property installed and building equipment. APFs may be used to purchase commercially-owned buildings only to the extent authorized by Congress.

d. Base realignment and closures authorized appropriated funding. The policy on the funding of BRAC sites and use of the BRAC reserve account is outlined in DoDI 1015.15.

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

a. AAFES NAFs will be used in accordance with appendix B of this regulation and DoDI 1015.15.

b. AAFES NAFs will not be used for authorized APF expenditures unless authorized APFs are not available. Certification of non-availability of APFs must be obtained from the respective Service's responsible resource office. The use of certification of non-availability of APFs 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.

(1) Certifications of non-availability of APFs must specify why APFs are unavailable, the scope or magnitude of the APF shortfall, and a plan for end-of-year reconciliation of NAF and APF accounts. Certifications are no longer valid when the underlying conditions that prompted the insufficiency of APFs are rectified in the FY of execution.

(2) Certification of non-availability of APFs may be delegated to garrison/installation commanders only for cases related to maintenance and repair of real property, real property installed equipment (RPIE) or installed building equipment (IBE). In these cases, a discrete single-purpose memorandum of agreement (MOA) to use NAF may be negotiated with the local GM.

(3) When NAFs are used in lieu of APF to pay for utilities, garrisons with privatized utilities may charge no more than 90 percent of the going rate. Funding cost estimates for all garrisons must be current before AAFES will accept a certification of non-availability of APF for utilities.

c. 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 director and chief executive officer or AAFES BOD, as appropriate (see appendix B for APF and NAF authorizations).

(2) Access roads, curbing, and utilities (when appropriated funds are not available), which 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 garrison and 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 NAFs will normally consist of only those systems which are not classified as real property installed and building equipment (self-contained, pre-packaged, 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) The sustainment, restoration, and modernization of AAFES structures to which AAFES holds title is funded with exchange funds. This includes interior finish, such as paint, floors, ceilings, special lighting, and building modifications and alterations solely for purposes directly applicable to exchange operations.

(9) Leasing of facilities on an exception basis only in accordance with "DoD land acquisition moratorium requirements contained in DepSecDef memo on Land Acquisition and Leasing in the United States, 22 FEB 2021."

(a) The AAFES director and chief executive officer approves exceptions up to \$199,999 annually.

(b) With AAFES BOD approval, AAFES may request a review and approval by the Assistant Secretary of the Army (Manpower and Reserve Affairs) or the Assistant Secretary of the Air Force (Manpower and Reserve Affairs) concerned before contract award for lease amounts with an annual cost of \$200,000 to \$500,000.

(c) The Assistant Secretary of the Army (Manpower and Reserve Affairs) or the Assistant Secretary of the Air Force (Manpower and Reserve Affairs) reviews and approves lease amounts with an annual cost of \$500,000 to \$1 million before contract award.

(d) Leases with an annual cost of \$1 million or more require AAFES to comply with the land moratorium requirement contained in DoDI 4165.71 and other DoD policy.

(e) Exceptions are considered in CONUS, Alaska, Hawaii, and U.S. territories when existing buildings under military control are not available or are inadequate. Exceptions are considered in all other locations when existing buildings under military control are inadequate and APFs are not available within the timeframe required.

(10) 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.

(11) Purchase of commercially owned buildings only if located on federal government real property.

(12) When garrisons and 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 table B-1).

3-4. Deviation from funding policy

a. Unique situations or exigencies that need immediate or more specific attention may require deviation or exception to the basic funding policy outlined. Any deviations or exceptions to use AAFES NAFs in lieu of appropriations, 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.

b. Deviations or exceptions will be submitted to the Department of the Army (DA) or the Department of the Air Force, as applicable, at the following addresses:

(1) Army: Deputy Chief of Staff, G-9 (DAIN-SF), 600 Army Pentagon, Washington, DC 20310-0600.

(2) Air Force: Deputy Chief of Staff for Manpower, Personnel and Services, Director of Services (AF/A1S), 1040 Air Force Pentagon, Washington, DC 20330-1770.

c. The Army or Air Force organizations must satisfy the following Office of the Secretary of Defense criteria:

(1) The project is included in the military construction (major and minor construction) or APF modernization budget submission to the Under Secretary of Defense (Comptroller).

(2) The project was not included in the President's budget submission to Congress or was not approved by Congress.

(3) Failure to build the facility will seriously impact the quality of life of military personnel and their families.

(4) The Army or the Air Force certifies that the project is of higher priority than all other non-funded NAF construction (major and minor) and modernization requirements.

(5) The Service's headquarters concerned and AAFES will endorse the use of AAFES NAFs.

3–5. Nonappropriated fund instrumentality successors in interest

The Department of Army's Morale, Welfare, and Recreation Fund and the Department of Air Forces' Morale, Welfare, and Recreation Fund are joint successors in interests in assuming AAFES assets and liabilities in the event AAFES can no longer manage its debts, AAFES's insolvency and/or upon the dissolution of the AAFES infrastructure. Distribution of assets and liabilities will be based on the current formula used for distributing annual dividends to the two Services.

Chapter 4 Facilities and Equipment

4–1. Scope

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

4–2. Construction project approval and reporting

AAFES-funded projects are designed, constructed, and approved according to the standards set by DoD, DA, Department of the Air Force, and relevant AAFES EOPs and exchange service regulations. All AAFES project approval authority and the authority to obligate AAFES funds delegated within AAFES emanates from the AAFES BOD.

4–3. Reporting construction projects

- a.* The AAFES director and chief executive officer reports annually to the Services and DoD on construction projects that have new construction costs exceeding \$1,000,000 (in accordance with DoDI 7700.18) 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 4–3*a*(1).
- b.* The AAFES director and chief executive officer will resubmit projects previously approved by the DoD when—
 - (1) The scope of the approved new construction changes by more than 10 percent.
 - (2) The amount of the approved construction award amount increases by more than 25 percent.
- c.* Until DoD advises the AAFES director and chief executive officer that reporting and approval requirements are satisfied, AAFES will not place any project requiring reporting to DoD under construction contract or start construction.

4–4. New construction, alterations, and additions by the private sector

- a.* AAFES will forward projects involving the erection of structures by private individuals or commercial concerns (see DoDI 1015.13) for facilities/activities traditionally associated with AAFES (see DoDI 1330.21) through the garrison and installation to the appropriate IMCOM region director (Army)/MAJCOM commander (Air Force) and Service Secretary for approval prior to submitting to the AAFES BOD.
- b.* Removal of structures and buildings erected by the private sector are subject to the provisions of applicable departmental regulations.

4–5. Army and Air Force Exchange Service contracting for appropriated funds or combined appropriated funds, and 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 an MOA between AAFES and the APF agency and funding source, and notification to AAFES that the availability of APFs has been certified.

4–6. 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, are subject to military department accountability, and are carried on records of DA or Department of the Air Force, as appropriate, in accordance with existing departmental regulations. Military installations accept accountability of 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. This includes real property installed and building equipment.

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

(1) Facilities acquired with AAFES funds that are not located on active military, or Reserve Component 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 director and chief executive officer.

(4) 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, is 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 commanders 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.

c. Unit titles. Units to which AAFES retains title will be maintained by AAFES.

4–7. 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 director and chief executive officer 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 state-operated installations (National Guard) will be operated and controlled by AAFES. A memorandum of understanding (MOU) will be established providing the authority for continued use of facilities improved or erected with AAFES funds. 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.

(1) Where AAFES has made a substantial investment in any installation, relocation will not be required unless an alternate and suitable facility is provided by the garrison and installation.

(2) Facilities erected with AAFES funds cannot be used for purposes other than AAFES without prior approval by the AAFES director and chief executive officer.

4–8. Smoke-free facilities

The policies on smoke-free facilities are contained in the respective Army regulation and Air Force instruction (see AR 600–63 and AFI 48–104).

Chapter 5 Personnel

5–1. Policies and practices

a. AAFES Civilian personnel are Federal employees of an instrumentality of the United States within 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, except in the case of wage fixing for prevailing-rate employees covered under the provisions of 5 USC 5343 and application of the Fair Labor Standards Act, 29 USC 201–219.

b. Personnel policy and practices are subject to DoD policy governing NAF personnel (see DoDI 1400.25, Volume 1401) and applicable statutes, union collective bargaining agreements, and guidance from the AAFES BOD.

c. The AAFES director and chief executive officer 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 NAF Civilian personnel policy covered in DoDI 1400.25, Volume 1401. This delegation is subject to, and must be exercised in

accordance with, higher level directives and policy 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. AAFES employees are advised of policies, programs, and procedures in writing. This includes, but is not limited to—

(1) Manpower requirements worldwide, allocation of grades and/or 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 action practices.

(5) Professional development and training requirements.

5–2. 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 DoDI 1400.25, Volume 1412, under applicable Federal law. These employees and their dependents have access to the same medical health services provided APF personnel and access to Department of Defense Dependent Schools under the provisions of applicable Federal law. United States citizens receive allowances and differentials as defined by Federal regulations.

5–3. Employment of United States citizens in foreign countries

United States citizens and U.S. nationals will be employed in a pay system authorized by DoDI 1400.25, Volume 1405 for DoD NAF employees. On the prior approval of the AAFES director and chief executive officer, in special circumstances, these employees may be hired under a special contract of employment.

5–4. Travel and transportation

a. AAFES Civilian employees who are authorized payment of travel and transportation expenses will be paid in accordance with DoDI 1400.25, Volume 1405 and the DoD Joint Travel Regulations, Volume 2. 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, Volume 2, and are in accordance with implementing instructions issued by the AAFES director and chief executive officer.

b. AAFES employees do not authorize their own official travel. Official travel will be authorized by order-issuing officials designated, in writing, by the AAFES director and chief executive officer.

5–5. Executive management program

a. The executive management program 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 director and chief executive officer will administer the executive management program worldwide, pursuant to written rules and procedures, published by the director and chief executive officer, under the guidance of the AAFES BOD.

b. The AAFES director and chief executive officer will periodically review and establish, as necessary, the number and grade level of positions to be included in the executive management program. Benefits established by the AAFES director and chief executive officer must be uniform for all executive management program employees.

c. Employees participating in the executive management program 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 director and chief executive officer.

d. The AAFES director and chief executive officer or designee, may withdraw executive management program status for—

(1) Failure to fulfill executive management program obligations in accordance with written agreement with AAFES.

(2) Unsatisfactory performance.

(3) Misconduct of a disciplinary nature, on or off the job.

e. Benefits to executive management program employees are as follows:

(1) Retention priority as a result of business-based action.

(2) Longer notice periods based on length of service in case of certain separations.

- (3) Triple indemnity accidental death and supplementary life insurance benefits.
- (4) Supplemental retirement benefits and retention of personal grade, regardless of assignment.

5–6. Adverse actions, grievances, and 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 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 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. A written communication record for a verbal or written counseling is not a disciplinary action, but may be used to support a disciplinary matter.
- (8) When management considers that formal disciplinary action may be required to correct misconduct on the part of a subordinate employee, management should obtain all available information concerning the alleged misconduct and discuss the incident with the employee to—
 - (a) Ensure all the relevant facts are known to both parties.
 - (b) Afford the employee the opportunity to explain the basis for their actions.
 - (c) Advise the employee that disciplinary action is under consideration.

b. Grievances. The AAFES director and chief executive officer will develop a prompt and equitable grievance process and will issue instructions and procedures to administer this process worldwide, subject to the requirements of DoDI 1400.25, in circumstances where a labor organization has exclusive jurisdiction.

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 may cause employee dissatisfaction. These actions include, but are not limited to—
 - (a) Verbal or written counseling.
 - (b) Downgrade or separation for inability to perform essential job functions (not related to misconduct or mental or physical disability).
 - (c) Downgrade or separation for business based action.
 - (d) Downgrade or reduction in compensation based on reorganization, reallocation, or conversion.
 - (e) Administrative separation (for disqualification; during probationary period; for disability; business based action or death; on expiration of temporary employment; based upon resignation, abandonment of position or declination of transfer; for retirement; from leave without pay or intermittent employment; or for unsatisfactory performance).
- (2) Disciplinary actions are taken by management because of an employee's conduct, action, or lack of action when action should have been taken. Authorized disciplinary actions include—
 - (a) Written reprimand.
 - (b) Suspension.
 - (c) Disciplinary downgrade.
 - (d) Disciplinary pay reduction.
 - (e) Separation for cause.
 - (f) Withdrawal of executive management program (except for declination of transfer, which is nondisciplinary).
- (3) Disciplinary actions are based on the following:

(a) Conduct on the job involving insubordination; alleged 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 alleged unlawful activity.

(c) Activities and conduct which AAFES personnel are prohibited from engaging.

d. *Advance notice of an adverse action.* When required by EOP 15–10, 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 and details of the adverse action. The employee also will be advised of their right to reply, to whom to reply, and time limit for a response, and that consideration would be given to their response before a final decision is made. Advance notice is not required for counseling entries, written reprimands, or for separations for resignation, declination of transfer, retirement, from temporary or intermittent employment, from the probationary period unless for cause or for abandonment of position.

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 their 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 the right to appeal the final decision and the time limit for a response.

g. *Appeal of final decision.* When required by EOP 15–10, 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. Entries for verbal and written counseling, separations for resignation, declination of transfer, disqualification, retirement, temporary or intermittent employment, probationary period unless for cause, abandonment of position, or for leave without pay are not appealable. Written reprimands are grievable, but are not appealable unless issued by a principal management official. Employees may not grieve or appeal an adverse action if they have or are seeking redress in another forum, such as an Equal Opportunity complaint, for the same action.

h. *Appellate authority determination.* The appellate authority is the director and chief executive officer, AAFES, or designee. However, if the director and chief executive officer, 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 procedures.* Chapter 6 of EOP 15–10 outlines the employee adverse action 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. EOP 15–05 outlines the appellate grievance and hearing procedures for nonbargaining unit employees.

