



## DEPARTMENT OF THE NAVY

NAVAL ACADEMY PREPARATORY SCHOOL  
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NEWPORT, RI 02841-1519

NAPSINST 7010.3  
BAF  
7 June 13

### NAVAL ACADEMY PREPARATORY SCHOOL INSTRUCTION 7010.3

From: Commanding Officer, Naval Academy Preparatory School

Subj: BATTALION ACTIVITIES FUND INSTRUCTION

Ref: (a) CNO Action Memo Ser N00/100144 of 10 Dec 10  
(b) USNAINST 7010.3A  
(c) USNAINST 7010.2C  
(d) DoDI 1015.15  
(e) USNA NAF Commercial Purchase Card SOP  
(f) DOD 7000.14-R, Volume 5 and Volume 13  
(g) Fiscal Oversight MOA between CNIC and USNA Ser 4-313 of 25 Jan 11

Encl: (1) NAPS BAF Instruction Manual

1. Purpose. The purpose of this instruction is to promulgate the procedures and policies for the operation of a Naval Academy Preparatory School (NAPS) Battalion Activities Fund (BAF) and to disseminate instructions necessary to operate, audit and control the fund.

2. Cancellation. NAPSINST 1710.3M

3. Applicability. The provisions of this instruction are defined under the authority of references (a) through (g) and apply to all NAPS BAF activities for which the Superintendent, United States Naval Academy (USNA) is the program manager.

4. Policy

a. Establishment and Oversight of BAF. The BAF is a Non-Appropriated Fund Instrumentality (NAFI) that has been established and approved by the Chief of Naval Operations (CNO) as identified in reference (a).

b. Purpose and Function. The BAF provides for goods and services required by each Midshipman Candidate (M/C) such as textbooks and NAPS physical training clothing. In addition, the BAF provides opportunities for structured extra-curricular involvement in recreational or other constructive activities for a defined group, company or battalion level. The BAF will be operated in accordance with enclosure (1).

c. Use of Resources. BAF funds are dedicated exclusively to programs and activities directly supporting NAPS' M/Cs. Where necessary, BAF funds are used to ensure appropriate military or civilian oversight of structured activities.

1) Individuals, units, organizations, or installations shall have no proprietary interest in BAF or other BAF assets.

2) BAF resources shall be administered in an economical, efficient, and business-like manner.

3) The BAF shall be used to support necessary administrative expenses required to manage and operate the fund.

4) BAF resources are not authorized to be used for or to support command representation or protocol functions; scholarships, free mailing

and/or postage, or any other specific benefit for select individuals or groups; public affairs, medical, religious, or other activities or programs outside the purpose for which the NAFI was established.

5) Reference (b), enclosure (7) provides examples of common funding authorizations for BAF activities and whether they are authorized or unauthorized uses of NAFs.

## 5. Information

### a. **Funding**

1) M/Cs are required to pay their individual BAF fee. The BAF fee is satisfied through a maximum of eight automatic monthly payroll deductions totaling the full amount of the fee. M/Cs may contribute money towards their outstanding BAF balance through payment to the PSD Deputy Disbursing Officer. Checks should be made out to "DDO PSD Newport."

2) Scholarships granted to M/Cs, and stipulated by the granting organization to be used for related school expenses, will first be applied to the BAF Fee and then to any uniform expenses. Scholarships received after the automatic payroll deductions are initiated will be deposited into the BAF checking account. The Assistant BAF Officer shall, subsequently, deliver a check in the amount of the scholarship or in amount of the M/C's outstanding BAF balance, whichever is less, to NAVSTA Newport PSD. Scholarship money will be held in the BAF account unless otherwise stated in writing by the scholarship organization.

3) Personnel attending events purchased with BAF resource, and are not authorized patrons of the BAF or required military supervision, will be required to issue payment to the BAF equal to the per-person cost associated with the event.

(a) The guest would not be required to pay if the cost of adding an additional person would not increase the total cost to the BAF or if the individual ticket, reservation, etc., is not refundable.

4) The BAF checking account receives a dividend each month. NAPS will account for the dividend in monthly bank reconciliations. Dividends are authorized and used to support the battalion in the same manner as the fees collected from the M/Cs are used.

### b. **End of Year Reimbursement**

1) Each academic class will be entitled to a reimbursement, if total fees collected exceed total relevant expenses for the year. Relevant expenses are defined as, purchases or prorated contributions that benefit the current academic class.

2) Any surplus at the end of the academic year will be divided by and issued to the number of M/Cs that report on USNA's Induction Day. Payment will be made to the individuals via issuance of USNA Yard Cards or other appropriate means.

3) Any excess scholarship money will be returned to the individual via issuance of USNA Yard Cards or other appropriate means.

c. **Early separation.** M/Cs, who are voluntarily or involuntarily disenrolled from NAPS, will assume a prorated BAF fee based on disbursements made towards relevant expenses for the academic year up to the date the

student disenrolls from NAPS. The M/C incurs a per student expense for all disbursements made, relevant to the current academic year, while the M/C is actively enrolled at NAPS. The prorated fee is calculated as follows:

- 1) A per student expense is calculated by dividing the total disbursements amount by the number of M/Cs actively enrolled at NAPS.
- 2) The M/C will coordinate with the text book and uniform Point of Contacts (POC) to determine whether any of their textbooks and/or uniforms can be returned to the vendor.
- 3) The prorated fee is calculated by aggregating the per student expenses on the date of separation, less the amount of any book or uniform reimbursements.
- 4) A reimbursement will be issued if the disenrolling M/C paid more than the prorated amount; or a payment shall be received if the M/C still owes more than the prorated amount.

d. **Taxes.** The BAF is exempt from federal, state and local taxes unless otherwise stated in references (b) and (c).

