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CHAPTER 1

GOVERNANCE AND STRUCTURES

ORGANIZATION, FINANCIAL, AND ACCOUNTING RESPONSIBILITIES

1. The overall financial responsibility for Non-Public Property (NPP) operations is vested in the Chief of the Defence Staff (CDS) through Sections 2 and 38 to 41 of the National Defence Act (NDA).
2. As per 7331-1 (DGMWS/CFO) Chief of the Defence Staff Delegation of Authorities for Financial Administration of Non-Public Property- Dated 1 May 2010, delegation of financial and operating authorities for NPP flows from the CDS through the Managing Director of NPP to Commanding Officers of Bases, HMC Ships and Naval Reserve Divisions.

OPERATING AUTHORITY

3. Overall operating authority for the administration and management of NPP is delegated by the CDS to the Director General Morale and Welfare Services (DGMWS) as the Managing Director of NPP, including the authorities to:
 - a. create and implement an NPP accountability framework that both safeguards and ensures the effective and efficient use of NPP;
 - b. create and implement strategic and business plans ensuring NPP resources support the operational readiness and effectiveness of CF members and fulfill the objectives of the CDS Guidance, Canadian Forces Morale and Welfare Programs;
 - c. approve NPP capital and operations and maintenance (O&M) projects;
and
 - d. maintain and amend the CDS Delegation of Authorities for Financial Administration of Non-Public Property.
4. The authority for administration of policies and implementation of NPP programs for the RCN is vested in the RCN Comptroller (RCN Compt). As such, the Naval Staff Finance Services (NS Fin Svcs), within the RCN Compt, promulgates policies and directives for all aspects of RCN NPP operations.

PUBLIC SUPPORT TO MORALE AND WELFARE (MW)

5. The Chief of Military Personnel (CMP) is designated by the CDS as responsible for:

- a. determining the level of Public support for NPP Morale and Welfare (MW) programs and services when supported jointly from NPP and Public resources; and
- b. ensuring that Public funding requirements in support of MW activities are addressed through the appropriate business planning process.

NAVAL NON-PUBLIC PROPERTY MANUAL

6. The Naval Non-Public Property Manual (NNPPM) is intended for the use of all personnel responsible for the establishment, maintenance and accounting of Exchanges, Canteens, Ship's Funds, and Messes in HMC Ships, Submarines, and Naval Reserve Divisions (NRDs).

APPLICABILITY

7. This manual is to be used in conjunction with related orders including QR&Os, CFAOs, DAODs, FAMs, A-AD-262, A-PS-110, A-FN-105, MARCORDs, Ships' Standing Orders and related Formation, Maritime Operational Groups (MOG) and Fleet orders and directives

8. Throughout this manual (unless specified otherwise), the term "Ship" refers to all HMC Ships, Submarines and NRDs.

9. The term "Non Self-Accounting Unit" refers to Submarines, Maritime Coastal Defence Vessels (MCDV), and other auxiliary vessels supported by the MOGs.

10. The term "Logistics Officer (Log O)" shall be synonymous with the following:

- a. for non self-accounting units: MOG Log O;
- b. for NRDs: NPPAO; and
- c. for all other units: the Ship's Logistics Officer.

RESPONSIBILITIES OF COMMANDING OFFICER (CO)

11. The CO shall exercise financial authority as per the [CDS Delegation of Authorities for Financial Administration of NPP](#) in concert with the restrictions set out in this manual.

12. COs shall be responsible for all aspects of NPP operations in HMC Ships.

RESPONSIBILITIES OF THE EXECUTIVE OFFICER (XO)

13. In non self-accounting units, the XO shall perform the duties of the Ship's Log O with direction provided from the MOG Log O.

