



DEPARTMENT OF THE NAVY
UNITED STATES NAVAL ACADEMY
121 BLAKE ROAD
ANNAPOLIS MARYLAND 21402-1300

USNAINST 12790.5D
4/NABSD

AUG 13 2008

USNA INSTRUCTION 12790.5D

From: Superintendent

Subj: VENDING MACHINES

Ref: (a) OPNAVINST 4535.1A
(b) BUPERSINST 7043.1B

Encl: (1) Administration and Control Procedures for Vending Machine Operations

1. Purpose. To provide Naval Academy policy regarding vending machines located within the Naval Academy and to assign responsibility for the administration and control of such machines.
2. Cancellation. USNAINST 12790.5C
3. Background. The former Brigade Services Division (BSD) and Midshipmen Recreational Activities Office (MRAF) were incorporated under the Naval Academy Business Services Division (NABSD) on 1 October 2001. The Civilian Employees Recreation Association (CERA) was aligned under the Naval District Washington (NDW) on 1 October 2003. Proceeds from vending machines under the NABSD are deposited into BSD accounts and contribute to the Midshipmen Welfare Fund (MWF) while proceeds from machines under CERA are for the benefit of civilian employees of the Naval Academy.
4. Policy. This policy applies to the NABSD areas including Bancroft Hall, Dahlgren Hall, the Armel-Leftwich Visitor's Center, Officers' and Faculty Club, and the USNA Laundry. All vending machines within these locations are authorized and under the control of the BSD Contracting Officer. No vending machines, except those authorized and contracted for by the above official, will be located within the NABSD's recognized spaces. Vending machines located in other Naval Station, Annapolis buildings are under the control of CERA.
5. Action
 - a. Control of all vending machines within the Naval Academy will be under the BSD or the CERA as identified in paragraph 4. The appropriate vendors will provide the BSD Contracting Officer and the CERA with a master list of all machines and their location within the Naval Academy. The list will be validated upon receipt.
 - b. Reference (a) contains the basic authority for operation of vending machines by the CERA and further provides the contract format to be used in procuring such services. Enclosure (1) will be followed in the administration of vending machines by both the BSD and the CERA.
 - c. Income
 - (1) All commissions from the BSD operated vending machine proceeds will be deposited into the NABSD accounts as part of its overall support of the Midshipmen Welfare Fund.
 - (2) In accordance with the Vending Facility Program for the Blind on Government Property, reference (a), the CERA will maintain strict accounting records for each machine at each of the existing vending machine locations to ensure command compliance with the requirements of the Randolph-Sheppard Act.

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(3) The CERA will notify, in writing, the Deputy for Finance with copies to the Director, Human Resources, in the event it appears that anyone or more individual locations may generate annual profits in excess of the \$3,000 minimum.

(4) The CERA will submit by 15 February each year, an annual report to the Deputy for Finance, with copy to the Director, Human Resources consisting of a breakdown of the vending machine profits from each vendor for each particular vending machine location.

(5) In view of their unique nature and operations, the Naval Academy Golf Course and the Naval Academy Athletic Association (vending machines located in the visiting team dormitory area) have been exempted from the provisions of this instruction.

d. Audits. The Naval Academy Command Evaluation Officer will conduct audits of the NABSD vending machine activity per applicable directives. The CERA vending machines will be audited by Naval District Washington per applicable directives.

/S/
J. L. FOWLER

Distribution:
All Non Mids (electronically)

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**ADMINISTRATION AND CONTROL PROCEDURES
FOR VENDING MACHINE OPERATION**

1. Types of Authorized Services

a. The following types of vending machines are authorized to be operated by the Naval Academy Business Services Division (NABSD):

- Bottled and Canned Drinks
- Coffee and other hot drinks
- Re-heatable Foods
- Ice Cream
- Juice
- Milk
- Sandwich
- Candy and Snacks

b. Game machines are authorized in the Drydock Restaurant only.

c. Vending machines that stock school supplies is authorized in Nimitz Library only.

2. Operating Instructions

a. General. The Chairperson, CERA and the NABSD Contracting Officer are responsible for direction and control of the operation of vending machines under their cognizance. Such operations include the number and types of machines to be used, location, products to be vended, selling prices of products, service schedules, machine rotation or replacement, and any other factor about the operation of vending machines.

b. Location of Vending Machines. Vending machines will be located in areas that will assure the greatest customer convenience and maximum sales. These vending machines will be used to provide merchandise and services at times and locations where they are not otherwise available. Locations will be coordinated with the applicable building First Lieutenant. Machines will be secured in such a manner to ensure safety and to prevent tipping.

c. Utility Charge. The concessionaire will be responsible for reimbursing the government for each vending machine which consumes utilities. The monthly rate will be determined by the Public Works Officer. The contract for vending machine services will contain provisions requiring such payment effective the next contract period.

d. Sanitation. Vending machine contractors will be required to comply with Supplement 1, Chapter 1, Manual of Naval Preventative Medicine, "The Vending of Food and Beverages." Copies of references are available at the Environmental Health Office, Naval Health Clinic, Annapolis or by calling x34922.