**e. Violations**

1) Per reference (b), suspected BAF violations shall be reported to and resolved by the Commanding Officer (CO) of NAPS, when possible. Individuals reporting BAF-related violations are protected by the Whistleblower Protection Act.

2) Any criminal activity involving NAFIs shall be reported to the NAPS Commanding Officer (CO) who will make a determination to forward suspected criminal activity to the Naval Criminal Investigative Service for investigation and prosecution.

  
J. D. CUNHA



**Naval Academy Prep School  
Midshipman Candidate  
Battalion Activities Fund Instruction**

Newport, R. I., NAPSINST 7010.3

7 June 2013

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Department of the Navy

**Midshipman Candidate  
Battalion Activities Fund Instruction**

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CHAPTER 1

RESPONSIBILITIES

101. Superintendent, USNA. The Superintendent, USNA, is the program manager for the NAPS BAF.

102. Commanding Officer, NAPS. The Commanding Officer, NAPS, is responsible for the following:

- a. Provide oversight to the BAF
- b. Appoint the BAF Officer and Assistant BAF Officer as the BAF Purchase Card Approving Official and Purchase Card Holder per reference (d).
- c. Ensure the purchase card holder and Purchase Card Approving Official receive the required training per reference (d)
- d. Authorize all procurement above \$5,000 to ensure proper segregation of duties
- e. Exercise fiduciary responsibility by reviewing contracts and purchase orders for non-reoccurring or unusual purchases
- f. Act as the BAF representative to the USNA NAFI Advisory Group in accordance with reference (c)
- g. Ensure all BAF personnel have satisfied all ethics standards for the USNA NAF activities outlined in reference (f).

103. BAF Officer. The BAF Officer will be appointed by the Commanding Officer, and will act as the BAF's Head of NAFI, in accordance with reference (c). The BAF Officer is responsible for the following:

a. Implementation of policies and procedures to ensure overall BAF program objectives are met. This responsibility includes:

1) Ensure that all BAF policies and procedures are in compliance with higher level instructions and accounting principles; which include USNA and DoD Instructions, and U.S. generally accepted accounting principles.

2) Establish internal controls that provide reasonable assurance of the effectiveness, efficiency of operations, safeguarding of assets against fraud and abuse, propriety of receipts and disbursements, accuracy and reliability of financial and operational records and reports, compliance with applicable laws and regulations, and prevention and detection of fraud, misuse, and waste.

b. Establish a financial "dashboard" that can be easily reviewed by the NAPS CO and Superintendent.

- 1) Create annual budgets and financial reports.
- 2) Create a systematic approach to compare budget to actual expenses before a purchase is authorized.

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c. Overseeing the daily operation of BAF activities. This responsibility includes:

1) Oversee the collection of payments, and ensure payment of all BAF financial obligations

2) Oversee the accounting functions for all BAF transactions.

(a) Generate relevant reports on a daily, weekly, monthly, and yearly basis, as required, to ensure the proper accounting implementation and to mitigate the risk of error and fraud.

3) Direct NAF procurement processes. This responsibility includes:

(a) Act as the Approving Official for the BAF purchase card in accordance with reference (d)

(b) Coordinate with the NABSD Contracting Officer for all purchases over \$5,000.

4) Coordinate with Naval Station Newport Personnel Support Detachment (PSD), Marine Detachment Naval Station Newport (MARDET), and Defense Finance and Accounting Service (DFAS) to ensure automatic payroll deduction procedures are in order.

d. Financial control of BAF funds and assets. This responsibility includes:

1) Ensure the availability of funds for all procurement

2) Maintain the BAF checking account at Navy Federal Credit Union or other similar financial institutions

(a) Per reference (c), the BAF account shall be maintained in financial institutions that are U.S. federally insured or designated by the U.S. Treasury, and all funds shall be collateralized. Transactions and investments shall be limited to obligations of organizations or institutions that are sponsored, insured, or backed by a pledge of collateral by the U.S. government. The BAF shall be sufficiently liquid to meet requirements and earn a rate of return that preserves the value of funds invested. Cash and treasury management shall conform to the institutions, investments, procedures, and reporting requirements contained in enclosure (9) or reference (b).

3) Maintain the blank check stock.

(a) In order to implement strong internal controls, the person maintaining records and control of the blank check stock cannot be one of the check writers nor have check signature authority. Checks are sequentially pre-numbered and stored in a locked container with combination or key available only to the BAF Officer.

104. Assistant BAF Officer. The Assistant BAF Officer will be appointed by NAPS' Commanding Officer. The assistant's primary role is to allow for the proper separation of duties. The Assistant BAF Officer is responsible for the following:

- a. Manage the daily operations of BAF activities.
- b. Act as the custodian of cash and the current check book.

1) Per Volume 5 of reference (e), all personnel having custody of government funds must hold monies, checks, or negotiable instruments in a secure container.

- c. Act as the sole check writer and BAF check signature authority.

d. Act as the purchase card holder for purchases less than \$5,000 in accordance with reference (d).

105. Naval Academy Business Service Division's (NABSD) NAF Contracting Officer. The NABSD Contracting Officer will execute contracting procedures for purchases above \$5,000.