RESPONSIBILITIES OF THE LOGISTICS OFFICER (Log O)

14. The Log O is responsible to the Commanding Officer for the effective management of all NPP operations and will ensure the accurate and prompt recording of all NPP financial transactions. For NRDs, it is best practice to have a Logistics Officer by trade in the position of NPPAO. In the event that it is not practical to have a Logistics Officer as NPPAO, approval must be obtained in writing by NAVRESHQ Compt. This position is responsible for:

- a. providing accounting control over all assets and liabilities;
- b. setting the selling price of inventory items, making purchase decisions and setting the level of capital;
- c. promulgating control measures ensuring that NPP are properly received, safeguarded, controlled and disbursed through the proper delegation of duties; and
- d. providing management information and advice on NPP operations to the CO, the Messes and the Ship's Fund Committee.

RESPONSIBILITIES OF THE NPP MANAGER/ SENIOR STEWARD

15. The NPP Manager is responsible to the Log O for:

- a. overseeing unit NPP operations and supervising the retail activities of the Exchange;
- b. fulfilling the functions of NPP Bookkeeper and NPP Cashier as directed by the Log O;
- c. enforcing internal control measures for the safety and security of imprest accounts and unit related NPP holdings;
- d. managing the cash flow of the NPP operations;
- e. managing and supervising NPP employees;
- f. hastening accounts receivable and timely settlement of accounts payable;
- g. reconciling the bank account statement monthly for submission to Log O;
- h. issuing authorized imprests; and

- i. overseeing NPP bartender mandatory training.

RESPONSIBILITIES OF THE EXCHANGE MANAGER

16. The Exchange Manager shall be responsible to the NPP Manager for:
 - a. managing the Ship's Exchange retail activities;
 - b. purchasing the Ship's Exchange stock as approved by the Log O;
 - c. managing the inventory holdings of the ship's exchange, until such time that the stock is transferred to the Canteen, Messes or other NPP entities;
 - d. securing all warehouse stock and cash from sales that has not been transferred to the NPP Manager;
 - e. supervising all Canteen Servers;
 - f. remitting all vouchers to the NPP Bookkeeper for posting to Simply Accounting every week (as a minimum);
 - g. transferring all cash on hand to the NPP Manager on a weekly basis or when the amount of cash held exceeds the applicable level of security for the available storage; and
 - h. issuing all stock to authorized NPP entities.

Note: The sales transaction document (invoice generated by Simply Accounting) provided to all messes and Canteens shall be legible and contain the printed name and signature of the Exchange Manager and the Bartender or Canteen Server receiving the stock. This document eliminates the requirement to complete a CF 602 for Exchange sales. Credit sales between entities will not take place under any circumstances.

17. The Exchange Manager shall be directly responsible to the Log O for:
 - a. providing advice regarding appropriate Exchange inventory levels and the Exchange purchasing strategy; and
 - b. pricing of Exchange inventory for approval and ensuring that each retail outlet prominently displays a retail price list;
18. When, in exceptional circumstances, with higher command authority, it is found necessary to employ the Exchange Manager as a part time retail server, he/she shall be solely responsible for stock in the retail outlet at selling price. If the Exchange Manager

is employed as a part time retail server, he/she shall not receive any remuneration. In order to ensure proper segregation of duties and protect against possible/perceived conflict of interest situations, the Exchange Manager shall not be the NPP Bookkeeper or NPP Cashier.

RESPONSIBILITIES OF THE NPP BOOKKEEPER/CASHIER

19. NPP bookkeeping responsibilities normally belong to the Senior Steward (with the exception of NRDs). The Log O may assign these duties to an Assistant LogO for training purposes. In NRDs, the NPP Cashier's responsibilities can be delegated to other personnel at the Log O's discretion.

20. It is imperative that, to whatever level these responsibilities are delegated, clear terms of reference are provided in writing and understood by the individual concerned. At a minimum, the terms of reference for an NPP Cashier and Bookkeeper provided at Figures 7 and 8 respectively shall be followed. Incumbents will formally acknowledge their duties and a signed copy of the acknowledgement will be held on file. Examples of employment contracts can be seen in Figures 9-14.

CDS DELEGATION OF AUTHORITIES (DOA)

21. The [CDS Delegation of Authority Document](#) identifies those positions whose incumbents are authorized to make NPP financial commitments and enter into contracts, to approve invoices and other obligations for payment through the certification of receipt of goods and services, and to requisition payments or make payments.