5–7. Labor management relations

a. With regard to labor management relations, the AAFES director and chief executive officer makes all decisions and takes actions that are the responsibility of the head of a DoD component. Title 5, USC 7101 and implemented DoDIs apply to AAFES labor management policies (see DoDI 1400.25).

b. AAFES recognizes the employee's right to form, join, or assist any labor organization or to refrain from such activity. This right is exercised without fear of penalty or reprisal.

5–8. 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 (see also AR 210–22 and AFI 34–223). Support and relations are regulated under DoD 5500.07–R.

5-9. 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 HQ, AAFES 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 DoD Joint Ethics Regulation DoD 5500.07-R.

d. AAFES GMs may appoint an employee to act as an official liaison representative to local civic, service and business organizations (for example, Chamber of Commerce) when AAFES has a significant and continuing interest in the activities of the organizations.

5-10. Equal Employment Opportunity programs

The AAFES director and chief executive officer will administer EEO programs for Civilian applicants and employees of AAFES.

5-11. Lawsuits 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.

5-12. Fiduciary responsibilities

Military personnel and AAFES employees paid with NAFs and APFs 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, IGs, or to the DoD 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 will 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 NAFs and APF, are subject to the limitations, exceptions, and penalties governing the use of APF as contained in 31 USC Chapter 13.

5-13. Security clearance and investigations for assigned personnel

a. Army or Air Force regulations and instructions concerning NAF Civilian personnel security investigations and adjudications apply to AAFES employees at Army and Air Force installations, 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 director and chief executive officer has the authority to identify security clearance jurisdiction over HQ, AAFES and its subordinate activities. The Services clearance adjudication facilities will 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 loss prevention, unless otherwise identified by regulatory guidance.

5-14. 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.

5-15. 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 (as defined in the 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.

5–16. 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 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.

5–17. Separation for cause

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

5–18. Separation based on resignation

a. Separate an employee based on resignation in accordance with the following:

- (1) The employee will submit a written resignation to their 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 in accordance with another paragraph prior to this date (for example, para 5–17).

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 6

Exchange Operations

Section I

Exchange Establishment

6–1. 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 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 MOA will be executed between a designee of the State Adjutant General's office and the supporting GM, AAFES. Requests to establish an exchange will include the following:

- (1) Number of assigned and 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) Proposed outlets at Reserve installations will be submitted through command channels to the responsible military department at the following address:

(a) Deputy Chief of Staff, G-9 (DAIN-SF), 600 Army Pentagon, Washington, DC 20310-0600.

(b) Deputy Chief of Staff for Manpower, Personnel and Services, Director of Services (AF/A1S), 1040 1770 AF 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 (NGB-ZA), 2500 Army Pentagon, Washington, DC 20310-0500.

- (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.

- (4) The National Guard Bureau, in its endorsement, will evaluate the need for the proposed exchange outlet. The National Guard Bureau will then forward the request, together with the agreement, signed by the State Adjutant General, to the appropriate address in paragraph 6-1c(1). 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 Regular 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 addresses in para 6-1c).

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 director and chief executive officer determines whether a new exchange will be operated as a separate outlet, that is, an Army and Air Force Exchange Service Imprest Fund Activity (AIFA) or other type of operation (see para 6-2).

i. A sample format of an MOA between the State Adjutant General's office and the supporting GM, AAFES is at figure 6-1.



DEPARTMENT OF THE ARMY
ORGANIZATION
STREET ADDRESS
CITY STATE ZIP

MEMORANDUM OF AGREEMENT

BETWEEN

ADJUTANT GENERAL OF THE STATE OF (MAINE)

AND

THE ARMY AND AIR FORCE EXCHANGE SERVICE

SUBJECT: Operation of an Exchange Facility for the National Guard at (State)

1. This memorandum of agreement (MOA) is entered into by the above parties for the operation of an exchange facility at (garrison/installation). The parties to this agreement agree to the conditions contained in this agreement.

2. The Army and Air Force Exchange Service (AAFES) has determined that the operation of an exchange activity at (garrison/installation) is economically feasible, and the State has determined that the establishment of the exchange facility will not create unfair competition with local commercial interests.

3. The State agrees to provide a suitable (as determined by the AAFES engineering representatives) facility for the operation of an exchange to include 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.

4. The 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 "garrison/installation commander" for discharging the responsibilities prescribed by the military departments.

5. The State agrees to provide all necessary utilities cost and sewage cost.

6. 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. Subject to the availability of appropriated funds, AAFES will be reimbursed by the State for loss or damage to merchandise or equipment.

Figure 6-1. Sample of a memorandum of agreement

7. The 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 garrison/installation commander.

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

9. Dividends from the operation of exchange operations will be distributed to the Army and Air Force on the same basis as dividends are distributed from active component exchange operations. The Army and Air Force may share these dividends with the Guard unit in accordance with the respective Service's policies.

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

Appropriate AAFES representative
(Name, title, and date)

Appropriate State representative
(Name, title, and date)

Figure 6–1. Sample of a memorandum of agreement-continued

6–2. Exchange support in theater operations

a. AAFES is the national level provider of military exchange items and services. When requested and resourced by the supported commander, AAFES serves as a supporting organization 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 an AIFA will be given a change fund, purchase merchandise for stocking and restocking from AAFES only, and sell at AAFES set prices.

(a) The AAFES director and chief executive officer issues operating procedures to activate, operate, and deactivate the AIFA.

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

(2) *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 standard 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 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 non-permissive 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 director and chief executive officer. 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.

6–3. Alternatives to regular exchange service operations

a. Army National Guard, Air National Guard, Army Reserve, and Reserve Officers' 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 6–2a(1)).

b. When it is impractical to provide service by AIFA, then TFE or DOX–T service may be provided (see paras 6–2a(2) and 6–2a(3)).

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.

6–4. Exchanges on closed installations

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

b. Combined commissary and exchange stores may be operated on closed garrisons and installations. Policy is found in DoDI 1330.21.

6–5. Transfer of activities

An exchange or organizational activity may be transferred between AAFES and another NAFI. When an activity is transferred, the AAFES director and chief executive officer 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

6–6. Motion picture service

Policy on entertainment motion picture services is contained in chapter 12.

6–7. Military clothing sales stores

- a.* Military clothing sales stores (MCSS) are APF activities managed by the AAFES director and chief executive officer, 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 Service's MOU.
- c.* The MCSS are also governed by AR 700–84 and AFMAN 23–110, Volume 1.

6–8. School food service

AAFES operates the DoD School Meal Program in accordance with AAFES/Department of Defense Education Activity (DoDEA) MOA under the provisions of DoDD 1015.5. Program operating costs are covered by United States Department of Agriculture subsidies, student meal prices, and the DoDEA. Facilities and equipment are provided and maintained by DoDEA on a non-reimbursable basis. The GM, AAFES will provide DoDEA with a request for replacement or procurement of the DoD School Meal Program equipment prior to the fiscal year (October), so necessary equipment can be budgeted, ordered, and installed during the schools' summer break, and in order to prevent disruption of service.

6–9. Army and Air Force Exchange Service loss activities

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

Section III

Financial Services

6–10. Contracts and agreements

Subject to the provisions of DoDI 1000.11 and DoD 7000.14–R, Volume 5, 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.

6–11. Check cashing

- a.* Use of AAFES funds for check cashing services is within the limits of cash working funds prescribed by the AAFES director and chief executive officer.
- b.* When on-base banking facilities are available, exchange check cashing service may be offered before, during, and after banking hours, if this does not violate existing agreements among the bank, the U.S. Department of the Treasury, 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.* AAFES does not cash checks drawn in foreign currencies on U.S. banks or on their overseas subsidiaries.
- e.* Outside the continental United States (OCONUS) 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 director and chief executive officer establishes procedures, limitations, and controls for cashing checks and for payment for merchandise or services.

6–12. Processing dishonored checks

a. Instructions for processing dishonored check claims are issued by the AAFES director and chief executive officer.

b. Upon receipt of a dishonored check, a demand for restitution is made on the maker and prior endorsers. The amount requested includes a fee to cover the Exchange's cost of collections and any other service and 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 commanders/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 and vendor payments.

(d) Certain Federal benefits payments, such as social security, veteran benefits, disability benefits, and employee travel pay.

(e) Other Federal payments, including certain loans.

(3) Administrative wage garnishments of nongovernment 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 director and chief executive officer, 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.

6–13. Exchange credit program

AAFES may sell merchandise and services on a deferred payment basis as authorized by DoDI 1330.09 and DoDI 1330.21. The AAFES director and chief executive officer establishes procedures, limitations, and controls for exchange credit products that may be used by authorized patrons to purchase merchandise and services. The AAFES BOD may authorize the AAFES director and chief executive officer, or designee, to enter into commercial borrowing agreements or issue commercial paper to fund this program in accordance with applicable legal authority.

Section IV

Resale Activities

6–14. Exchange service

a. AAFES is the primary resale activity on Army, Air Force, and Space Force installations, and other locations where AAFES operations are established for the military community, for non-food merchandise and patron services. AAFES operation of any vending machines at authorized locations is exempt from the Randolph-Sheppard Act (AR 210–25/AFI 34–206). 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 commander AFIMSC (Air Force).

c. Authorized AAFES resale activities are listed in appendix C of this regulation and DoDI 1330.21.

d. The AAFES director and chief executive officer determines what is sold in AAFES facilities, either directly or by concessionaire, subject to limitations in appendix C. As it pertains to continental United States only merchandise sales restrictions; exchanges will adhere to restrictions outlined in DoDI 1330.21, Enclosure 4.

e. Garrisons and installation commanders may enter into MOAs, MOUs, or installation support agreements 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 GM, AAFES after proper coordination with HQ, AAFES, Army IMCOM, G-9 (Family and MWR Programs)/Air Force Services. Operations that may be managed by AAFES if most beneficial to the NAFI and 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/installation support agreement with AAFES.

6–15. 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, including membership clubs (open messes), restaurants, cafeterias, and snack bars incidental to MWR programs, must be NAF-operated, NAF-managed, or NAF-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

Non-Army and Air Force Exchange Service Operations

6–16. Commercial solicitation

Commercial solicitation on Army/Air Force/Space Force garrisons/installations is governed by DoDI 1344.07, AR 210–7 (for Army), AFI 34–108 (for Air Force), and as permitted by applicable law. The garrison/installation commander may authorize solicitation privileges in coordination with the local GM, AAFES, 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 (SJA).

6–17. 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.

6–18. Non-incidental morale, welfare, and recreation operations

MWR programs may operate any AAFES resale operation only after obtaining, in advance, written right of first refusal from AAFES. Any restrictions or prohibitions pertaining to AAFES operation also apply to MWR operation. Such resale activities must be NAF-operated, NAF-managed, or NAF-contracted.

6–19. Non-morale, welfare, and recreation entities

Any private venture that includes the acquisition or construction of privatized military Family housing or privatized military unaccompanied housing is prohibited from providing merchandise or services in direct competition with AAFES unless AAFES relinquishes its authority in writing.

6–20. Civilian welfare fund and post restaurant

Resale operations are described in AR 215–7 and AFJI 34–122.

Section VI

Prohibitions

6–21. Contributions and donations

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

(1) Providing gift certificates and gift cards to military MWR programs for promotional purposes, as long as recipients of such certificates and cards are authorized patrons.

(2) Transferring no-value inventory items to the garrison or installation MWR entity and 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.

6–22. Other

Other prohibitions are at appendix D of this regulation, as implemented from DoDI 1330.21.

Chapter 7

Patrons, Privileges, and Identification

7–1. Privileges within continental United States

Limited and unlimited privileges in CONUS, Alaska, Hawaii, and all U.S. commonwealths, possessions, and territories are outlined in table 7–1 and table 7–2.

7–2. Privileges in foreign (overseas) areas

a. Exchange privileges in foreign or overseas areas are neither automatic nor necessarily uniform. AAFES does not determine shopping privileges or access to duty free items.

b. If consistent with applicable international agreements, privileges will be extended to the following (see DoDI 1330.1, enclosure 6 for a complete list):

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

(2) U.S. 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 paragraphs 7–2*b*(1), 7–2*b*(2), and 7–2*b*(3).

(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 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 interests of the mission of the command concerned. If members of private organizations are authorized exchange privileges, they will not be authorized to make purchases on credit.

7–3. 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 bedridden 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 commanders 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 7–1.



DEPARTMENT OF THE ARMY
ORGANIZATION
STREET ADDRESS
CITY STATE ZIP

(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 (beginning date) to (ending date).
2. Status: (Include only one category, for example)
 - 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 7-1. Sample of letter of authorization

7-4. Identification

a. Purchases of merchandise or services from an AAFES activity requires identification of individuals who are not in military uniform (excluding para 7-4b). 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 or common access card. Specific information regarding identification cards is contained in AFI 36-3026_IP, Volume 1/AR 600-8-14 and DoDI 1000.13.
- (3) DD Form 2574, an exchange privilege card is issued to authorize 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 may be used to verify authorized Armed Services Exchange catalog customers.

b. Identification cards are not required from personnel as listed in table 7-2, category 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.

7-5. 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, except as noted in table 7-2, category 11. In foreign or overseas areas, the access privilege of visitors will be controlled as directed by the region director IMCOM (Army)/commander MAJCOM (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.

7-6. Abuse of privileges

a. Garrison/installation commanders may ask the GM, AAFES or exchange manager to conduct periodic unannounced checks of exchange patron identification.

b. The GM, AAFES 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 commanders 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 director and chief executive officer 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 AAFES BOD for resolution by the AAFES BOD.

c. Exchange patrons are prohibited from the following:

- (1) Making (or purchasing for the purpose of making) a sale, exchange, or 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 nongovernmental 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 GM, AAFES, for forwarding to HQ, AAFES, 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 Exchange 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. The AAFES director and chief executive officer may revoke catalog and internet privileges for abuse of those privileges, for any period deemed appropriate. Revocation of catalog and internet privileges will not affect a patron's garrison and installation exchange privileges.

f. Pursuant to the Federal Claims Collection Act, 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.