106. BAF Audit Officer. The BAF Audit Officer will be appointed by the Commanding Officer. The Audit Officer is responsible for the following:

a. Developing an audit plan to describe the nature and extent of audit procedures

b. Identify, in a Specific Control Evaluation (SCE), all reasonable controls to prevent or detect error or fraud; correct financial misstatements; and ensure the safeguarding of assets. The SCE includes:

- 1) Name of relevant process, i.e. collections or procurement
- 2) Name of account, i.e. fee revenue
- 3) Internal Control Objective
- 4) Internal Control Activity
- 5) Whether the control in place is effective

c. Execute internal audits

d. Submit a report to the Commanding Officer no later than 10 working days after the internal audit is complete.

CHAPTER 2

COLLECTION OF FUNDS ADMINISTRATION

201. Automatic Monthly Payroll Deductions. Automatic monthly payroll deductions will be made to satisfy the outstanding M/C balances. Automatic payroll deductions for Prior Marine Corps M/Cs will be processed through MARDET. All other M/C's automatic payroll deduction will be processed through PSD.

a. Automatic payroll deductions for direct entry and prior Navy midshipman candidates are processed as follows:

1. The BAF Officer will compile and submit to PSD the following:
  - a) Form dd0139 Pay Adjustment Authorizations
  - b) Summary of payroll deduction conveying the amount owed, paid, outstanding, and amount to be deducted each month per student.
2. DFAS will deduct the money from the M/C's pay, and issue a paycheck for the aggregated monthly deduction to NAPS BAF
3. The checks are routed to the Assistant BAF Officer for processing. The Assistant BAF Officer stamps "restrictive endorsement NAPS" on check
4. The Assistant BAF Officer creates a receipt and records the check amount in the accounting ledger. See Paragraph 402 of this instruction for accounting details
5. The Assistant BAF Officer delivers the carbon (yellow) copy receipt and the check stub to the BAF Officer
6. The BAF Officer will verify the amount recorded matches the receipt and the check stub; in addition, the BAF Officer verifies that the check amount matches the student account receivable for the month; and immediately takes action to correct any discrepancies
7. The BAF Officer ensures that the individual M/C accounts are updated.
8. The Assistant BAF Officer deposits the check and issues the deposit slip to the BAF Officer
9. The BAF Officer verifies the amount from the deposit slip equals the control total from the ledger and the receipt. Any discrepancies are investigated immediately
10. The BAF Officer files the deposit slip, receipt, and a copy of the associated check.

b. Automatic payroll deductions for prior Marine Corps midshipman candidates are processed as follows:

1. The BAF Officer will compile form dd0139s (Pay Adjustment Authorizations) for all prior Marine Corps midshipmen candidates, as well as

a payroll deduction summary, and submit them to MARDET NAVSTA Newport.

2. The prior Marine Corps deductions will be automatically deposited into the NAPS BAF checking account

3. The NAPS BAF Officer will account for the automatic deposit in the accounting ledger within 3 days of the deposit. See Paragraph 402 of this instruction for accounting details

202. Collection of Scholarship Money. The collection process will be administered by the BAF Officer and the Assistant BAF Officer. The proper segregation of duties will be put in place as follows:

a. Scholarship checks are received by the Assistant BAF Officer

b. Assistant BAF Officer completes a pre-numbered receipt and then fills out the scholarship receipt form in the accounting ledger. See paragraph 402 of this instruction for accounting details

c. Assistant BAF Officer stamps "restrictive endorsement NAPS" on checks

d. Assistant BAF Officer secures cash and checks in a safe.

1) Per reference (b), all cash receipts will be held in a safe. Bank deposits shall be made at a minimum frequency of twice per week. When the amount to be deposited is less than \$100.00, it is permitted to defer the deposit of such small amounts until the amount to be deposited reaches \$100.00.

e. The Assistant BAF Officer will prepare a list of scholarship payments with the following information:

1) Receipt number

2) Name of Scholarship Organization

3) Name of Recipient

4) Check amount

f. The Assistant BAF Officer delivers the list of scholarship payments, copy of check, any supporting documentation from the scholarship organization and the pre-numbered carbon copy receipts to the BAF Officer for each deposit made containing scholarship payments

g. The BAF Officer arranges the pre-numbered receipts in numerical order and ensures that all receipts are accounted for. Any discrepancies are investigated immediately

h. The BAF Officer calculates a control total from the receipt amounts

i. The BAF Officer verifies that the control total from the receipts equal the total amount on the list of scholarship payments, and the control total from the accounting ledger. Any discrepancies are investigated immediately

j. The BAF Officer directs the Assistant BAF Officer to make the deposit

k. The Assistant BAF Officer deposits the money

l. The Assistant BAF Officer delivers the deposit slip to the BAF Officer

m. The BAF Officer verifies that the total on the deposit slip matches the control totals from the receipts, list of payments, and the accounting ledger. Any discrepancies are investigated immediately

n. The BAF Officer files the deposit slip, associated carbon copy receipts, copies of scholarship checks and the list of payments.

203. Collections from Other Sources. The collection process will be administered by the BAF Officer, Assistant BAF Officer, and other authorized cashiers. The BAF Officer will coordinate with the activity coordinator to ensure proper collection procedures are carried out.

a. All cashiers must be authorized by the BAF Officer prior to collection.

b. Authorized cashiers collect money, complete and issue the original pre-numbered receipt to the payer, and record the collections in the accounting ledger. See paragraph 402 of this instruction for accounting details

c. When all collections have been made for the day, the cashiers separate the checks and cash, and calculate the total payments received.

d. The cashiers complete the applicable section of the Daily Activity Report (DAR); deliver the DARs to the Assistant BAF Officer; and deliver the carbon copy receipts and the summary sheet to the BAF Officer

e. The Assistant BAF Officer counts the money from each cashier, records the amounts on the applicable section of the DARs, and verifies the amounts recorded equal the totals recorded by the cashiers. Any discrepancies are reported to the BAF Officer immediately for investigation.