22. As per Table 5 – Local NPP, contained within the CDS DOA document (Figure 2), the delegated authority for procurement of O&M in major war vessels and NRDs is the CO and in minor war vessels it is MOG Log O. This authority is validated by completing the form at Figure 5.

23. In order to effectively manage day-to-day requirements, the CO may delegate his Procurement of NPP O&M authority to the Log O, up to a max of \$10,000. This delegation is to be done using Figure 3 and incumbent acceptance under Figure 4. This authority cannot be re-delegated by the LogO to subordinates.

24. NPP forms are to be retained on file by the NPP Manager for a period of 6 years.

25. Commanding Officers may delegate Standing Financial Authorities in order to assist in administering their NPP responsibilities. All authorities must have taken the requisite training as detailed in Para 27. The list of Standing Financial Authorities shall be held by the NPP Manager and info copies sent to FCompt inspectors.

26. Adherence to policy is subject to Logistics Readiness Inspections by appropriate Formation Commands.

NON-PUBLIC PROPERTY CERTIFICATION COURSES

27. The Non-Public Property Board has mandated the implementation of a broad educational and training package to ensure that Commanding Officers and delegated personnel are appropriately trained to assume the responsibilities of overseeing and managing NPP operations.

28. The *Fundamentals of NPP* course provides the overarching NPP awareness upon which the Managing Director of NPP will grant delegated signing authority to COs. Officers appointed to the following Command positions are mandated to complete this course:

- a. Commanding Officers;
- b. Fleet Commanders;
- c. Formation Commanders;
- d. Base Commanders; and
- e. Logistics Officers serving as Head of Department onboard HMC Ships.

29. The *NPP Financial Delegated Authorities and Contracting* course provides individuals with the essential knowledge of NPP without delving into the fundamentals that senior NPP decision makers require. Personnel in the following positions shall complete the course:

- a. NPP Managers;
- b. NPP Bookkeepers;
- c. Exchange Managers; and
- d. Executive Officers.

30. Internal employees such as Sports Representatives, Library Representatives, Mess Appointments, and Canteen Servers are not required to complete the above courses as their expenditure approval falls under those of the NPP Manager.

31. These courses are available via DWAN at <http://ecourse.mil.ca/ecourse/user> and via the internet at <http://www.ecourse.forces.gc.ca/ecourse/user>. Upon completion, the completed course numbers will appear on the Member's Personnel Records Resume (MPRR).

CONTRACTING FOR NON PUBLIC PROPERTY

32. NPP contracting objectives shall reflect the values and ethics of the Government of Canada. They shall be consistent with the regulations and policies governing contracting in the public sector, while respecting and being responsive to the unique nature and requirements of shipboard NPP.

33. The purchase of stock for resale for the Ship's Exchange is not required to be competitively tendered. However, efforts shall be made to find the best value for the Ship's Exchange purchase of goods.

34. Purchases of goods and equipment other than for resale should be competitively tendered utilizing the public policies governing contracting.

35. Personnel involved in the contracting process on behalf of shipboard NPP shall not derive any personal benefit of any kind, either directly or indirectly, from their participation in the contracting process.

36. Contracting for services, such as a D.J., is to be treated in the same manner as tendering for goods. The service contract at Figure 41 is to be used in all circumstances where a service is required and subsequently contracted.

REQUIREMENTS TO ACQUIRE GOODS FROM CANEX

37. CANEX has considerable expertise in contracting for goods from the private sector and in obtaining the best value for the NPP dollar.

38. Accordingly, whenever practicable, NPP programs and activities should obtain goods not intended for resale by messes and other NPP organizations through CANEX.

VERIFICATION OF THE NPP OPERATION

39. Verification of NPP activities shall be carried out on the following occasions:
- a. by the incoming Log O on supersession of Log Os (formal);
 - b. by the Formation Comptroller (FCompt) on submission of the annual financial statements or during FCompt/ NAVRES HQ inspections;
 - c. by MOG Log O on any occasion and as requested by the Ship's CO;
 - d. by NAVRES HQ annually for NRDs; and
 - e. by the incoming NPP Manager upon supersession (formal).