7-7. 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 SF 95 (Claim for Damage, Injury, or Death) 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.

7-8. Patronage exceptions

The Secretary of the Army and the Secretary of the Air Force may grant deviations with regard to authorized patron access for individuals or classes and groups of persons at specific garrisons and 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 garrisons and installations are at appendix E.

7-9. Unlimited exchange access (except as noted) (additional categories as approved by Congress/Department of Defense))

Table 7-1 lists the individuals, organizations, and activities in the United States and all U.S. possessions and territories of the United States, and, as noted, outside the United States, entitled to unlimited exchange service benefits.

Table 7-1

Unlimited exchange privileges

Category	Status
1. Uniformed or retired uniformed personnel, either on active duty (Regular Component) or serving in any category of their Reserve Component.	<p>a. All members of the Army, Navy, Air Force, Marine Corps, Space Force, Coast Guard; commissioned officers of the National Oceanic and Atmospheric Administration (NOAA) and its predecessors; and commissioned officers of the Public Health Service.</p> <p>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.</p> <p>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.)</p>
2. Servicemembers receiving sole survivorship (see glossary for definition) discharge granted after 11 September 2001.	<p>Continued use of AAFES facilities in the same manner as a member on active duty during the 2-year period beginning on the later of the following dates:</p> <p>a. Date of separation of the member.</p> <p>b. Date on which the member is first notified of entitlement of exchange facility use (10 USC 1146).</p>
3. Congressional Medal of Honor recipients.	All.

Table 7–1
Unlimited exchange privileges—Continued

Category	Status
4. Surviving spouses and Family members of veterans who were posthumously determined to possess Service-connected disabilities rated as 100 percent or total.	See glossary for definition of Family member.
5. Military members of foreign nations.	<p>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, or Space Force (purchase of uniforms will be limited by the provisions of AR 12–15/SECNAVINST 4950.4B/AFI 16–105).</p> <p>b. Excluded are active duty military personnel of foreign nations, retired, or on leave in the United States, or when attending U.S. schools, but not under orders issued by the Army, Navy, Air Force, Marine Corps, or Space Force.</p> <p>c. Overseas, when determined by the region director IMCOM/MAJCOM that the granting of such privileges is in the best interests of the United States and such persons are connected with, or their activities are related to, the performance of functions of the U.S. military establishment.</p>
6. 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.
7. Red Cross personnel.	U.S. citizens assigned to duty outside the United States and Puerto Rico with an activity of the military Service. Uniform items are not authorized.
8. U.S. Civilian DoD employees.	When stationed outside the United States, or in U.S. territories and possessions. Uniform items are not authorized.
9. U.S. employees of firms under contract to the DoD.	When employed outside the United States, except when assigned to U.S. territories and possessions. Uniform items are not authorized.
10. Wage marine personnel and retired wage marine personnel, including noncommissioned ships' officers and crewmembers of the NOAA.	All.
11. Authorized Family members of personnel in categories 1 through 12.	See glossary for definition of Family member.
12. Contract surgeons.	During the period of their contract with The Surgeon General.
13. 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.
14. Non-DoD Federal departments and agencies.	<p>a. For Federal department or agency purchases and use only (not for individual purchases or use).</p> <p>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.</p>

Table 7–1
Unlimited exchange privileges—Continued

Category	Status
	c. All purchases authorized by 10 USC 2492.
15. 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.
16. United Service Organizations.	<p>a. USO personnel stationed outside the United States.</p> <p>b. USO clubs and agencies may purchase supplies for use in club snack bars, which support active duty military members and their families.</p> <p>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.</p> <p>d. Uniform items are not authorized.</p>
17. Agents.	Persons authorized in writing by the garrison or 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.
18. Delayed Entry Program participants.	Authorized to use exchange facilities during interim period before entering active duty.
19. Armed Services Young Men's Christian Association (YMCA).	In overseas areas, garrison/installation commanders may extend privileges to Armed Services YMCA branch or unit directors and assistant directors for their personal and Family needs and for use in Armed Services YMCA 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.
20. United Seaman's Service.	Support to the United Seaman's Service personnel for personal and Family needs, and for supplies and services necessary to accomplish the United Seaman's Service 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.
21. Purple Heart recipients, veterans who are former POWs, all veterans with VA-documented service-connected disability ratings, and individuals assessed, approved, and designated as the Primary Family Caregivers of eligible veterans under the VA Program of Comprehensive Assistance for Family Caregivers.	<p>a. Each Military Department has the authority to apply additional or unique policies depending on the security factors related to the Service or the installation.</p> <p>b. Access at installations in foreign countries is subject to status of forces agreements and other host nation and international laws and agreements.</p>

7–10. Limited exchange privileges

Limited exchange access applies to the United States and all U.S. territories and possessions (except as noted). Generally, it excludes tobacco products, alcoholic beverages, and military uniforms. Table 7–2 lists individuals, organizations, and activities entitled to purchases from AAFES.

Table 7–2
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.	<p>a. No uniform items.</p> <p>b. No state tax-free tobacco items.</p> <p>c. Tax-free alcoholic beverages may be purchased, but not removed from the garrison and installation</p>
2. Armed Forces exchange employees.	<p>a. Current employees, retired employees with 20 or more years of service, and employees on 100 percent disability retirement from the Exchange Service.</p> <p>b. No uniform items.</p> <p>c. No state tax-free tobacco items.</p> <p>d. No tax-free alcoholic beverages.</p> <p>e. Unlimited privileges overseas, except for uniform items.</p> <p>f. Overseas sales to exchange employees must not violate status of forces agreement (SOFA) or international agreements.</p>
3. DoD and Coast Guard Civilian employees.	Appropriated and non-appropriated fund employees who possess a valid DoD-issued common access card (CAC) and who are assigned in the United States or in U.S. territories and possessions are authorized in-store and online privileges. No tobacco, alcoholic beverage products, or military uniform items.
4. Authorized Family members of personnel is listed in 1, 2, and 3 of this table.	See glossary for definition of Family member.
5. Employees of firms under contract to the U.S. Government and their Family members (see para E–4 and para E–5 for reporting requirement).	<p>a. Garrison/installation commanders concerned may grant exchange and commissary access for either individuals or classes and groups of such employees, and their Family members, who are assigned to U.S. territories or possessions, provided specific criteria in footnote 1 are met.</p> <p>b. No uniform items.</p> <p>c. No state tax-free tobacco items.</p> <p>d. No tax-free alcoholic beverages.</p>
6. Non-DoD U.S. Federal Civilian employees (see para E–4 and para E–5 for reporting requirement).	<p>a. The Secretary of the Army, the Secretary of Air Force, and combatant commanders may grant non-DoD U.S. Federal employees and their Family members serving in U.S. territories and possessions access to the military exchanges when all the criteria at footnote 2, are met. Local commanders will execute a separate support agreement with the non-DoD U.S. Federal employee's agency.</p> <p>b. No uniform items.</p> <p>c. No state tax-free tobacco items.</p> <p>d. No tax-free alcoholic beverages.</p>
7. DoD Civilian employees in TDY status.	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.

Table 7–2
Limited exchange access—Continued

Category	Status (except as noted)
	<p>b. Outside the United States when identified by copies of their TDY orders.</p> <p>c. No uniform items.</p> <p>d. No state tax-free tobacco items.</p> <p>e. No tax-free alcoholic beverages.</p>
8. Civilian employees of the U.S. Government working on, but residing off military installations.	All food and beverages sold at any AAFES food activity, if consumed on post. All Exchange concession activities.
9. Uniformed and non-uniformed personnel working in recognized welfare service organization offices within an activity of the military Service.	All food and beverages sold at any AAFES food activity, if consumed on post. All Exchange concession activities.
10. Visitors to military installations (also see para 7–5).	All food and beverages sold at any AAFES food activity, if consumed on post. All Exchange concession activities.
11. Contract technical services personnel in travel status and Army, Navy, and Air Force Academy applicants.	<p>a. When occupying government quarters on a military installation.</p> <p>b. No uniform items.</p> <p>c. No state tax-free tobacco items.</p> <p>d. No tax-free alcoholic beverages.</p>
12. Foreign national active duty officers and enlisted members, when visiting U.S. military installations on unofficial business.	<p>a. Entitled to all exchange privileges, except that merchandise sold to such personnel will be restricted to quantities required for their personal use.</p> <p>b. AR 12–15/SECNAVINST 4950.4B/AFI 16–105 and AFMAN 23–110, Volume 1, will govern the sale of uniform items.</p>
13. Servicemembers of the Civil Air Patrol in a travel status and occupying government quarters on a DoD installation.	<p>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.</p> <p>b. Purchase of uniforms, when Civil Air Patrol membership card is shown.</p> <p>c. No state tax-free tobacco items.</p> <p>d. No tax-free alcohol beverages.</p>
14. Civil Air Patrol cadets.	<p>a. Purchase of uniforms, when Civil Air Patrol membership card is shown.</p> <p>b. All food and beverage sold at any AAFES food activity, if consumed on post.</p>
15. Members of the Reserve Officers' Training Corps and Junior Reserve Officers' Training Corps.	<p>a. When visiting installations under orders as part of a Service orientation program.</p> <p>b. No state tax-free tobacco items.</p> <p>c. No tax-free alcoholic beverages.</p>

Table 7–2
Limited exchange access—Continued

Category	Status (except as noted)
16. Members of the Naval Sea Cadet Corps.	<p>a. On 2–week summer training duty, if occupying government quarters on a military installation.</p> <p>b. No distinctive uniform items.</p> <p>c. No state tax-free tobacco items.</p> <p>d. No tax-free alcoholic beverages.</p>
17. Coast Guard Auxiliary members.	<p>a. When identified by USCG Form CG–2650 (United States Coast Guard Auxiliary Membership Card).</p> <p>b. Uniform articles and accessories authorized by Coast Guard Auxiliary directives.</p>
18. 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.
19. 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.
20. 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.
21. Honorably discharged Veterans	<p>a. No uniform items.</p> <p>b. No tobacco items.</p> <p>c. No alcoholic beverages.</p>

Notes:

¹ The employee exclusively serves DoD and was hired in the 50 states, the District of Columbia, or a U.S. territory or possession other than the one to which the employee is assigned; due to specific difficulties faced by the employee to obtain services from Civilian or other Federal agencies, such as unhealthful conditions, hostile or imminent danger, or extraordinarily difficult living conditions; granting exchange and commissary privileges is in the best interest of the U.S. Government; and the denial of privileges would impair efficient DoD operations.

² The employee is assigned under a service agreement, as defined in 41 CFR, Chapter 302–2.12 or a tour renewal agreement (41 CFR, Chapter 302–3.209); granting access will alleviate individual hardship due to extraordinarily difficult living conditions, excessive physical hardship, or notably unhealthful conditions; and granting access will fit into and support a web of security precautions essential to ensure the safety and security of the individual employee who is subject to current and specific threat conditions, such as hostile or imminent danger. Delegation of this authority outside of the Secretariat or Combatant Command Headquarters concerned is prohibited.

Chapter 8

Stock Assortment, Sales, Pricing, Advertising, and Promotions

Section I

Stock Assortment and Pricing

8–1. Retail stock assortment

a. The AAFES director and chief executive officer prescribes the AAFES master stock assortment for each retail department. HQ, AAFES 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 (PR)) can make changes to the restrictions.

c. The AAFES director and chief executive officer 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 D).

(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 D), except—

(a) As specifically approved by the PDUSD (PR).

(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.

8–2. Retail pricing and markups

a. Basis for AAFES pricing and markups:

(1) The principle that exchange privileges are a vital form of non-pay 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 director and chief executive officer 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 director and chief executive officer.

8–3. Fees and prices

Fees and prices are determined according to EOPs and exchange service regulations issued by the AAFES director and chief executive officer.

8–4. 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 4105.67.

Section II

Sales and Trade Names

8–5. Vending sales of tobacco and alcohol

For additional alcoholic beverages sales, see chapter 11.

a. *Continental United States, Alaska, or Hawaii.* State tax-free tobacco products are not sold through vending machines.

b. *Outside the continental United States.* 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.

8–6. Tobacco products

a. The DoD defines tobacco products as, “products made or derived from tobacco that are intended for human consumption, including cigarettes, cigars, little cigars, pipe tobacco, roll-your-own tobacco, smokeless and dissolvable tobacco, and products intended for use in hookahs/water pipes. Electronic nicotine delivery systems, including but not limited to e-cigarettes and vape pens, will also be treated as tobacco products” (see DoDI 1010.10).

b. The pricing of tobacco products in the United States (including territories and possessions) will match the prevailing local price in the community, including the effect of all applicable taxes that local consumers pay when purchasing tobacco. Outside the United States, prices will fall within the range of prevailing prices for that same product established in outlets of the Defense retail systems inside the United States.

- c. Tobacco products (including smokeless tobacco) will not be sold to anyone under 21 years of age.
- d. A customer's identification will be checked if the buyer appears to be under 24 years of age.
- e. 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.
- f. 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.
- g. Exchange merchandise categories for tobacco products may be consigned and sold in commissary stores as exchange items.
- h. 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.

8-7. 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, and lubrication coupons are used to purchase gasoline overseas.
- b. *Pog gift certificates.* The use of pog gift 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 and exchange service regulations.
- d. *Credit sales.* Authority for credit card policies, procedures, limitations, and controls governing acceptance of credit cards rests with the AAFES director and chief executive officer.
- e. *Special orders.* Special orders, using prescribed markup procedures, may be permitted on items available outside of 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. Financing must be done by a U.S. finance company, financial institution, or credit union in accordance with applicable departmental regulations.