f. The Assistant BAF Officer transfers money into a secure safe

1) Per reference (b), all cash receipts will be held in a safe with combination and/or key only available to the Assistant BAF Officer. Bank deposits shall be made at a minimum frequency of twice per week. When the amount to be deposited is less than \$100.00, it is permitted to defer the deposit of such small amounts until the amount to be deposited reaches \$100.00.

g. The Assistant BAF Officer delivers the DARs to the BAF Officer.

h. The BAF Officer orders the pre-numbered receipts and ensures that all receipts are accounted for. Any discrepancies are investigated immediately.

i. The BAF Officer calculates the control total from the receipts and compares the amount the control total from the collection ledger. Any discrepancies are investigated immediately.

j. The BAF Officer records the receipt and ledger control total on the

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applicable section of the DAR and verifies that the amount recorded is equal to the amounts recorded by the cashiers and Assistant BAF Officer. Any discrepancies are investigated immediately.

k. The BAF officer directs the Assistant BAF Officer to deposit the money

l. The Assistant BAF Officer deposits the money and issues the deposit slip to the BAF Officer

m. The BAF Officer matches the amount from the deposit slip to the total amounts from the DARs. Any discrepancies are investigated immediately.

n. The BAF Officer files the deposit slip, DARs, and associated receipts.

#### 204. Drop on Request (DOR) Receipts.

a. The BAF Officer calculates the DOR receipt amount, and enters the information into the accounting ledgers. Refer to 5.c. for instructions on how to calculate the DOR receipt amount, and paragraph 402 of this instruction for accounting details.

b. The M/C delivers payment to the Assistant BAF Officer.

c. The Assistant BAF Officer creates a pre-numbered receipt and enters the receipt information into the accounting ledger. See paragraph 402 of this instruction for accounting details

d. The Assistant BAF Officer hands the original (white) copy of the receipt to the M/C

e. The Assistant BAF Officer transfers money into a secure safe

1) Per reference (b), all cash receipts will be held in a safe with combination and/or key only available to the Assistant BAF Officer. Bank deposits shall be made at a minimum frequency of twice per week. When the amount to be deposited is less than \$100.00, it is permitted to defer the deposit of such small amounts until the amount to be deposited reaches \$100.00.

f. The Assistant BAF Officer deposits the money.

g. The Assistant BAF Officer delivers the deposit slip and the associated receipt(s) to the BAF Officer

h. The BAF Officer files the deposit slip and the associated receipts.

i. The BAF Officer coordinates with NAVSTA Newport PSD or the NAVSTA Newport MARDET to end any automatic payroll deductions for Prior Navy and Marine Corps personnel.

#### 205. Returned Checks

a. Any checks returned from financial institutions shall be routed to the BAF Officer.

b. The BAF Officer records the returned check and associated fee in the accounting ledger. See paragraph 402 of this instruction for accounting details

c. The Assistant BAF Officer delivers the returned check and bank notice to the BAF Officer.

d. The BAF Officer will notify the payee and that they are required to re-issue a check, and are liable for any returned check fees.

e. The payee delivers check amount, including reimbursement for the incurred bank fee, to the Assistant BAF Officer.

f. The Assistant BAF Officer prepares a pre-numbered receipt and issues the original (white) copy to the payee.

g. The Assistant BAF Officer enters the receipt in the accounting ledger. See paragraph 402 of this instruction for accounting details

h. Assistant BAF Officer stamps "restrictive endorsement NAPS" on checks

i. Assistant BAF Officer secures cash and checks in a safe.

1) Per reference (b), all cash receipts will be held in a safe. Bank deposits shall be made at a minimum frequency of twice per week. When the amount to be deposited is less than \$100.00, it is permitted to defer the deposit of such small amounts until the amount to be deposited reaches \$100.00.

j. The Assistant BAF Officer delivers the pre-numbered carbon copy receipt to the BAF Officer

k. The BAF Officer directs the Assistant BAF Officer to make the deposit

l. The Assistant BAF Officer deposits the money

m. The Assistant BAF Officer delivers the deposit slip to the BAF Officer

n. The BAF Officer verifies that the total on the deposit slip matches the receipt and the accounting ledger. Any discrepancies are investigated immediately

o. The BAF Officer files the deposit slip and associated carbon copy receipts.

#### 206. Uncollectable Debt Procedures

a. Prompt, efficient action to collect M/C fees shall be taken through available voluntary and involuntary means.

b. Per reference (b), bad debts will be written off only for those debtors for whom involuntary pay deduction is not effective or authorized, such as persons separated from the service, absentees, deserters, or non-service members. For separating M/Cs, every effort will be made to collect any pending BAF indebtedness prior to their completing the official check-out

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process. Write-offs can only be approved after all other collection efforts have been exhausted.

c. Once an account begins the collection process, NAPS BAF has 180 day to collect the amount owed.

1) Each month there is an account in collection status, an aged account receivable report will be produced identifying 30/60/90 day outstanding accounts.

2) Once the account has been in 180 days of the bad-debt collection process, a request will be sent to the Director, NABSD to write-off the account. The Director, NABSD will state whether or not to continue the collection process after the account has been written off.