40. HMC Ships and NRDs may request a Staff Assistance Visit from their superior headquarters as necessary.

41. The FCompt will provide a complete verification checklist on an annual basis. It is recommended that Log Os conduct self-verifications, using these checklists, on a regular basis.

FINANCIAL STATEMENTS

42. Financial statements present the financial position as at the date on the balance sheet and reflect the results of operations for the period in accordance with Generally Accepted Accounting Principles (GAAP). The Log O is to include as much additional information as necessary to ensure that the statements are clear and relevant to all intended readers. Additional information or clarification will be stated in an appendix, "Notes to the Financial Statements" section. These statements shall include a hard copy of the bank and capital account reconciliations.

43. The Log O shall ensure that financial statements are prepared on a monthly basis for each of the Ship's entities. The Log O shall personally review the monthly Ship's NP financial statements as well as a representative sample of the supporting documentation and annotate the monthly statements as follows:

"Confirmed that I have conducted a review of this un-audited statement and its supporting documentation and in my opinion, it fairly presents the financial position at _____ 20__ and the results of operations for the month ending _____ 20__ in a manner consistent with prior periods."

44. Semi-annual and year-end financial statements shall be forwarded to the FCompt by electronic means and hard copy, under a covering letter, by 31 October and 30 April respectively. For NRDs, only year-end statements are required and shall be forwarded to NAVRES Compt by electronic means and a hard copy shall be submitted to them by 30 April. The electronic statements will be reviewed by the Command inspection team and observations of all irregularities will be reported to the appropriate NRD. For HMC Ships, an info copy shall be sent to the Fleet Log O. Copies of these financial statements shall be displayed (e.g. on main bulletin board) for the information of the Ship's company.

45. Financial statements are reviewed and verified by FCompt staff who shall issue direction to the Ships to correct any observations and irregularities. FCompt staff will verify the statements and authorize the closure of the verification. For year-end financial statements, FCompt staff will attach a covering letter with comments regarding the statements and submit to DGMWS OTTAWA/CFO by 31 May. An information copy of this covering letter, with enclosures, is to be sent to the RCN Compt.

END OF CHAPTER

CHAPTER 2

THE SHIP'S EXCHANGE

GENERAL

1. The CO of a Ship in operational status shall ensure that there is a Ship's Exchange on board. Exceptions to this may only occur with approval of the Formation Commander.
2. The purpose of the Ship's Exchange is to generate a reasonable profit for the Ship's Fund and messes as well as to make available various amenities. The Ship's Exchange shall operate as a trading concern and may include bars, canteens, coin machines and other revenue generating activity as agreed upon by the Ship's Committee. Other competing retail activities shall not be permitted to operate onboard HMC Ships or within the confines of NRDs.
3. The operation of the Ship's Exchange shall be kept separate from the general activities of the Ship's Fund Committee and messes.

SHIP'S EXCHANGE CAPITAL

4. The Ship's Exchange Capital is the difference between total assets and total liabilities. It shall be set at an amount consistent with operational requirements. The capital account shall not be permitted to decrease below the following amounts without FCompt approval:
 - a. \$40,000 - for DDHs, FFHs and AORs;
 - b. \$7,500 - for minor war vessels as a component of the overall MOG capital account; and
 - c. \$5,000 – for NRDs.
5. In general terms, the level of Ship's Exchange Capital has a direct effect on a unit's ability to maintain appropriate levels of inventory, pay suppliers on a timely basis and maintain adequate cash reserves in order to respond to the expenditure requirements of the messes and Ship's Fund.
6. Notwithstanding the minimum levels established at para four above, the Log O may recommend to the CO a plan to increase the level of the Ship's Exchange Capital. Normally, this is facilitated over a period of time by retaining a set percentage of the monthly distribution of profits in the Capital account until such time as the new Ship's Exchange Capital level is reached. Increases in the level shall be approved in writing by the CO and retained on file by the NPP Manager.

7. The Capital account shall not be increased to compensate for dead stock or slow moving inventory. Decisive action must be taken to maintain a level of stock that is commensurate with the Ship's program and provides the necessary variety of selection to the ship's company.