8-8. 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.* Procurement, bulk, and convenience sales are restricted to activities of the U.S. Armed Forces and authorized official organizations determined by the AAFES director and chief executive officer. Prices will be set according to procedures published by the AAFES director and chief executive officer.

8-9. Stock assortment limitation

Limitations and controls on the sale of any item of exchange merchandise may be authorized by the AAFES director and chief executive officer. This is different from ration controls imposed in accordance with paragraph 2-4h(3). Many times these limitations are operational constraints caused by limits imposed on the availability of supply. Garrison/installation commanders may also ask the GM, AAFES to establish limitations when local conditions warrant such action. To resolve disputes over limitations on goods sold, garrison/installation commanders will forward requests for resolution through command channels, including appropriate department staff elements, to the AAFES

director and chief executive officer. Any dispute over limitations on goods sold not resolved at command level may be presented to the executive secretary, AAFES, for resolution by the AAFES BOD.

8–10. Refunds and adjustments

Refunds and exchanges will be authorized in accordance with EOPs and exchange service regulations for merchandise and service that does not meet customer satisfaction. Procedures will be consistent with industry practices.

8–11. Contractor/concessionaire operations

- a.* Authorized exchange revenue generating activities are listed in appendix C and DoDI 1330.21.
- b.* 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 director and chief executive officer and rendered by the terms of the contract. Concessionaire sales may be subject to state and 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.* Service and vending machines are exchange controlled except for those machines maintained under concessionaire contracts or provided by military MWR programs or off post Army Reserve Training Centers. Vending machines located in military MWR facilities may be operated by AAFES under a management fee basis as outlined in paragraph 6–14e, of this regulation (see AR 215–1 and AFI 34–206).

8–12. Use of Army and Air Force Exchange Service trademarks

- a.* AAFES registers and maintains its own trademarks with the U.S. Patent and Trademark Office. AAFES possesses common law property rights, and formal trademark registration rights, in the following terms and abbreviations 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.
- 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 director and chief executive officer. 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 should be reported to the AAFES General Counsel.

Section III

Advertising and Promotions

8–13. 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 director and chief executive officer.

c. AAFES 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. AAFES 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. AAFES activities may contribute articles and stories as unpaid information items in base newspapers, plan-of-the-day publications, Armed Forces Radio and Television Service, installation cable television, internet sites, and other media intended primarily for distribution to authorized AAFES patrons.

f. AAFES may pay to advertise AAFES goods, services, and entertainment events in—

(1) DoD media, including installation cable television. These advertisements may include brand names, item prices, movies, 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 phrase is not required for advertising AAFES events that are open to the private sector (see para 8–14f(3)). 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*) OCONUS advertising conforms to existing SOFA, regulations, command policy, and local laws.

(4) Advertisements, 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. AAFES may sell space for commercial advertising in any media (for example printed and electronic) produced for or prepared by AAFES subject to the following:

(1) A disclaimer is included that the advertisement 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 Armed Forces Radio and Television Service, local command 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 by AAFES HQ 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.

8–14. Promoting

a. See paragraphs 8–14a and 8–14b 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 will 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. AAFES may accept premiums with a value of \$10 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 vendor's expense. Funds are not solicited from vendors or other non-DoD sources to offset costs of premiums.

e. AAFES gift certificates and 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. 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 director and chief executive officer 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. 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.

8–15. Websites

AAFES may establish, operate, and maintain unclassified websites in accordance with policies and procedures prescribed for official and unofficial DoD websites.

8–16. Public affairs

The AAFES public affairs officer is responsible for advising and informing the AAFES director and chief executive officer of the public affairs impact and applications inherent in daily, planned, contingency, or wartime operations. The public affairs officer serves as the AAFES 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 public affairs officer prepares the public affairs annex or portions of operations orders, plans, and standard operating procedures. Additionally, the public affairs officer serves in an advisory capacity to the media and works closely with the staff to ensure that liaison activities support the AAFES mission and director and chief executive officer's intent.

Chapter 9 Procurement

9–1. General

a. AAFES contracts will be solicited, evaluated, and awarded in keeping with DoDI 4105.67, and procedures issued by the AAFES director and chief executive officer. 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. AAFES will not negotiate, purchase, or otherwise conduct any procurement business, including in-store or other contract service, with active duty military personnel, to include Reservists on active duty, U.S. Government employees, NAF employees, or immediate Family members who reside in the same household. Exceptions include—

(1) AAFES director and chief executive officer 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 acting in an official capacity as outlined in paragraph 9–1e.

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. Garrison/installation commanders or designees will review source lists and may recommend deleting a source in writing to the GM, AAFES. They may also recommend adding a qualified local source. 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. AAFES 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 its internal operation. 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, 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 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 10 USC 2492, AAFES may submit bids or proposals in response to the competitive procurement.

9–2. Authority

a. The AAFES director and chief executive officer 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 director and chief executive officer 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 director and chief executive officer or designee.

b. The procurement authority of the AAFES director and chief executive officer 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 director and chief executive officer 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. The HQ, AAFES 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 subdelegation stated in paragraph 9–2a, the AAFES director and chief executive officer'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, letter of appointment, a regulation or similar issuance, or equivalent document, will designate AAFES contracting officers. Appointing officials are delegated authority to issue certificates of appointment in purchasing procedures issued by the AAFES director and chief executive officer.

(1) AAFES is not obligated to recognize or ratify actions by AAFES personnel who are not appointed contracting officers, or actions by personnel that exceed the limits of appointment. 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 employment termination of the individual. Other types of terminations of authority will be in writing.

9–3. Mandatory contract clauses

Clauses that must be included in all AAFES contracts are listed within paragraph 9–3. If language is not specified in this regulation, as shown by quotation marks, the AAFES director and chief executive officer issues required language in AAFES purchasing procedures, subject to review and approval by the AAFES General Counsel. If language is specified within paragraph 9–3, all deviations must be approved in advance by the AAFES director and chief executive officer with concurrence of the AAFES 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 United States Government. AAFES procurement policy is established by applicable directives and instructions promulgated by DoD. The Federal Acquisition Regulation does not apply to AAFES.”

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

c. Representations. “Contractor will not represent themselves 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 U.S. Government.”

e. Examination 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 their 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 3 years after the final payment under the contract. The contractor agrees to include this clause in all subcontracts that exceed \$10,000.

(2) Government Accountability Office may be substituted for contracting officer or their 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 (HQ, AAFES 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) EEO requirements.
- (2) Department of Labor requirements.
- (3) Service Contract Act.
- (4) Davis-Bacon Act.
- (5) Contract Work Hours and Safety Standards Act.

l. Construction. Applicable clauses from the Copeland Anti-Kickback Act and the Miller Act. The Miller Act clauses may be omitted if the performance and payment bond requirements are waived.

m. Termination. A contract termination clause.

9–4. Minority business

a. Certain contracts for concession services, not currently available on a military installation, may be set aside for minority businesses. The Minority Business Development Agency identifies the eligible concerns and the AAFES director and chief executive officer 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 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 director and chief executive officer.

9–5. 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 contracts covered by the Service Contract Act.

(2) Agency.

(3) Concession.

(4) Vending.

(5) Micro-Markets.

(6) Mobile Food/Retail/Service Vehicles.

(7) Micro-Cafes.

b. These contracts may be for a period not to exceed 5 years. The AAFES director and chief executive officer may approve an initial contract period, or a combination of initial contract period and renewal options exceeding 5 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) Or it is necessary in order to allow a reasonable return on investment to AAFES.

(3) Or it is necessary for the life cycle cost of a particular product or service to include product upgrades, enhancement, and maintenance support.

(4) Or it is of such magnitude that a longer period is necessary in order to allow a reasonable return to AAFES and 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 in accordance with paragraph 9–5*b*, or prior approval for extension beyond a 5–year period has been granted in writing by the AAFES director and chief executive officer. The authority to approve contract extensions for a period beyond 5 years may be delegated by the AAFES director and chief executive officer to officials who are assigned responsibility for HQ, AAFES procurement management.

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, except by the Director of Corporate Procurement. Short-term concessionaires may sell only cash and carry merchandise and will 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.

9–6. Procurement of retail merchandise

a. Retail merchandise is selected consistent with industry standards and Federal laws and regulations applicable to AAFES (see chap 11 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 director and chief executive officer.

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

9–7. Procurement of fixtures, equipment, and supplies

Procurement of AAFES fixtures, equipment, and supplies is accomplished in accordance with purchasing procedures issued by the AAFES director and chief executive officer. The 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.

9–8. 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 director and chief executive officer.

9–9. Sources of supply

HQ, AAFES 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 an HQ, AAFES established source, consistent with purchasing procedures issued by the AAFES director and chief executive officer.

9–10. Quality assurance program

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

9–11. 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 director and chief executive officer issues operating procedures for AAFES procurement or transfers of AAFES owned goods to contractors.

9–12. 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 10 Transportation

10–1. Mode of transportation

a. The AAFES director and chief executive officer 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.

10–2. Ocean shipments

a. *Surface shipments.* The oceanic surface movements of exchange cargo will be financed in accordance with applicable departmental transportation regulations.

b. *Shipments through port terminals.* Movement of AAFES merchandise, equipment, and supplies through military ocean terminals will be in accordance with 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.

10–3. 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.

10–4. 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. In accordance with applicable DoDDs and DoDIs, 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.

10–5. Mail shipments to destinations outside the continental United States

AAFES small package shipments (such as catalog and internet sales) of merchandise, supplies, or equipment may be mailed from CONUS to OCONUS exchanges through the military postal channels (Army/Air Force Post Office or Fleet Post Office).

10–6. Funding

a. DA is responsible for the appropriation funded fiscal requirements associated with the overseas transportation of AAFES cargo. Responsibilities include the programming and budgeting of operation and maintenance funding to support overseas transportation and port handling of AAFES cargo.

b. Appendix B provides guidance on the authorized use of APF and NAF funding for transportation related expenses.

Chapter 11

Alcoholic Beverage Sales

11–1. Class Six Program

a. AAFES 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. AAFES will operate the Class Six Program for the sale of alcoholic beverages.

c. Packaged non-alcoholic, 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 and consolidations with the garrison or 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 director and chief executive officer 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 of 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 director/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 and installation MWR programs 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 and individual use are normally limited to sales of 4-packs, 6-packs, 12-packs, or similar small quantities. Other exceptions must be approved jointly by the respective Services and AAFES.

11-2. 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.

11-3. 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 11-3*a*. Garrison/installation commanders, with the coordination of the GM, AAFES, remain responsible for reviewing the amount of alcoholic beverages purchased in packaged alcohol beverage outlets against the number of authorized purchasers.

11-4. Packaged alcoholic beverage outlet establishment

a. The Secretary of the Army and the Secretary of the Air Force must approve the establishment of all Class Six stores (selling alcohol with 7 percent or more alcoholic content by volume) on garrisons and installations in the United States. Exchanges may sell wine, malt beverages, wine coolers, and other low alcoholic beverages with less than 7 percent alcoholic content by volume without establishing a Class Six store.

b. Before requesting the establishment of a Class Six facility in the United States, many factors must be considered, primarily the importance of profits to provide, maintain, and operate MWR programs, to lighten the financial burden on Soldiers/Airmen, and support and complement community programs for Soldiers/Airmen and their families. Other factors include—

- (1) The estimated number of authorized patrons.
- (2) The availability of wholesome Family social clubs (Scouting, YMCA, Boys and Girls Club of America) to military personnel in the local Civilian community and limitations on non-military sources.
- (3) Geographical inconveniences.
- (4) Disciplinary and control problems caused by restrictions imposed by local laws and regulations.
- (5) Highway safety.
- (6) Location and distance of nearest package store and reasons that the use of that facility is not feasible.
- (7) A digest of attitudes of community officials, local businesses, and civic organizations toward establishment of a Class Six outlet. This digest consists of a summary of any written comments received from individuals and agents such as local mayors, heads of prominent civic groups, or chambers of commerce, state legislators, members of Congress, or other government officials. The names of the community authorities and civic organizations, including the circumstances of the contacts and the dates on which they occurred are included unless letters from local contacts are submitted. Speculative assessments of prospective community attitudes will not satisfy this requirement.

c. Local commands, in coordination with AAFES, wishing to establish a Class Six store will submit requests through their command channels to HQ, AAFES. HQ, AAFES will submit the request to the Army IMCOM, G-9 (Family and MWR Programs) or Air Force Services, in accordance with applicable departmental regulations (see AR 215-1 or AFI 34-219). A request for approval will be submitted to the Secretary of the Army or the Secretary of the Air Force, as applicable. Requests must include all of the information detailed in paragraph 11-4*b*. The Secretary of the Army or the Secretary of the Air Force, as applicable, will notify the responsible Assistant Secretary of Defense and Congress. HQ, AAFES will be notified upon approval by the Service Secretary, as applicable.

d. Where a package store operation is authorized for a garrison and 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.

11-5. Triennial review

a. A review of packaged alcoholic beverage store operations in the United States is required every 3 years by the Service Secretary concerned. 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 non-military sources.
- (6) Disciplinary and control problems.
- (7) Highway safety.

b. The triennial review 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 triennial review factors are adversely affected, consideration will be given to closing the packaged alcoholic beverage store operation.

11-6. Purchase eligibility

a. *United States and the District of Columbia.* The authorized age for the purchase of alcoholic beverages in AAFES U.S. facilities is 21.

b. *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.

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.

11-7. Alcohol seller training

All employees involved in selling alcohol will be trained on subjects such as the effects of alcohol, how to identify intoxication, and what to do when a person becomes intoxicated. Employees selling alcohol are required to sign a dram shop certification, which will be documented in their personnel file.