CHAPTER 3

PROCUREMENT AND FUND DISBURSMENT ADMINISTRATION

301. Purchases Less Than \$5,000.00 - Purchase Card Payment. The BAF purchase card shall be used for purchases below the \$5,000.00 NAF micro-purchase threshold. Purchase card procedures will be executed by the BAF Officer and the Assistant BAF Officer in accordance with reference (e). The proper segregation of duties will be put in place as follows:

- a. The requestor fills out the BAF Material and Service Request
- b. The requestor delivers an estimate with the BAF Material and Service Request to their Department Head for approval
- c. The Department Head verifies the need of the purchase and evaluates the quality, quantity, cost, effectiveness, and usefulness of the product or service
- d. The Department Head approves the request by signing and clearly writing his/her name on the BAF Material and Service Request Form
- e. The BAF Officer receives the estimate and the signed Material and Service Request
- f. If the request is for a re-occurring budget item, the BAF Officer ensures the availability of funds. If the purchase is over the budgeted amount, the BAF Officer routes the request to the CO
- g. If the request is for a non-reoccurring, unbudgeted, or an unusual purchase, the BAF Officer checks for the availability of funds and routes the request to the CO
- h. The BAF Officer prepares a purchase card authorization package which consists of:
  - 1) Procurement Authorization Worksheet
  - 2) BAF Material and Service Request
  - 3) Estimate
- i. The BAF Officer completes and signs the Procurement Authorization Worksheet to authorize the use of the purchase card
- j. The BAF Officer delivers the purchase card authorization package to the Assistant BAF Officer
- k. The Assistant BAF Officer places the order with the vendor and acts in full compliance with reference (e)
  - l. The Assistant BAF Officer enters the order information on the Purchase Card Order Form in the accounting system
- m. The goods or services are received by the NAPS Administration/Supply department or the requestor

n. Upon the receipt of the shipment or service, the Assistant BAF Officer will prepare a receiving report. The receiving report must contain the following:

- 1) Name receiving person
- 2) Signature of receiver
- 3) Date received
- 4) Whether shipment or service is accepted
- 5) Name of requesting department representative
- 6) Signature of requesting department representative

o. The Assistant BAF Officer has the receiving individual sign and date the receiving report

p. The Assistant BAF Officer and the requesting department inspect shipment or services to ensure goods conform to the actual order in accordance with reference (c) and (e)

q. If shipment or service does not conform to the actual order, the Assistant BAF Officer shall act in accordance with references (c) and (e)

r. Upon acceptance, the shipment is transferred to the requesting department

s. The requesting department countersigns and dates the receiving report and the packing slip when goods are delivered to the respective department

t. The Assistant BAF Officer receives an invoice from the vendor

u. The assistant BAF and BAF Officer will perform and complete purchase card billing cycle procedures, maintain purchase card files, and issue timely payment in accordance with reference (e)

v. In accordance with reference (e), the Assistant BAF Officer files all relevant purchase card documents for three years. These include:

- 1) BAF Material and Service Request
- 2) Estimate
- 3) Procurement Authorization Worksheet
- 4) Invoice
- 5) Shipping documentation
- 6) Receiving Report

w. NABSB sends an invoice to the BAF Officer for the total billing cycle payments made to the purchase card company

x. The BAF Officer prepares and signs a disbursement authorization voucher to authorize the disbursement of funds

y. The BAF Officer delivers the original (white) disbursement voucher and a copy of the invoice to the Assistant BAF Officer; and files the carbon copy disbursement voucher and a copy of the relevant purchase card documents to track unpaid vouchers

z. The Assistant BAF Officer prepares and makes a copy of the check; and mails the check and a copy of the invoice to NABSD via certified mail

1) If a check becomes invalid, the Assistant BAF Officer shall mutilate the check by cutting off the signature area and stamping "VOID" in the "amount" space.

aa. The Assistant BAF Officer stamps "paid" on the disbursement voucher

bb. The Assistant BAF Officer attaches and delivers to the BAF Officer the copy of the check and the Disbursement Voucher

cc. The BAF Officer enters the disbursement information into the Disbursement Form in the accounting system and completes the applicable accounting section on the original disbursement voucher. See paragraph 402 of this instruction for accounting details.

dd. The BAF Officer attaches the original and completed voucher to the relevant purchase documents, and in accordance with reference (e), files all relevant purchase card documents for six years.

302. Purchases below the \$5,000-Check Payment. Payment by check is authorized, when deemed appropriate by the BAF Officer, for purchases below the \$5,000.00 NAF micro-purchase threshold. Purchasing procedures will be executed by the BAF Officer and the Assistant BAF Officer in accordance with reference (c). The proper segregation of duties will be put in place as follows:

a. The requestor fills out the BAF Material and Service Request

b. The requestor delivers an estimate along with the BAF Material and Service Request to their Department Head for approval

c. The Department Head verifies the need of the purchase and evaluates the quality, quantity, cost, effectiveness, and usefulness of the product or service

d. The Department Head approves the request by signing and clearly writing his/her name on the BAF Material and Service Request Form

e. The BAF Officer receives the estimate and the signed Material and Service Request

f. If the request is for a re-occurring budget item, the BAF Officer ensures the availability of funds. If the purchase is over the budgeted amount, the BAF Officer routes the request to the CO

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g. If the request is for a non-reoccurring, unbudgeted, or an unusual purchase, the BAF Officer checks for the availability of funds and routes the request to the CO

h. If the request is approved, the purchase is made by an authorized BAF agent

i. The goods or services are received by the NAPS Administration/Supply Department or the requestor

j. Upon the receipt of the shipment or service, the Assistant BAF Officer will prepare a receiving report. The receiving report must contain the following:

- 1) Name receiving person
- 2) Signature of receiver
- 3) Date received
- 4) Whether shipment or service is accepted
- 5) Name of requesting department representative
- 6) Signature of requesting department representative

k. The Assistant BAF Officer has the receiving individual sign and date the receiving report

l. The Assistant BAF Officer and the requesting department inspect shipment or services to ensure goods conform to the actual order in accordance with reference (c)

m. If shipment or service does not conform to the actual order, the Assistant BAF Officer shall act in accordance with references (c)

n. Upon acceptance, the shipment is transferred to the requesting department

o. The requesting department countersigns and dates the receiving report and the packing slip when goods are delivered to the respective department

p. The Assistant BAF Officer delivers the receiving report to the BAF Officer to submit into the file

q. The BAF Officer receives invoice from vendor

r. The BAF Officer prepares and signs a disbursement voucher to authorize the disbursement of funds

s. The BAF Officer delivers the original (white) disbursement voucher and a copy of the invoice to the Assistant BAF Officer; and files the carbon copy disbursement voucher to track unpaid vouchers

t. The Assistant BAF Officer prepares and makes a copy of the check; and mails the check and the copy of the invoice to the vendor via certified mail

1) If a check becomes invalid, the Assistant BAF Officer shall mutilate the check by cutting off the signature area and stamping "VOID" in the "amount" space.

u. The Assistant BAF Officer stamps "paid" on the disbursement voucher

v. The Assistant BAF Officer attaches and delivers to the BAF Officer the copy of the check and the disbursement voucher.

w. The BAF Officer enters the disbursement information into the Disbursement Form in the accounting system and completes the applicable accounting section on the original disbursement voucher. See paragraph 402 of this instruction for accounting details.

x. The BAF Officer files the purchase documents. These include:

- 1) BAF Material and Service Request
- 2) Disbursement Voucher
- 3) Copy of check
- 4) Estimate
- 5) Purchase order
- 6) Invoice
- 7) Shipping documents
- 8) Receiving report

303. Purchases above \$5,000. The BAF officer will route the requested purchases to the NABSD NAF Contracting Officer. Contracting procedures will be executed in accordance with reference (c). The proper segregation of duties will be put in place as follows:

a. The requesting activity will determine which supplies or services most adequately meet its needs and must clearly define those supplies or services on the purchase request/worksheet

1) Specifications, purchase descriptions, and statements of work will be as precise as possible without unduly restricting competition

2) Where technical specifications are required, assistance may be obtained from the contracting office or contracting personnel.

b. The requestor delivers a requirements document or 3 quotes with the BAF Material and Service Request to their department head for approval. If only 1 quote is provided, a sole source justification shall be submitted, as well

c. The Department Head verifies the need of the purchase and evaluates the quality, quantity, cost, effectiveness, and usefulness of the product or service

d. The Department Head approves the request by signing and clearly writing his/her name on the BAF Material and Service Request Form

e. The BAF Officer receives the signed Material and Service Request, requirements document or 3 quotes, and if applicable, a sole source justification

f. If the purchase is for a re-occurring budget item, the BAF Officer ensures the availability of funds. If the purchase is over the budgeted amount, the BAF Officer routes the request to the CO

g. If the request is for a non-reoccurring, unbudgeted, or an unusual purchase, the BAF Officer checks for the availability of funds and routes the request to the CO

h. The BAF Officer completes and routes the NABSD Procurement Authorization Worksheet to the CO for signature approval

i. The BAF Officer submits the procurement package to the NABSD Contracting Officer. The procurement package consists of the following:

- 1) Requirements document or three quotes
- 2) Sole source justification (if applicable)
- 3) NABSD Procurement Authorization Worksheet
- 4) BAF Purchase Request

j. NABSD prepares a Purchase Order or other contracting source and sends the completed document to NAPS. The NAPS BAF Officer forwards the purchasing document to the vendor.

k. The goods or services are received by the NAPS Administration/Supply Department or the requestor

l. Upon the receipt of the shipment or service, the Assistant BAF Officer will prepare a receiving report. The receiving report must contain the following:

- 1) Name receiving person
- 2) Signature of receiver
- 3) Date received
- 4) Whether shipment or service is accepted
- 5) Name of requesting department representative
- 6) Signature of requesting department representative

m. The Assistant BAF Officer has the receiving individual sign and date the receiving report

n. The Assistant BAF Officer and the requesting department inspect

shipment or services to ensure goods conform to the actual order in accordance with reference (c)

o. If shipment or service does not conform to the actual order, the Assistant BAF Officer shall act in accordance with references (c)

p. Upon acceptance, the shipment is transferred to the requesting department

q. The requesting department countersigns and dates the receiving report and the packing slip when goods are delivered to the respective department

r. The Assistant BAF Officer delivers the receiving report to the BAF Officer and files to track unpaid shipments

s. The BAF Officer receives invoice from NABSD

t. The BAF Officer prepares and signs a disbursement voucher to authorize the disbursement of funds

u. The BAF Officer delivers the original (white) disbursement voucher and a copy of the invoice to the Assistant BAF Officer; and files the carbon copy (yellow) disbursement voucher to track unpaid vouchers

v. The Assistant BAF Officer prepares and makes a copy of the check; and mails the check and copy of the invoice to NABSD via certified mail

1) If a check becomes invalid, the Assistant BAF Officer shall mutilate the check by cutting off the signature area and stamping "VOID" in the "amount" space.

w. The Assistant BAF Officer stamps "paid" on the disbursement voucher

x. The Assistant BAF Officer attaches and delivers to the BAF Officer the copy of the check and the disbursement voucher.

y. The BAF Officer enters the disbursement information into the Disbursement Form in the accounting system and completes the applicable accounting section on the original disbursement voucher. See paragraph 402 of this instruction for accounting details.

z. The BAF Officer files the purchase documents. These include:

- 1) NABSD Purchase Request
- 2) BAF Material and Service Request
- 3) Sole Source Justification (if applicable)
- 4) Original (white) Disbursement Voucher
- 5) Copy of check
- 6) Requirements document or three original quotes
- 7) Invoice

8) Shipping documents

9) Receiving Report

304. Drop on Request (DOR) Disbursement.

a. The BAF Officer calculates the DOR disbursement amount, and enters the pending DOR information into the accounting system. See paragraph 402 of this instruction for accounting details, and refer to 5.c. for instructions on how to calculate the DOR disbursement amount.

b. The BAF Officer completes a disbursement voucher for the disbursement amount

c. The BAF Officer delivers the original (white) disbursement voucher to the assistant BAF Officer and files the carbon copy (yellow) disbursement voucher to track unpaid vouchers

d. The Assistant BAF Officer prepares and makes a copy of the check; and hands the check to the M/C

1) If a check becomes invalid, the Assistant BAF Officer shall mutilate the check by cutting off the signature area and stamping "VOID" in the "amount" space

e. The Assistant BAF Officer stamps "paid" on the disbursement voucher

f. The Assistant BAF Officer attaches and delivers to the BAF Officer the copy of the check and the disbursement voucher

g. The BAF Officer enters the DOR Disbursement information into the Disbursement Form in the accounting system and completes the applicable accounting section on the original disbursement voucher. See paragraph 402 of this instruction for accounting details.

h. The BAF Officer coordinates with NAVSTA Newport PSD or MARDET to ensure automatic payroll deductions are discontinued for any prior Navy or Marine Corps M/Cs that are dropping from the battalion.

## CHAPTER 4

## ACCOUNTING

401. Accounting Principles. Per reference (b), the BAF accounting system shall comply with generally-accepted accounting principles in accordance with accounting standards promulgated by the Financial Accounting Standards board. Accounting records shall provide the detail necessary to report and adequately support the funding categories, activities, and income and expense data as prescribed by enclosure 8 of reference (d). BAF accounting shall be transparent and fully disclosed.

402. Journal Entries. BAF accounting systems shall comply with the uniform chart of accounts established in Volume 13 of reference (f). The following journal entries portray the proper accounting treatment for the most common BAF transactions. For guidance on additional transactions, refer to Volume 13 of reference (f).

## a. Collection of M/C fees:

- 1) Fees collected on I-Day
  - \* Dr-Cash 1110
  - \* Cr-Unearned Revenue 2390
- 2) Fees not collected on I-Day
  - \* Dr-Accounts Receivable 1210
  - \* Cr-Unearned revenue 2390
- 3) Collection of fees throughout the year
  - \* Dr-Cash 1110
  - \* Cr-Accounts Receivable 1210

## b. Collections from other sources

- 1) Payment received
  - \* Dr-Cash 1110
  - \* Cr-Unearned Revenue 2390

## c. Deposited funds

- 1) Funds deposited into a checking account
  - \* Dr-Cash U.S. Checking 1111
  - \* Cr-Cash 1110
- 2) Funds deposited into money market account
  - \* Dr-Savings Account 1120
  - \* Cr-Cash 1110
- 3) Returned checks
  - \* Dr-Bank Service Charge Expense (if applicable) 5350
  - \* Dr-Returned Check Receivable 1240
  - \* Cr-Cash U.S. Checking 1111
  - \* Cr-Returned Check Fee (if applicable) 4210
- 4) Deposit of reimbursement for returned checks
  - \* Dr-Cash U.S. Checking 1111
  - \* Cr-Returned Check Receivable 1240

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## d. Interest and dividend income from financial institution

- 1) Dividend from checking account
  - \* Dr-Cash U.S. Checking 1111
  - \* Cr-Unearned Revenue 2390
- 2) Interest from money market account
  - \* Dr-Savings Account 1120
  - \* Cr-Interest Income 4190

## e. Merchant bank fees

- 1) When the fee is charged to bank account
  - \* Dr-Credit Card Expense
  - \* Cr-Cash U.S. Checking 1111

## f. Procurement benefiting current academic class

- 1) Receipt and acceptance of goods and services
  - \* Dr-Expense 5000-7300
  - \* Dr-Unearned Revenue 2390
  - \* Cr-Accounts payable 2100
  - \* Cr-Participation Fees and Charges 4020
- 2) Invoice received and payment sent
  - \* Dr-Accounts Payable 2100
  - \* Cr-Cash 1110

## g. Procurement not benefiting current academic class

- 1) Receipt and acceptance of goods and services
  - \* Dr-Expense 5000-7300
  - \* Cr-Accounts Payable 2390
- 2) Invoice received and payment sent
  - \* Dr-Accounts Payable 2100
  - \* Cr-Cash 1110

## h. M/C Voluntary or Involuntary Disenrollment

1) DOR collection-total per M/C expense is more than M/C actually contributed.

(a) When actual amount to be collected is established:

- \* Dr-Unearned Revenue 2390 (Difference of BAF Fee and relevant expense per M/C at date M/C is removed from the battalion.)
- \* Dr-Accounts Receivable 1210 (Difference of relevant expense per M/C at date M/C is removed from the battalion and total payments made.)
- \* Cr-Accounts Receivable 1210 (Difference of \$BAF Fee and total payments made)

(b) When collection is made:

- \* Dr-Cash 1110
- \* Cr-Accounts Receivable 1210 (Difference of relevant expense per M/C at date M/C is removed from the battalion and total payments made.)

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2) DOR payment-M/C paid more than the total per M/C expense AND paid full discounted amount on I-Day.