3. Contracts

a. General. Contracts awarded by the CERA will be per CERA regulations. Those awarded by the NABSD will be in accordance with the guidance contained in the Procurement Policy for Bureau of Naval Personnel (BUPERS) Nonappropriated Fund (NAF) Activities, reference (b).

b. Requests for Quotes

(1) General. Requests for vending machine services forwarded to suppliers will be specific and will indicate the type of service required, such as, snacks, bottled drinks, etc. Requests for quotes will be

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forwarded to as many suppliers as possible at least 60 days before the effective date of the proposed contract.

(2) Recommendation of Award. The following factors will be considered in selecting the successful bidder:

(a) Percentage commission to be paid by the contractor to the responsible Naval Academy activity.

(b) Ability of the contractor to perform service required.

(c) Contractor's reputation in the industry.

(d) Previous experience with the contractor.

(e) Type and condition of equipment to be provided.

c. Contract Termination. Contracts will contain a provision wherein they may be terminated by either party by giving a 30 day notice and notice must be in writing. Contracts may be terminated at any time for the contractor's default in performance. All notifications to vending machine contractors relating to instances of unsatisfactory performance under vending machine contracts will be in writing. Immediately upon issuance of the termination notice requests for quotations for the vending machine services required will be forwarded to all interested reputable contractors in the area.

4. Responsibility of Administering Officials

a. Vending Machines Inspectors. All vending machines will be inspected by the Chairperson, CERA; NABSD Contracting Officer or their authorized representative at least once quarterly or more often as required to verify compliance with the master list of machines and to verify machine inventories and change banks. The condition of equipment, operation of all safety devices, frequency of service, and patron satisfaction with the kind and quality of product will be checked. Machines will also be checked for compliance with Supplement 1, Chapter 1, Manual of Naval Preventative Medicine, which specifically states minimum sanitary conditions under which vending of food and beverages will be accomplished. To implement the provisions of this instruction, close contact and cooperation with the Environmental Health Officer will be maintained. Vendors providing contract service whose equipment does not meet these minimum requirements will be apprised of these conditions and will be permitted a reasonable time to comply.

b. Product Merchandising. Only top quality products will be sold through vending machines. Machine stocks will be maintained on a first-in first-out basis to assure fresh products. All products and/or labels displayed will be changed as frequently as required and will be clean, neat, and displayed in the best possible manner. Since the appearance of the vending equipment is an important factor in product merchandising, broken, excessively scratched, or damaged machines will be repaired or replaced.

c. Location of Machine Number and Out of Order Signs. To provide necessary information in case of malfunctioning of machines, the machine's location number and the telephone extension number to be called to report the malfunctioning will be displayed in a prominent place on the vending machine. The contractor's telephone numbers may be posted on CERA operated machines. NABSD operated machines will have a BSD point of contact posted on them.

d. Claims. The Chairperson, CERA; and the NABSD Contracting Officer will develop local procedures for refunding money lost through the malfunctioning of machines. Any losses due to the malfunctioning of the vending equipment will be the responsibility of the contractor.

Enclosure (1)

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e. Termination of Contract for Cause. In the event a contract will be terminated before the expiration date, the procedures specified in paragraph 3c will be followed. Vending machine contracts may be terminated for the following reasons:

- (1) Inadequate servicing (empty machines).
- (2) Sale of improper, unfit, or unauthorized products.
- (3) Inadequacy of equipment (excessive breakdowns).
- (4) Unsanitary equipment, unsanitary servicing methods, or objectionable servicing personnel.
- (5) Improper collection of reporting procedures.

(6) Any other failure to perform the contract that, in the opinion of the administering officials, warrants termination of the contract.

f. Master List of Machines. A master list of all vending, service, and amusement machines will be maintained by the Chairperson, CERA; NABSD Contracting Officer; and by each administering official for his/her own area. This list will show the selling price, authorized inventory, amount contained in the change bank of each machine, machine number and location, date installed, and date removed. Annually during July, the contractor will provide the Chairperson, CERA; NABSD Contracting Officer; and each administering official a new list of all machines installed as of 30 June of that year.

5. Control Procedures

a. When the vending machine contract provides for the collection of the receipts by the contractor, a monthly statement of cash collected from each machine will be turned into the appropriate administering official. Though there is no requirement to maintain an individual control sheet for each machine, these slips can be used to spot check consistency of sales per machine, sales trends by machine type, and sales commissions.

b. The best control of a vending operation is surprise inspection of route procedures. The administering official or his representative should make a surprise spot inspection at least monthly.

c. The administering official will periodically check contractor's monthly invoices against the master list. Administering officials will advise the Chairperson, CERA; and NABSD Contracting Officer, as applicable, of authorized changes.

d. The contractor will forward the agreed upon commission percentages to the appropriate administering official per terms of the applicable contract.