11-8. Procurement procedures

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

b. Within the 48 contiguous states of the United States and the District of Columbia, AAFES may procure alcoholic beverages containing distilled spirits (does not include malt beverages and wine) from the most competitive source, price and other factors considered.

c. In Hawaii and Alaska, alcoholic beverages containing distilled spirits must be procured from a source within the respective state in which the garrison and installation is located.

d. Malt beverages and wine must be procured from a source within the respective state in which the garrison and installation is located (includes the District of Columbia).

e. If an installation is located in more than one state, then the source may be in any state in which the garrison and installation is located.

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

11-9. Alcohol sales to morale, welfare, and recreation/nonappropriated fund activities

a. The AAFES provides requested products to authorized MWR/NAF activities selling alcoholic beverages by the drink, on a priority basis.

b. Any AAFES sales (from Class Six or warehouse) to MWR/NAF activities will be at landed cost.

c. MWR/NAF activities are not authorized to resell packaged alcoholic beverages for less than full AAFES retail price.

d. 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 director and chief executive officer. Headquarters 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 12

Motion Picture Service

12-1. Establishment and operational requirements of entertainment motion picture theaters

A written request for establishment of motion picture service will be submitted to the 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 offices.
- 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 subscriber identity module (SIM) card or U.S. forces military theater.
- g. Accessibility of post office or other methods of transporting video cassettes or movies.
- h. If cinema motion picture 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 cinema motion picture 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 SIM card service is desired, the following items should be considered:
 - (1) Type of building.
 - (2) Room location.
 - (3) Type of storage security for SIM cards.
 - (4) Check-out security procedures for SIM cards.
 - (5) Type of viewing and playback of maintenance of the player.
 - (6) Estimated number of attendees 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 movie service.

12-2. Type of movie service

Based on the information provided in paragraph 12-1, the AAFES director and chief executive officer will determine the type of service to be provided. The service originally provided may be changed at any time conditions warrant.

12-3. Movie showings

- a.* HQ, AAFES will procure all feature length cinema motion pictures for AAFES exhibition at theaters on Army, Air Force, and Space Force garrisons and installations, to include contingency locations.
- b.* AAFES has the exclusive authority to obtain movies from industry distributing companies.
- c.* Movie ratings established by the motion picture industry are used.
- d.* Other than movies obtained from the motion picture industry, AAFES may exhibit national anthem trailers. These trailers will be supplied by the local command.
- e.* Motion picture movies and SIM cards will not be shown to support fund raising activities.
- f.* Movies 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; showing movies will be prioritized over any other use. The facility will be known as an entertainment motion picture theater only during the period when used for the paid admission exhibition of cinema motion pictures.
- h.* Garrison/installation commanders will provide APFs to equip, operate, and maintain theater facilities to include seating. 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.* Marquees, theater changeable letter signs, one sheet display frames, and sound and projection equipment will be used for approved performances of entertainment motion picture movie 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.* Guests may attend motion picture theaters, provided they are accompanied by personnel authorized exchange privileges.

12-4. Additional theater expenses

AAFES will pay all personnel costs in the routine operation of paid admission entertainment motion picture theaters. 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 cinema 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.

12-5. Admission charges

- a.* Admission charges will be established by the AAFES director and chief executive officer.
- b.* All cinema motion pictures will be shown on a paid admission basis, noting provisions referenced in paragraph 12-7, for special shows.
- c.* SIM card showings are to be on a free admission basis, unless paid admission service is approved by the AAFES director and chief executive officer.
- d.* Free admission SIM card 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) 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 SIM card 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 director and chief executive officer.
 - (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.

12-6. Exhibition

- a.* Entertainment media programs will consist only of subjects scheduled by AAFES and will be exhibited only in officially authorized theaters. No part of a media program may be used at other than authorized performances.
- b.* Television movies and non-entertainment media 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 media programs.

c. Requests will not be made upon media companies or their agents or employees for free admission or paid admission showings of any movie subject. Any offers of a movie subject for free admission 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.

12-7. Special shows and other uses

a. *Showing of movies for special programs.* Showings of cinema media 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 movies in other facilities.* After formal concurrence from AAFES, garrisons and installations are authorized to obligate or spend NAFs for the rental or purchase of any motion picture movies for entertainment recreational showings in MWR/NAF activities. The garrison and installation are responsible for obtaining the required public performance license for such showings. Commercially sponsored movies (including television movies) 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. Movies 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 media (or portions) that may be considered to have training or orientation value. AAFES does not hold title to the movies. Such requests will not be approved.

d. *Utilization for benefit purposes.* Entertainment media programs will not be used to support fund-raising activities.

12-8. Leasing arrangement

a. Entertainment media movies are leased from commercial distributors. 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 media SIM cards owned by AAFES could subject individuals to Civilian liability, and to criminal prosecution to include Uniformed Code of Military Justice (UCMJ) for military members.

Chapter 13

Claims and Incidents of Misconduct and Losses

13-1. 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. The GM, AAFES will notify, immediately, the servicing 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 Law Branch, within 3 duty days of receiving a claim SF 95 against AAFES. For cases such as serious vehicular incidents occurring off post, the SJA may request investigative assistance from AAFES regional loss prevention personnel. These requests may be submitted through the AAFES General Counsel. The GM, AAFES will also notify the garrison and installation of any corrective measures necessary to prevent potential incidents from occurring.

13-2. 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 in accordance with 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, will be investigated, processed, and settled in accordance with 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 and exchange service regulations.

d. The following miscellaneous claims will be processed in accordance with EOPs and exchange service regulations issued by the AAFES director and chief executive officer:

- (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.

13-3. Criminal investigations

AAFES personnel will comply with applicable departmental regulations concerning criminal investigations.

a. The overseas region commanders, HQ, AAFES 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 U.S. Army Criminal Investigation Command, U.S. Air Force Office of Special Investigations, and Federal Bureau of Investigation, 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, 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 HQ, AAFES, 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 may constitute grounds for separation for cause or other disciplinary action. Incidents can also be reported to the HQ, AAFES Office of Inspector General Fraud, Waste, Abuse, or Mismanagement Hotline.

d. Incident reports and reports of investigations covering the incidents or suspicion of incidents of misconduct or irregularities involving AAFES operations will be furnished to HQ, AAFES, Loss Prevention Office, in accordance with applicable departmental regulations, EOPs, and exchange service regulations issued by the AAFES director and chief executive officer.

13-4. Pecuniary loss investigations

a. An investigation into pecuniary loss is conducted by an officer (military or Civilian) appointed by the AAFES director and chief executive officer. 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 director and chief executive officer 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 in accordance with procedures prescribed by the AAFES director and chief executive officer.

c. Loss or damage of APF property is processed in accordance with applicable departmental regulations.

13-5. Other non-criminal investigations

The AAFES director and chief executive officer and overseas commanders, have authority to appoint investigating officers to investigate noncriminal conduct of AAFES associates and assigned military members. This authority may be delegated to any direct report to the AAFES director and chief executive officer and may not be further delegated. All investigations will be coordinated with the servicing general counsel. This provision does not restrict the mission

of the Loss Prevention Directorate, which routinely conducts investigations into acts of misconduct, unethical behavior, and other matters of official interest. The authority to initiate loss prevention conducted investigations rests with the vice president, loss prevention, or other authorized designee.

13–6. Restitution and collection

Restitution and collection action 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. The 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 13–7.

(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 GM, AAFES, 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 the appropriate form 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 commanders 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.

13–7. 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 director and chief executive officer for final decision.

c. If the request is denied, the CFO will submit a memorandum stating the basis for denial to the AAFES director and chief executive officer. 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 director and chief executive officer's decision on an appeal is final. The CFO will notify the appellant of the decision.

Chapter 14

Financial Planning, Accounting, and Accountability

14–1. Financial management

- a. The financial objectives of AAFES are programmed and controlled by the Annual Financial Plan prepared by the AAFES director and chief executive officer and approved by the AAFES 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 director and chief executive officer 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 director and chief executive officer.
- d. The AAFES director and chief executive officer publishes a uniform chart of accounts used worldwide, deviations from which are permitted only with prior written approval of the AAFES director and chief executive officer.
- e. As prescribed by the AAFES director and chief executive officer, 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 director and chief executive officer.

14–2. Financial management reports

- a. The AAFES director and chief executive officer submits the financial management report, required by DoDI 1015.15 for the preceding AAFES fiscal year to designated officials of the Departments of the Army and the Air Force. The AAFES financial report is audited by an external audit firm. The AAFES BOD submits this report annually to the Secretary of the Army and the Secretary of the Air Force.
- b. Annually, the Departments of the Army and the Air Force will submit to AAFES data on APF costs and expenses in support of AAFES. This will be included in the report required by applicable departmental regulations and the annual report to both the Secretary of the Army and the Secretary of the Air Force.
- c. The Army IMCOM, G–9 (Family and MWR Programs) forwards AAFES report to the PUSD (PR) after obtaining Air Force (AF/A1S) coordination.

14–3. Accountability

- a. In normal practice, sales are made and accounted for in U.S. dollars or dollar instruments. The AAFES director and chief executive officer 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 and exchange service regulations.
- d. Assignment and relief of accountable individuals on a temporary or permanent assignment basis will be documented as stipulated in EOPs and exchange service regulations issued by the AAFES director and chief executive officer.

14–4. Physical inventories

- a. The AAFES director and chief executive officer 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 director and chief executive officer.
 - (1) The AAFES director and chief executive officer delegates authority to the region senior vice president and 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 director and chief executive officer, 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.

14–5. Write-off of assets

a. The AAFES director and chief executive officer may approve write-off of AAFES assets. Write-off procedures, including delegations of write-off authority, will be contained in EOPs and exchange service regulations. 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) *Transfer.* Transfer to an installation MWR fund/garrison MWR entity, the garrison and installation chaplain, other governmental entities, or the Defense Reutilization and Marketing Office. Receipt is issued for the no-value inventories. If the no-value inventory is sold by Defense Reutilization and Marketing Office, 90 percent of the proceeds of the sale will be sent to the Exchange.

(2) *Destruction.* The AAFES director and chief executive officer appoints an AAFES employee as a disinterested party to witness and certify.

14–6. Insurance

AAFES self-insurance funds are reserved to pay for losses not commercially insured. The AAFES director and chief executive officer 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 director and chief executive officer, after obtaining approval of the appropriate SJA.

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

d. *Contractor's insurance and bonds.* The AAFES director and chief executive officer 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 15 Taxes

15–1. 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, EOPs, and exchange service regulations issued by the AAFES director and chief executive officer.

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 U.S. Department of the Treasury 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.

15–2. 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 AAFES 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 U.S. 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 director and chief executive officer. 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 in coordination with the Department of Justice or the local U.S. Attorney's Office (28 USC 516) and, as necessary, the appropriate Army or Air Force litigating division or Office of the General Counsel.

15–3. U.S. Department of the Treasury records retention policy

All records relating to payments to individuals and firms must be retained for at least 4 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 offices should be consulted for the address and telephone number of the nearest office of the U.S. Department of the Treasury representative.

15–4. 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 paragraph 15–4a(1).* 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 director and chief executive officer issues procedures relating to obtaining wholesale and retail dealer liquor tax licenses for Class Six stores.

15–5. 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.

15–6. 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 garrison and installation. The aforementioned civilians are prohibited from removing state tax-free beverages from the military installation.

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

d. The AAFES director and chief executive officer 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 the GM, AAFES 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 16 Audits and Inspections

16–1. Audits

a. The AAFES Audit Division fulfills all internal audit functions required by DoD regulations. The Audit Division staff will have access to all books of accounts, records, and documents needed to audit AAFES operations, accounting, internal controls, other audits, and funds. Operating procedures will be issued by the AAFES director and chief executive officer.

(1) The U.S. Army Audit Agency 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 director and chief executive officer 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 Department of Defense Inspector General and the Office of the Assistant Inspector General for Audit Policy and Oversight, 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 any direct contact by GAO representatives.

c. The DoDIG auditors are authorized to have access to all books of accounts, records, and documents needed to audit operations and funds of AAFES. Auditors coordinate their reviews of AAFES operations with the AAFES Audit Division. All levels of AAFES management will cooperate with the auditors and advise the AAFES Audit Division of DoDIG contacts.

d. AAFES contracts with a 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 U.S. Army Audit Agency review to ensure that government auditing standards are met.

16-2. Inspector General

a. AAFES will maintain an IG office operating under the regulatory policies and procedures of the DoDIG. The AAFES director and chief executive officer will issue operating procedures.

b. The IG, AAFES, 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 director and chief executive officer.
- (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 director and chief executive officer on a scheduled and unscheduled basis.
- (4) Be the primary point of contact with external IG officials for non-audit actions.
- (5) Obtain DoD and DA or Air Force IG assistance, as necessary, for Service or Joint support on significant issues beyond AAFES control.

16-3. Inspector General inquiries and investigations

a. The IG may investigate or conduct investigative IG inquiries 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 para 13-3 for processing of criminal misconduct).

b. The IG will provide results of IG investigations into allegations contained in paragraph 16-3*a*, to the AAFES director and chief executive officer for any action deemed appropriate.

c. Allegations against AAFES senior officials will be forwarded to the DoDIG. Senior officials are defined as military officers in grades O-7 and above or selected for promotion to grade O-7; current and former members of the Senior Executive Service (SES); other current and former DoD Civilian employees whose positions are deemed equivalent to that of a member of the SES (for example, senior level employees and NAF senior executives) (see DoDD 5505.06).

d. 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 as required by DoDD 5505.06.

e. Any allegation of misconduct may be investigated, at the direction of the AAFES director and chief executive officer, under the purview of AAFES IG procedures, departmental investigation procedures, or director and chief executive officer's inquiry procedure. This includes command inquiries conducted by AAFES IG or loss prevention personnel, as well as inquiries conducted by NAF Civilian personnel.