(a) When actual amount to be paid is established:

\* Dr-Unearned Revenue 2390  
\* Cr-Accounts Payable 2100 (Difference of discounted BAF fee and relevant expense per M/C at date M/C is removed from the battalion.)

(b) When payment is made:

\* Dr-Accounts payable 2100  
\* Cr-Cash 1110

3) DOR payment - M/C paid more than the total per M/C expense AND did not pay in full on I-Day.

(a) When actual amount to be paid is established:

\* Dr-Unearned Revenue 2390 (Difference of BAF fee and relevant expense per M/C at date M/C is removed from the battalion.)  
\* Cr-Accounts Receivable 1210 (Difference of BAF fee and total payments made.)

\* Cr-Accounts Payable 2100 (Difference of total payments made and relevant expense per M/C at date M/C is removed from the battalion.)

(b) When payment is made:

\* Dr-Accounts Payable 2100  
\* Cr-Cash 1110

i. End of the year reimbursement

1) When actual amount to be paid is established:

\* Dr-Unearned Revenue 2390  
\* Cr-Accounts Payable 2100 (Remaining unearned revenue balance at end of academic year.)

2) When payment is made:

\* Dr-Accounts Payable 2100  
\* Cr-Cash 1110

## CHAPTER 5

## MONTHLY PROCEDURES

501. Purchase Card Procedures. The BAF Officer and the Assistant BAF Officer shall conduct purchase card end of billing cycle procedures in accordance with reference (e) and will ensure timely payment of the BAF purchase card balance.

502. Bank Reconciliation. The BAF Officer shall perform monthly bank reconciliations. The result of the bank reconciliation is the actual cash on-hand at the end of the current month. Actual cash on-hand is calculated as follows:

- a. Current month-end book balance
- b. Less from the bank statement as of month-end: checks returned; check returned fees; and merchant bank fees
- c. Add from the bank statement as of month-end: dividends and interest
- d. Equals: adjusted book balance
- e. Current month-end bank balance
- f. Less: outstanding checks; and deposits in transit
- g. Equals: adjusted bank balance
- h. Adjusted book balance and adjusted bank balance should equal.

503. Control Audit of Pre-numbered Documents. The BAF Officer shall perform a monthly control audit on all receipts, vouchers, and checks. The BAF Officer shall compare the audit results to the receipt, disbursement, voided receipts, voided vouchers, and voided checks subsidiary ledgers to identify any discrepancies.

504. Account Balances. The BAF Officer shall, on a monthly basis, reconcile general ledger control account balances with and all subsidiary accounts to substantiate and maintain the accuracy of accounting postings and balances. In accordance with reference (f), reconciliations shall be performed on receivables, payables, receipts, disbursements and unearned revenue.

505. Monthly Financial Statements. The BAF Officer shall compile monthly financial statements to summarize the results of the reconciliation.

506. Performance Comparisons. The BAF Officer shall compare actual performance to budgeted amounts and action taken to correct unfavorable variances in accordance with reference (b).

CHAPTER 6

YEARLY PROCEDURES

601. Planning, Programming, and Budgeting

a. The BAF budgets shall be submitted annually to provide financial data to the CO via the XO for management decision making. The following budgets for the next Fiscal Year shall be prepared and submitted by June 15th of each year:

1) Operating Budget. The operating budgets shall project BAF income and BAF expenses

2) Cash Budgets. The cash budgets shall show the existing BAF cash resources (cash and investments), anticipated receipts and disbursements, and forecast cash balances.

b. The NAPS BAF shall submit all required budgets via the chain of command to the USNA Comptroller and the Deputy for Finance for review and approval by June 30th of each year in accordance with reference (c).

602. Financial Reporting. The BAF financial reports shall be submitted to the Superintendent via the chain of command within 60 days following the close of the fiscal year in accordance with reference (c).

a. The Fiscal Year (FY) for the BAF begins on 1 October and ends the following year on 30 September.

b. The following financial statements shall be submitted:

1) Balance Sheet

2) Statement of income and expense

603. Annual Treasury Report. The BAF Officer shall provide USNA with monthly cash balances for all applicable months during the relevant fiscal year as well as the average yearly interest rate for any bank accounts servicing the NAPS BAF.

604. Internal Audit. The BAF Audit Officer shall conduct a yearly audit no later than 30 days from the close of the fiscal year; or when directed by the Commanding Officer, or relief of the BAF Officer.

a. Audit Objectives

1) Assess financial reporting reliability

2) Assess effectiveness of internal controls

3) Assess BAF's level of compliance to applicable laws, regulations and higher level instructions.

4) Assist with the prevention and detection of fraud, misuse and waste

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b. Nature and Extent of Internal Audit. Test of controls and test of details will be performed on 100% of the transactions and account balances during the relevant fiscal year. The BAF Audit Officer will perform the following:

1) Test of Controls to obtain reasonable assurance that internal controls are operating in an effective and sufficient manner. For all controls identified, the Audit Officer shall obtain evidence regarding:

(a) How controls were applied

(b) The consistency with which controls were applied

(c) By whom the controls were applied

2) Test of Details to verify that all account balances are supported by legitimate transactions. The Audit Officer validates the amounts recorded in the financial statements by vouching control totals for the relevant account balance in the general ledger, associated subsidiary ledger, and relevant source documents.

3) Test of Details to verify that individual transactions were accounted for properly and completely. The Audit Officer calculates control totals from relevant source documents and traces the control total to the subsidiary ledger, general ledger, and the amount reported on the financial statements to verify accuracy of reported number.

4) Review of higher level laws, regulations, or instructions to ensure BAF is operating within compliance of such guidance.