16-4. Department and command inspections

a. The IG, Army and the IG, Air Force jointly inspect AAFES, as directed by the applicable Service's Chief of Staff. Lead responsibility alternates between the departments. The IG of the lead department submits departmental inspections through the AAFES BOD to the AAFES director and chief executive officer.

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

16-5. Release of Army and Air Force Exchange Service inspector general records

Release and use of IG, AAFES records outside AAFES requires the approval of the AAFES director and chief executive officer or higher authority. IG, AAFES must coordinate any requests for IG records with the AAFES FOIA office before IG records can be released.

Appendix A

References

Section I

Required Publications

Army publications are available at <https://armypubs.army.mil/>. Air Force publications are available at <https://www.e-publishing.af.mil/>. DoD publications are available at <https://www.esd.whs.mil/>.

AFI 65–106

Appropriated Fund Support of Morale, Welfare, And Recreation (MWR) And Other Nonappropriated Fund Instrumentalities (NAFIS) (Cited in paras 2–5*a*.)

AR 215–1

Military Morale, Welfare, and Recreation Programs and Nonappropriated Fund Instrumentalities (Cited in paras 2–5*a*.)

DoD 5500.07–R

Joint Ethics Regulation (JER) (Cited in paras 1–10*d*.)

DoDI 1015.15

Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources (Cited on title page.)

DoDI 1330.21

Armed Services Exchange Regulations (Cited on title page.)

DoDI 4105.67

Nonappropriated Fund (NAF) Procurement Policy and Procedure (Cited in para 8–4.)

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. Air Force publications are available at <https://www.e-publishing.af.mil/>. DoD publications are available at <https://www.esd.whs.mil/>. United States codes are available at <https://uscode.house.gov/>.

AFI 31–501

Personnel Security Program Management

AFI 32–6001

Family Housing Management

AFI 34–108

Commercial Sponsorship and Sale of Advertising

AFI 34–206

Vending Facility Program for the Blind on Air Force Property

AFI 34–219

Alcoholic Beverage Program

AFI 34–223

Private Organizations (PO) Program

AFI 36–3026_IP, Vol 1/AR 600–8–14

Identification Cards for Members of the Uniformed Services, Their Family Members, and Other Eligible Personnel

AFI 51–201

Administration of Military Justice

AFI 71–101, Volume 1

Criminal Investigations Program

AFMAN 34–201

Use of Nonappropriated Funds (NAFS)

AFPD 23–1

Supply Chain Materiel Management

AR 11–2

Managers' Internal Control Program

AR 12–15/SECNAVINST 4950.4B/AFI 16–105

Joint Security Cooperation Education and Training

AR 15–39

Department of the Army Intergovernmental and Intragovernmental Committee Management Program

AR 25–30

Army Publishing Program

AR 27–20

Claims

AR 195–2

Criminal Investigation Activities

AR 200–1

Environmental Protection and Enhancement

AR 210–7

Personal Commercial Solicitation on Army Installations

AR 210–22

Support for Non-Federal Entities Authorized to Operate 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

Personnel Security Program

AR 700–84

Issue and Sale of Personal Clothing

DA Pam 25–403

Army Guide To Recordkeeping

DoD 5200.2–R

DoD Personnel Security Program

DoD 7000.14–R, Volume 2A

Department of Defense Financial Management Regulation: Budget Formulation and Presentation (Chapters 1–3)

DoD 7000.14–R, Volume 2B

Department of Defense Financial Management Regulation: Budget Formulation and Presentation (Chapters 4–19)

DoD 7000.14–R, Volume 5

Department of Defense Financial Management Regulation: Disbursing Policy

DoD 7000.14–R, Volume 13

Department of Defense Financial Management Regulation: Nonappropriated Funds Policy

DoDD 1015.5

DoD Student Meal Program

DoDD 5505.06

Investigations of Allegations Against Senior DoD Officials

DoDI 0–2000.16, Volume 1

DoD Antiterrorism Program Implementation: DoD Antiterrorism Standards

DoDI 1000.11

Financial Institutions on DoD Installations

DoDI 1000.13

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

DoDI 1000.15

Procedures and Support for Non-Federal Entities Authorized to Operate on DoD Installations

DoDI 1015.10

Military Morale, Welfare, and Recreation (MWR) Programs

DoDI 1015.11

DoD Lodging Policy

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 1330.09

Armed Services Exchange Policy

DoDI 1344.07

Personal Commercial Solicitation on DoD Installations

DoDI 1400.25

DoD Civilian Personnel Management System

DoDI 4000.19

Support Agreements

DoDI 4105.70

Prohibition of the Sale or Rental of Sexually Explicit Material on DoD Property

DoDI 4165.71

Real Property Acquisition

DoDI 7600.06

Audit of Nonappropriated Fund Instrumentalities (NAFI) 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 (Available at <https://www.federalregister.gov/>.)

EOP 15–10

Exchange Operating Procedures: Managing Human Resources (Maintained and kept current at HQ, AAFES for form control; available at each Exchange)

Joint Travel Regulations (JTR), Volume 2

(Available at <https://www.defensetravel.dod.mil/>.)

Under Secretary of Defense (Personnel and Readiness) policy memorandum

Funding Sources for Nonappropriated Fund Instrumentality (NAFI) Facilities, dated 4 December 2007 (Available from the Deputy Chief of Staff, G–9 (DAIM–ISS), usarmy.pentagon.hqda-dcs-g-9.mbx.publication-management@mail.mil.)

41 CFR, Chapter 302

Relocation Allowances (Available at <https://www.ecfr.gov/>.)

4 USC 104

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

5 USC 552

Public information; agency rules, opinions, orders, records, and proceedings

5 USC 5343

Prevailing rate determinations; wage schedules; night differentials

5 USC 7101

Findings and purpose

10 USC Chapter 49

Miscellaneous Prohibitions and Penalties

10 USC Chapter 61

Retirement or Separation for Physical Disability

10 USC Chapter 1223

Retired Pay for Non-Regular Service

10 USC 1059

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

10 USC 1146

Commissary and exchange benefits

10 USC 2481

Defense commissary and exchange systems: existence and purpose

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

10 USC 8911

Custody of departmental records and property

18 USC 874

Kickbacks from public works employees

20 USC 107

Operation of vending facilities

27 USC 201

Federal Alcohol Administration Act (*Alcoholic Beverage Labeling Act of 1988*)

27 USC 215

Labeling requirement

28 USC 516

Conduct of litigation reserved to Department of Justice

29 USC 201–219

Fair Labor Standards Act of 1938

31 USC Chapter 13

Appropriations

31 USC 1301–1310

Appropriations

31 USC 3701–3733

Federal Claims Collection Act of 1966

31 USC 3727

Assignment of claims

33 USC

Navigation and Navigable Waters

38 USC

Veterans' Benefits

40 USC Chapter 37

Contract Work Hours and Safety Standards

40 USC 3131

Bonds of contractors of public buildings or works

40 USC 3141

Definitions

41 USC

Public Contracts

41 USC 351–357

Service Contract Act of 1965

42 USC 6374

Alternative fuel use by light duty Federal vehicles

42 USC 7586

Centrally fueled fleets

42 USC 12101

Findings and purpose

47 USC 548

Development of competition and diversity in video programming distribution

Section III**Prescribed Forms**

Unless otherwise indicated, DD Forms are available at <https://www.esd.whs.mil/>.

DD Form 2574

Armed Forces Exchange Service Identification and Privilege Card (Available through normal forms supply channels.)
(Cited in para 2–5f.)

Section IV**Referenced Forms**

Unless otherwise indicated, DA forms are available at <https://armypubs.army.mil/>; DD forms are available at <https://www.esd.whs.mil/>; Standard Forms (SFs) are available at <https://www.gsa.gov/>.

CG–2650

USCG Auxiliary Membership Card

DA Form 11–2

Internal Control Evaluation Certification

DA Form 2028

Recommended Changes to Publications and Blank Forms

DD Form 4

Enlistment/Reenlistment Document Armed Forces of the United States

DD Form 1610

Request and Authorization for TDY Travel of DoD Personnel

DD Form 1618

Department of Defense (DoD) Transportation Agreement Transfer of Civilian Employees to and Within Continental United States

SF 95

Claim for Damage, Injury, or Death

Appendix B

Funding Authorizations

B–1. Appropriated fund authorization

DoDI 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 locations are listed in AR 215–1 and Air Force designated sites are listed in AFI 65–106.

B–3. Base realignment and closures 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) except for those directly involved in resale activities.

B–5. Elements of expense

Table B–1 outlines the elements of expense authorized APF and AAFES NAF support. Also see chapter 3 of this regulation for additional policy on expenditure of APFs and AAFES NAFs.

Table B–1

General funding authorizations for Army and Air Force Exchange Service activities.

Elements of expense	APFs (see footnotes 1 and 2 of this table)	AAFES NAFs
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, except as outlined in footnote 3 of this table.	Not applicable, except as outlined in footnote 4 of this table.
2. Civilian personnel.		
a. Permanent assignment for ECECS purposes.	Authorized, only in accordance with footnote 5.	Authorized.
b. Personnel performing managerial functions or requiring technical and professional qualification. Also personnel accountable for APF resources and protection in the interests of the Federal Government.	Not authorized, except at locations identified in paras B–2, B–3, and B–4, and footnote 5 of this table.	Authorized.
c. Personnel directly and primarily involved in resale.	Not authorized.	Authorized.

Table B-1**General funding authorizations for Army and Air Force Exchange Service activities—Continued**

Elements of expense	APFs (see footnotes 1 and 2 of this table)	AAFES NAFs
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, and footnote 5 of this table.	Not applicable.
3. Civilian Personnel Office assistance and administration. Relates to APF Civilian Personnel Advisory Center/Civilian Personnel Operations Center support for—		
a. Technical advice and counsel that may be provided by the Civilian Personnel Advisory Center/Civilian Personnel Operations Center to assist in the personnel management of employees paid with NAFs.	Authorized.	Not authorized.
b. Day-to-day personnel administration of employees paid with NAFs 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 personnel.	Authorized.	Not authorized.
b. NAF personnel.	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 as a	Not authorized for APF personnel. Authorized for AAFES NAF personnel.

Table B–1**General funding authorizations for Army and Air Force Exchange Service activities—Continued**

Elements of expense	APFs (see footnotes 1 and 2 of this table)	AAFES NAFs
	direct result of an approved BRAC action.	
b. TDY and temporary assigned duty 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 APF business.	Authorized for personnel engaged in internal AAFES operations.
7. Government-owned, motor pool-controlled. Use of government-owned, motor pool-controlled passenger vehicles by AAFES activities.	Authorized when assisting in ECECS functions.	AAFES NAFs are authorized and will reimburse APF when government-owned vehicles are used for other than ECECS functions.
8. Transportation of AAFES goods.		
a. Purchased with APFs.	Authorized.	Not authorized.
b. Purchased with NAFs.		
(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 10).	Authorized.	Not authorized (in accordance with 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 APFs are not available.
(3) Transoceanic movement of goods from OCONUS sea and aerial ports of embarkation to first destination CONUS or bulk breakdown point.	Authorized.	Authorized when APFs 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 APFs 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 locations that are authorized APFs).	Authorized.
10. Utilities. Applies to heat, steam, water, gas, electricity, air conditioning, and other	Authorized in CONUS and OCONUS.	Authorized for costs in CONUS when APFs are not available. Not authorized

Table B-1**General funding authorizations for Army and Air Force Exchange Service activities—Continued**

Elements of expense	APFs (see footnotes 1 and 2 of this table)	AAFES NAFs
utility services for facilities used primarily for AAFES purposes.		OCONUS and for remote and isolated locations (CONUS and OCONUS) (see footnote 6 of this table)
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 Secretary of the Army/Air Force concerned.	Not authorized, except upon specific approval by the Secretary of the Army/Air 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, 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 and 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, and 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 and excess government equipment.	Authorized.
b. Equipment acquired with NAF. Applies to maintenance, repair, overhaul, or rework of equipment acquired with NAF.	Authorized for equipment acquired with NAFs, but authorized for purchase with APFs where the title transfers to the government.	Authorized.
c. Real property installed equipment/building equipment. This includes permanently attached real property generally installed as a part of a construction project, that cannot be removed from the structure without physically damaging the structure and without which the facility (structure) would be unable to operate as designed.	Authorized.	NAFs authorized only when a certification of non-availability of funds is signed by the garrison/installation commander.
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.

Table B-1**General funding authorizations for Army and Air Force Exchange Service activities—Continued**

Elements of expense	APFs (see footnotes 1 and 2 of this table)	AAFES NAFs
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 NAF positions and for Army/Air Force-approved training that is not job unique such as management and leader development courses, quality training, health and safety, sexual harassment, and so forth.	Authorized for AAFES NAF personnel. Not authorized for APF non-tuition 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 7600.06.	Authorized in accordance with DoDI 7600.06.
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 AAFES 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 NAFs.	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 NAFs.	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 services. Applies to the manpower, supplies, and equipment provided by the installation engineer, the public works department, or by contract.	Authorized for locations identified in paragraphs B-2, B-3, and B-4. Not authorized all other locations.	Authorized when APFs are not available or not sufficient at locations identified in paragraphs B-2, B-3, and B-4. Authorized all other locations.

Table B–1**General funding authorizations for Army and Air Force Exchange Service activities—Continued**

Elements of expense	APFs (see footnotes 1 and 2 of this table)	AAFES NAFs
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.	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 authorized for AAFES activities in CONUS. Otherwise, authorized only when APFs are not available or sufficient.
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.	Authorized only in accordance with footnotes 7, 8, and 9 of this table.	Authorized. Not authorized for conditions outlined in footnotes 7, 8, and 9 of this table.
24. Sustainment and restoration. These terms are defined in the glossary.	Authorized.	Authorized when APFs are not available or sufficient.
25. Routine grounds maintenance. Applies to work required to maintain surrounding building grounds.	Authorized.	Authorized when APFs are not available or sufficient.
26. 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 house-keeping supplies (other than in number 21 of this table), petroleum fuels, lubricants, preservatives, coolants, oil derivatives.	Authorized for supplies required for ECECS.	Authorized.
27. Investment equipment. Relates to the acquisition and use of equipment that meets the criteria of investment items, as defined in DoD 7000.14–R (Volume 2A).	Not authorized, (except for use of surplus/excess government equipment) unless permitted by footnote 10 of this table.	Authorized.
28. 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 (Volume 2A).	Authorized for equipment required for ECECS and surplus/excess government equipment at all other locations and in accordance with footnote 10 of this table.	Authorized.
29. 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,	Authorized for costs incurred incident to the performance of functions related to ECECS or as specifically authorized by statute or DoD publication.	Authorized.

Table B–1**General funding authorizations for Army and Air Force Exchange Service activities—Continued**

Elements of expense	APFs (see footnotes 1 and 2 of this table)	AAFES NAFs
interest and dividends, and payments instead of taxes, if such resources are included in operations appropriations.		
30. 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.	Authorized for APF construction and NAF construction when no additional manpower authorizations are required.	Authorized for NAF construction, except for inspection and supervision services required for government acceptance of the facility (see also para 3–3c(10)(a)).
31. Major construction. See glossary for a definition of this term.	Not authorized unless permitted by footnotes 7, 8, and 9 of this table.	Authorized. Not authorized for conditions in footnotes 7, 8, and 9 of this table.
32. Purchase of real property. Relates to the acquisition cost of land, buildings, and other fixed improvements.	Authorized only to the extent approved by Congress.	Not authorized, except for the purchase of commercially owned buildings located on government property
33. 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 in accordance with footnotes 10 and 11 of this table.	Authorized.

Notes.

¹ AAFES activities at designated remote and isolated locations are authorized APF funding under category B rules (see 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 non-duty hours by NAFIs as part-time NAF-paid employees.

⁵ APFs authorized for Civilian personnel in sufficient numbers to provide a trained cadre to perform ECECS and managerial functions to meet exchange war-time 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 #1b of this table and footnote 3. 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 an MOA as prescribed in DoDI 1015.15, pertaining to MWR utilization, support, and accountability and uniform funding and management practices.

⁶ Rates charged will 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 an MOU or installation support agreement. Garrisons with privatized utilities may charge no more than 90% of the going rate.

⁷ APFs must be used for all AAFES facility construction (major and minor) determined by the applicable military Service to be required to establish, activate, or expand a military installation, including BRAC and global re-stationing requirements; relocation for convenience of the government; replacement of facilities denied by country-to-country agreements; and restoration of facilities and improvements destroyed by acts of nature, fire, or terrorism; antiterrorism/ force protection measures required under DoDI 0–2000.16, and to correct life, safety, and Americans with Disabilities Act of 1990 and force protection deficiencies. Expansion must be the result of a mission change or influx of new units or systems, and result in a 25 percent increase in authorized and assigned personnel strength within a 2-year time span.

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. Excessive utilities include utilities lines and connections that extend beyond the metes and bounds of the real estate parcel where the AAFES facility is physically located.

⁹ APFs must be used for exchange administrative, storage, and maintenance facilities OCONUS; NAFs will be used for these facilities inside the United States. APFs must be used for facilities required in areas of military conflict or as integral parts of air terminal, hospital, housing, or other military con-

Table B-1
General funding authorizations for Army and Air Force Exchange Service activities—Continued

Elements of expense	APFs (see footnotes 1 and 2 of this table)	AAFES NAFs
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struction projects. APFs must be used for all exchange-operated laundries, dry cleaning plants, bakeries, dairies, or similar facilities operated by exchanges when in support of a military mission (see para 3-4 for deviations/exceptions to use of NAFs in lieu of APFs). For all other exchange facilities, NAFs will be used.

¹⁰ APFs are authorized for losses caused by acts of nature; losses during wartime deployments, and in support of contingency, humanitarian, and peacekeeping operations; and for equipment required to be in compliance with the Americans with Disabilities Act of 1990.

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

Appendix C

Authorized Army and Air Force Exchange Service Resale Activities

C–1. Army and Air Force Exchange Service primary activities

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

- a. Retail stores.
- b. Mail-order, catalog, and e-commerce services.
- c. Automobile services, including garages, fuel sales, car washes, service stations, and commercial electric vehicle charging.
- d. Restaurants, cafeterias, and snack bars, mobile food units including food trucks and trailers and pushcarts 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, and eyebrow threading.
- 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 services to include studios, graduation and unit photos, and roving portrait photography.
- l. Vending machines.
- m. Personal services.
- n. Newsstands.
- o. Telecommunication services delivered by any means, including, but not limited to Internet, TV and video, cellular voice and data, Voice over IP (VOIP), and home security systems. Included is the necessity to install, operate, and maintain the infrastructure needed for delivery of these telecommunication services, such as Wi-Fi networks; satellite dishes; cellular towers; point-to-point, multi point, or mesh radio networks; wire, cable, or fiber optic networks; routers, repeaters, and access points; smartphones; and so forth.
- p. Military clothing sales operations.
- q. Exchange credit programs.
- r. Tax preparation services, insurance services, financial services, real estate services, funeral and mortuary services.
- s. Exchange marts.
- t. Motion picture theaters.
- u. Rental of merchandise. Rental of any merchandise AAFES is authorized to sell.
- v. The Secretary of the Army and the Secretary of the Air Force may prescribe in their regulations a selection of food and beverages, including malt beverages, wines, and other alcoholic beverages to be sold. Food items will supplement the primary full line grocery service provided by the commissary system.
- w. Pet services, including, but not limited to, pet grooming services.
- x. Self-storage activities.
- y. Vending.
- z. Mobile Food/Retail/Service Vehicles.
 - (1) Micro-Markets.
 - (2) Micro-Cafes.

C–2. Departmental authorized activities

The Secretary of the Army and the Secretary of the Air Force may authorize the exchanges to operate the activities listed. Requests for AAFES operation will be forwarded for approval to the respective Army and Air Force military department at the appropriate addresses in paragraph 6–1 of this regulation.

a. *Membership clubs (open messes), restaurants, cafeterias, and snack bars incidental to morale, welfare, and recreation 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.* Authorized users of these facilities are outlined in DoDI 1015.12.

- c. *School lunch programs.*
- d. *Amusement machines.* 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. *Animal kennels (services for boarding pets).*

C-3. Additional authorized activities with special requirements

- a. *Fresh meat and produce departments.* The garrison/installation commander may request the local GM, AAFES 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. *Medical and dental services including pharmacies.* AAFES is authorized to operate medical services on military installations; in areas of military conflict; in military air terminals, hospitals, and housing areas (including government owned, government leased, or government contracted); and in support of military operations. Medical services include, but are not limited to dental, optometry, audiology, physical therapy, urgent care, chiropractic and pharmacy activities ensuring all credentialing and licensing of medical providers and investigation/adjudication of medical malpractice claims.
- c. *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.
- d. *Firearms and ammunition.* Firearms and ammunition are authorized exchange sale items. Firearms will be sold in compliance with Federal laws and regulations. Overseas activities will conform to all applicable SOFA requirements, as well as any requirements imposed by bilateral agreements between the United States and the host nation.
- e. *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 will be evaluated to decide on the method of operation that best meets the Exchange mission for each location. In addition, the following factors will 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 military community. Notice of deviations from the preferred method that result in major construction projects as defined in DoDI 7700.18 will accompany the major construction program submitted to the PDUSD (PR) and include the evaluation of economic and noneconomic factors.
- f. *New car sales.* Only Armed Services exchanges are permitted to sell, lease, 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 and lease 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 automobiles assembled in the United States, U. S. name-plated automobiles assembled in Mexico or Canada, foreign name-plated vehicles with at least 75 percent U.S. or Canadian content, and motorcycles. Sales and leases may be made for stateside delivery or for in country delivery where permitted under the SOFA.
- g. *Alternative fuels.* The AAFES may sell alternative fuels to the general public in compliance with 42 USC 6374, 42 USC 7586, and Executive Order 13149.
- h. *Cable television services.* AAFES may provide cable television services in compliance with 47 USC 548.
- i. *Home services.* AAFES is authorized to operate home services on or off DoD garrisons and installations, including, but not limited to, maid service, lawn care, and fence construction under concession contracts.
- j. *Automobile rental.* AAFES is authorized to operate short term automobile, truck, and trailer rental services on a concession basis. Sale or lease of vehicles by the concessionaire operating the automobile rental concession is not authorized.
- k. *Logistical facilities.* AAFES is authorized to operate logistical, administration, storage, and maintenance facilities in support of the Exchange mission.
- l. *Plants.* AAFES is authorized to operate laundries, dry cleaning plants, bakeries, dairies, or similar facilities in support of a military mission.

m. Taxicab, bus services, and transportation network company services. These services may be provided only to authorized patrons or civilians employed on military garrisons and installations. Each trip must either start or end on the military garrison and installation. Any travel off the installation must be incidental to providing transportation to or from the military garrison and installation.

m. Live animals. AAFES will not sell live animals, including fish, birds, or reptiles unless specifically authorized by the AAFES director and chief executive officer.

o. Tattooing/body piercing. AAFES will not 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 director and chief executive officer.

p. Vendor owned equipment. AAFES will not use vendor owned equipment except as authorized by the AAFES director and chief executive officer.

q. 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 director and chief executive officer and with the approval of the AAFES BOD.

Appendix D

Prohibited Exchange Activities

D–1. Prohibitions

AAFES is not authorized to—

- a.* Sell or solicit the sale of real estate to authorized patrons, either as a retail item or a service.
- b.* Operate pawnshops, adults-only entertainment centers, or childcare centers.
- c.* Sell, lease, or display new cars on installations except overseas (see app C for new car sales overseas).
- d.* Sell or lease space in AAFES facilities. The AAFES in-store bank, automated teller machine, and concession and franchise agreements are not leases as contemplated by this prohibition.
- e.* Provide paid or free babysitting services, nonsports or nontherapeutic massage (whether clothed or unclothed), legal services, financial planning services, or funeral and mortuary services.
- f.* Sell or solicit the sale of stocks, bonds, mutual funds, or other investment instruments.
- g.* 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.)
- h.* Authorize credit sales except as provided in this regulation.
- i.* Sell or rent media of any type if it contains sexually explicit material (see DoDI 4105.70).
- j.* Operate gambling devices in the United States and U.S. territories and possessions.

D–2. Continental United States restrictions

See paragraph 6–14*d* for restrictions applicable to CONUS only.

Appendix E

Exceptions to the Armed Services Exchange Service Regulations

E-1. Exceptions to exchange patronage within the 50 United States (to include the District of Columbia)

Garrison/installation commanders within the 50 United States (to include the District of Columbia) may request (through command channels) approval of deviations to the Armed Services Exchange regulations with regard to patronage privileges for individuals or classes and groups of persons. Exceptions for patronage privileges are approved only by the appropriate Secretary of the Army or the Secretary of the Air Force. 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 IMCOM or AFIMSC recipients will conduct a judicious review of the respective garrison and installation request to determine if it should be forwarded.

c. If forwarded, requests will be submitted to—

(1) Army: Deputy Chief of Staff, G-9 (DAIM-ISS), 600 Army Pentagon, Washington, DC 20310-0600.

(2) Air Force: Deputy Chief of Staff for Manpower, Personnel and Services, Director of Services, 1040 Air Force Pentagon, Washington, DC 20330-1770.

E-2. Evaluation criteria

a. Requests for exceptions will be submitted and evaluated primarily on the basis of the geographic isolation of the garrison and 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.

E-3. Justification

Requests for exceptions will include the following:

a. A by name listing of civilians or classes and 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.

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

E-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 7-2. DoD Civilian employees must be assigned under a valid transportation agreement (as defined in 41 CFR, Chapter 302). 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 7-2. 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 Secretary of the Army or the Secretary of the Air Force and combatant commanders in accordance with table 7-2. 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 41 CFR, Chapter 302). 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 E-1, for consideration and processing to the applicable Secretariat. An annual report of all approved exceptions is required for the 12-month period prior to 30 January.

E-5. Reports

A report of deviations granted by the garrison/installation commander and appropriate Army/Air Force Secretariat is required by DoDI 1330.21. Deviations approved by commanders allowing access to exchanges and commissaries (see para E-4a and para E-4b) will be submitted through command channels to the appropriate Army/Air Force at the

address in paragraph E-1. The report must include the names of the employee and Family members and the justification required in paragraph E-4*a* and paragraph E-4*b*. This report will be compiled with approvals granted by the Army/Air Force Secretariat and submitted to the Office of the Secretary of Defense by Headquarters, Department of the Army and Headquarters, Department of the Air Force (see para E-1).

Appendix F

Army and Air Force Exchange Service Board of Directors

The AAFES Board of Directors is comprised of members with significant expertise and experience in matters pertinent to the sound governance of AAFES. The Board's composition and operating measures are set forth in the following paragraphs:

F–1. Board Membership

The AAFES Board of Directors is comprised of 13 voting members, five Ex-Officio members and eight rotational members.

a. Ex Officio members. These members are appointed in writing by their respective Assistant Secretaries (Manpower and Reserve Affairs) based on their assigned military or Civilian positions and serve for the duration they occupy the position.

- (1) Deputy Chief of Staff for Manpower, Personnel and Services, Headquarters, U.S. Air Force (AF/A1).
- (2) Deputy Chief of Staff, G–4, Headquarters, U.S. Army (Army G–4).
- (3) Director/Chief Executive Officer of AAFES.
- (4) Sergeant Major of the Army (SMA).
- (5) Chief Master Sergeant of the Air Force (CMSAF).

b. Rotational members. Each Assistant Secretary will appoint in writing four persons to represent that military department based on their experience, training, past and present duty positions, breadth of knowledge and expertise pertinent to AAFES missions and operations, and willingness and commitment to serve, among other appropriate criteria. Members are appointed for a 4-year term. Any board member whose term has expired, but whose re-nomination has been submitted through channels to their Service's Assistant Secretary (Manpower & Reserve Affairs) may continue to serve on the Board until officially reappointed by the Assistant Secretary. One, each military department:

- (1) A member of the SES with experience in the administration and management of military and Civilian human resource systems, including compensation and benefits.
- (2) A general officer or member of the SES with experience in financial management and comptrollership.
- (3) A general officer or member of the SES with experience in the development of policy for, and the management and oversight of, MWR programs with a strong MWR financial background.
- (4) A general officer or member of the SES with expertise in another functional area pertinent to the Board of Directors' missions and functions, including supply chain logistics, reserve and retired affairs, information technology, electronic commerce, or other suitable fields.

F–2. Board Chairmanship

a. The Chair will serve for a period of three years and will alternate between the Air Force A1 and the Army G–4. When not serving as the Chair, the AF/A1 or DA/G–4 will serve as the Vice Chair.

b. If a serving Chair is unable to complete the 3-year term for any reason, the Vice Chair from the other Service assumes the Chairmanship for a 3-year term.

F–3. Board Committees

There will be four permanent, standing committees: Executive, Finance, Audit, and Personnel/Compensation.

- a.* The Executive Committee will consist of the Chair, Vice Chair, and the AAFES Director/CEO.
- b.* Members of the Finance, Audit, and Personnel/Compensation Committees will be appointed by the Executive Committee from among the members of the Board.
- c.* Additional committees, standing or ad hoc, may be established by the Board, as required, consistent with law and regulation.
- d.* Each ex officio member may also serve on any Board committee.

F–4. Board Meetings

a. Voting and quorum. All decisions of the Board must be conducted by a vote of the members, with any action being carried by a majority. Seven board members, at least one of whom must be the Chair or Vice Chair, represent a quorum required to conduct Board business. All votes must be documented, in writing, and certified by the Chair after the meeting concludes.

b. Board alternates. Board members are not authorized to designate alternates.

c. Proxy votes. A Board member who is unable to attend a scheduled meeting may grant another member of the Board their proxy for purposes of voting. Any such grant of proxy will be in writing and cannot be used to render the absent granter present for determining whether a quorum has been attained.

F-5. Training

a. All members will be required to attend initial and annual ethics training including training in identifying and avoiding financial and organizational conflicts of interest.

b. All members will be required to attend an 8-hour Board and AAFES orientation within the first three months of appointment to the Board.

F-6. Removal of rotational member

A member may be removed for cause, upon the joint recommendation or motion of the Chairman and Vice Chairman and a voting majority of board members and with the concurrence of the appointing Assistant Secretary. All members serve at the pleasure of their respective appointing Assistant Secretary. A member may be removed (with or without cause) by revocation of their appointment by their respective Assistant Secretary Manpower and Reserve Affairs.

F-7. Direction and control

The board is responsible to the Secretary of the Army and the Secretary of the Air Force, through the respective Services' Chiefs of Staff, for—

a. Directing the Army and Air Force Exchange Service.

b. Determining and approving basic policies, plans, and programs pertaining to AAFES. The board will ensure staffing with departmental and other DoD or non-DoD entities on appropriate matters.

c. Deciding annual AAFES financial plans and goals for its worldwide operations and conducting subsequent reviews of operating results. The board will declare dividends and approve expenditures not otherwise delegated.

d. Providing through the respective Services' Chiefs of Staff to the Secretaries of the Army and the Air Force an annual report on exchange operations. The report will be prepared by the Director/CEO, AAFES and will include the annual audit statement issued by certified public accountants as well as a summary of operations during the prior fiscal year.

Appendix G

Internal Control Evaluation

G–1. Function

The function covered by this evaluation is the administration of the Army and Air Force Exchange Services operations.

G–2. Purpose

The purpose of this evaluation is to assist assessable unit managers (AUMs) and internal control administrators (ICAs) in evaluating the key internal controls outlined. It is not intended to cover all controls.

G–3. Instructions

These key internal controls must be formally evaluated at least once every five years or whenever the ICA changes. Certification that this evaluation has been conducted must be accomplished on DA Form 11–2 (Internal Control Evaluation Certification). Evaluation test questions are intended as a start point for each applicable level of internal control evaluation. Answers must be based on the actual testing of key internal controls (for example, document analysis, direct observation, sampling, simulation, other). Answers that indicate deficiencies must be explained and corrective action indicated in supporting documentation.

G–4. Test questions

- a.* Was an installation single point of contact designated in writing as the responsible official for the coordination and monitoring of actions prescribed by this regulation and to ensure the program is efficiently and effectively carried out according to the applicable law and management policy?
- b.* Were commanders and directors at all levels aware of the Audit?
- c.* Have construction projects that have new construction costs exceeding \$750,000 been reported to the Services and DoD?
- d.* Are check cashing procedures followed?
- e.* Does staff understand unlimited exchange privileges and limited exchange privileges as outlined in tables 7–1 and 7–2?
- f.* Is the pricing of tobacco products in the United States (including territories and possessions) matched to the prevailing local price in the community, including the effect of all applicable taxes that local consumers pay when purchasing tobacco? For Outside the United States, are prices within the range of prevailing prices for that same product established in outlets of the defense retail systems inside the United States?

G–5. Supersession

Not applicable.

G–6. Comments

Help make this a better tool for evaluating internal controls. Submit comments to the DCS, G–9 (DAIN–ZA), usarmy.pentagon.hqda-dcs-g-9.mbx.publication-management@mail.mil.

Glossary

Section I

Abbreviations

AAFES

Army and Air Force Exchange Service

AARP-ZA

Department of the Army Committee Management Office

AF/A1

Air Force: Deputy Chief of Staff for Manpower, Personnel and Services

AF/A1S

Air Force: Deputy Chief of Staff for Manpower, Personnel and Services, Director of Services

AFI

Air Force Instruction

AFIMSC

Air Force Installation and Mission Support Center

AFJI

Air Force Joint Instruction

AFMAN

Air Force Manual

AFPD

Air Force Policy Directive

AIFA

AAFES Imprest Fund Activity

APFs/APF

appropriated funds/appropriated fund

AR

Army Regulation

BOD

board of directors

BRAC

base realignment and closures

CFO

chief financial officer

CFR

Code of Federal Regulations

CONUS

continental United States

CPA

certified public accountant

DA

Department of the Army

DC

District of Columbia

DCS, G-9

Deputy Chief of Staff, G-9

DEPSECDEF

Deputy Secretary of Defense

DoD

Department of Defense

DoDD

Department of Defense directive

DoDI

Department of Defense instruction

DoDIG

Department of Defense Inspector General

DOX-T

direct operating exchange-tactical

ECECS

executive control and essential command supervision

EEO

Equal Employment Opportunity

EOP

exchange operating procedure

FAR

Federal Acquisition Regulation

FOIA

Freedom of Information Act

GAO

General Accountability Office

GM

general manager

HQ

Headquarters

HQDA

Headquarters, Department of the Army

IG

inspector general

IMCOM

Installation Management Command

MCSS

military clothing sales store

MOA

memorandum of agreement

MOU

memorandum of understanding

MWR

morale, welfare, and recreation

NAF/NAFs

nonappropriated fund/nonappropriated funds

NAFI/NAFIs

nonappropriated fund instrumentality/nonappropriated fund instrumentalities

NOAA

National Oceanic and Atmospheric Administration

OCONUS

outside the continental United States

PCS

permanent change of station

PDUSD (PR)

Principal Deputy Under Secretary of Defense (Personnel and Readiness)

PL

Public Law

SF

standard form

SIM

subscriber identity module

SJA

staff judge advocate

SOFA

status of forces agreement

TDY

temporary duty

TFE

tactical field exchange

UCMJ

Uniformed Code of Military Justice

U.S.

United States

USC

United States Code

USO

United Services Organization

VA

Virginia

Section II**Terms****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 their household.

Air Force Services

An organization whose mission is to increase combat capability and improve productivity through programs promoting readiness, esprit de corps, and quality of life for Air Force people. Programs include physical fitness, peacetime and wartime troop feeding, mortuary affairs, Armed Forces entertainment, Air Force protocol, lodging, libraries, child development centers, youth centers, and a wide spectrum of recreation activities.

Alcoholic beverages

Beverages including wines, malt beverages, and distilled spirits (see para 11-4 for alcohol content percentages).

Amusement machine

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

Army and Air Force Exchange Service Imprest Fund Activity

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

Branch

An activity for which separate asset and financial accountability exists.

Business based action

Non-disciplinary, involuntary action taken to adjust personnel resources.

Construction

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

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.

Continental United States

The 48 contiguous states and the District of Columbia.

Contracting officer

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

Contracts

Contracts include all contractual arrangements prescribed by the AAFES director and chief executive officer, 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 of contract may also include procurement of direct services such as janitorial and window cleaning service, or financial services provided by a financial institution.

Dram shop certification

Required by employees selling alcohol to ensure they are aware of their liability in selling alcohol to underage patrons or selling alcohol to someone who appears drunk under the influence.

Exchange (post exchange/base exchange)

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 entitlements, 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. Un-remarried former spouse.* An un-remarried 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 director and chief executive officer in the EOP that has 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 do not meet the dollar threshold for being classified as equipment (see Fixed assets, para b), but that meet the established categories and dollar thresholds for being capitalized.

Garrison commander

For the purpose of this regulation, garrison commanders are responsible for exchange operations at Army locations, such as a base, camp, post, station, yard, center, home port 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 and installation that is part of a region.

Gold Star

A Gold Star Family is the immediate family member(s) of a fallen service member who died while serving in a time of conflict.

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. Includes Alaska and Hawaii.

Installation

For the purpose of this regulation, the Air Force uses installation to define any real property or area that is controlled, owned, or leased by the Department of the Air Force. The Army defines as an aggregation of contiguous or near contiguous, real property holding commanded by a centrally selected commander.

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, home port 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 7–2.

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 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 their job. This includes, but is not limited to, activities on AAFES premises and involving AAFES merchandise, funds, or property; interactions between activities of, or actions by and 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).

Morale, welfare, and recreation programs

Those military MWR programs located on DoD installations or on property controlled (by lease or other means) by the DoD or furnished by a DoD contractor that provide mission sustainment, community support, and other revenue-generating programs for authorized DoD personnel. They include the programs listed in respective Army and Air Force regulations and instructions, as implemented from DoDI 1015.10. Private organizations are not MWR programs.

Nonappropriated fund

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 employee

An employee paid from nonappropriated funds of the Army and Air Force Exchange Service, Navy Ships Stores Program, Navy exchanges, Marine Corps exchanges, Coast Guard exchanges, and other instrumentalities of the United States under the jurisdiction of the armed forces conducted for the comfort, pleasure, contentment, and mental and physical improvement of armed forces personnel.

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 programs of other authorized organizational entities, when so authorized. It is not incorporated under the laws of any state or the District of Columbia and 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.

Offshore

When referring to location only, it is synonymous with overseas.

Offshore exchange

An exchange located overseas which is under control of a CONUS operation.

Outside the continental United States

Areas other than the 48 contiguous states and the District of Columbia. Includes Alaska, Hawaii, the Commonwealths of Puerto Rico and 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

Areas other than the 50 United States and the District of Columbia.

Packaged alcoholic beverage

An alcoholic beverage in an unopened container for consumption at a location other than the place of sale.

Pog

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

Premium

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

Principal management official

Individuals with the delegated authority for administrative and disciplinary actions involving a loss of pay or grade, to include separations. Specific delegations are contained in EOP 15-10.

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 locations

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 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 the 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 uniformed personnel includes—

- a.* All retired personnel carried on the official retired lists (Active and Reserve) of the Uniformed Services, who are retired with pay, granted retirement pay for physical disability, or entitled to retirement pay whether or not such pay is waived, or pending due to age requirement.
- b.* Members of the Retired Reserve who are eligible for retired pay at age 60, but have not yet reached age 60.
- c.* Personnel on the emergency officers' retired list of the Army, the Navy, the Air Force, and the Marine Corps who retired under 38 USC 101, (reference (l)).
- d.* Officers, crews of vessels, light keepers, and depot keepers of the former Lighthouse Service who retired under 33 USC 763 (reference (m)).
- e.* Retired noncommissioned ships' officers and crewmembers of the NOAA and its predecessors, who either were on active duty as a vessel employee on 19 July 1963, and whose employment as such vessel employee was continuous from that date until the date of retirement, or who had retired as a vessel employee on or before 19 July 1963.

Sole survivorship

A member of the Armed Forces who is discharged from the Armed Forces at their request based on the member being the only surviving child in a family in which the father or mother, or one or more siblings, was killed, died as a result of wounds, accident, or disease, is in a captured or missing in action status, or is permanently disabled while serving honorably in the Armed Forces.

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.

U.S. Government employee

A Federal Civilian employee of DoD directly hired and paid from APFs or NAFs.

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.

Uniformed personnel

Members of the Army, Navy, Air Force, Marine Corps, and Coast Guard; cadets and midshipmen of the 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.

Unofficial DoD website

A DoD website that is developed and maintained with NAF. The content of unofficial DoD websites is not endorsed as the official position of the DoD Components. Content may, but does not usually, include official news releases, installation history, command position papers, and so forth. Unofficial DoD websites may include commercial advertisements and may be used to advertise products for sale, in accordance with the mission of the organization. In most cases, unofficial DoD websites are developed and maintained by NAFIs, including military exchanges and MWR activities that use NAF.

Veteran

A person who served in the active military, naval, or air force, and who was discharged or released from under conditions other than dishonorable.

Section III**Special Abbreviations and Terms**

This section contains no entries.

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