THE SHIP'S EXCHANGE ACCOUNTING SYSTEM

8. NPP accounting in HMC Ships, NRDs, and CF Schools instructing Naval NPP accounting, shall be affected by means of a common automated accounting software program unless otherwise directed by RCN Compt in consultation with FCompt staff. The objective is to establish a system that will create uniformity and foster effective control of NPP operations throughout all units in the RCN.

9. The NPF accounting period is from 1 April to 31 March.

10. In addition to the enclosed locally produced forms, the following serial numbered documents shall be used (as applicable) and stored in accordance with paras 38-40:

- a. CF 602, Non- Public Funds Receipts;
- b. CF 601, Purchase Order;
- c. CBA cheques or NPP acquisition cards; and
- d. meal tickets.

LINE OF CREDIT (LOC)

11. Prior to extended deployments, a temporary increase to working capital may be necessary to assist in financing an increase in the Ship's Exchange merchandise inventory holdings. If required, an application for a Canadian Forces Central Fund (CFCF) Line of Credit (not to exceed \$150K) may be submitted to the DGMWS Chief Financial Officer (CFO) through the appropriate FCompt. A line of credit will permit account holders to overdraw their Consolidated Bank Account (CBA) during deployment with no interest charges being applied.

12. The application shall be submitted and substantiated in the form of a Ship's NPP Line of Credit (LOC) Request found at Figure 34, accompanied by the following supporting documentation:

- a. An exchange inventory listing noting the additional inventory requirements for the deployment (see figure 35);
- b. An Inventory Valuation Report (summary format); and
- c. A trial balance.

13. Upon receipt, the appropriate FCompt will review the LOC application and supporting documentation. Prior to forwarding the LOC to DGMWS CFO for approval, the FCompt will confirm the LOC request is reasonable and that the ship has sufficient financial resources to clear the overdraft within 30 days following the end of the deployment. Upon satisfactory review, FCompts will recommend approval and forward the LOC request to the DGMWS CFO for formal approval.

14. DGMWS CFO will advise the unit and the appropriate FCompt when, and if, the LOC application has been approved.

15. Ships with a LOC are to advise DGMWS CFO and info FCompt of their return from deployment and confirm that their bank overdraft will be cleared within 30 days of their arrival date. If the LOC is not cleared within the 30-day timeline, the specifics of the circumstances resulting in non-payment are to be forwarded to the CFO. Each situation will be dealt with on a case-by-case basis to determine if an interest penalty or service fee is charged.

CANADIAN FORCES CENTRAL FUND (CFCF) LOANS

16. Ship's Exchange, Ship's Fund and messes intending on making large capital expenditures may apply to the CFCF for a loan.

17. An application for a CFCF Loan may be submitted to DGMWS CFO through the appropriate FCompt. The application shall be in the form of a properly substantiated Ship's Non-Public Property Capital Expenditure Request (see Figure 30), accompanied by the following supporting documentation:

- a. A trial balance;
- b. A general revenue and expense statement; and
- c. a description of the intended purchase or renovation requirements including a business case containing, as a minimum, the following:
 - (1) the purpose of the purchase or renovation and a description of other attempts to raise money (if any);
 - (2) the impact on Ship's Exchange/Ship's Fund/messes activities, and unit morale if the purchase or renovations are not made;
 - (3) the estimated total cost of the purchase or renovation (not just the amount of the loan); and
 - (4) the proposed repayment plan including a statement of cash flow.

18. Upon receipt of the application, the FCompt will ensure that the application is fully documented and justified. They will also assess the ship's financial status to confirm its' ability to repay the loan within the specified repayment period.

19. The terms of repayment will be promulgated by DGMWS CFO. It should be noted that loans are interest-bearing at a rate determined by DGMWS and calculated on the balance of the loan remaining at each month-end, based on the number of days in the month. Interest must be remitted to DGMWS until the loan is fully repaid. Any service charges incurred in effecting the transfer of funds shall be absorbed by the applicable entity as a miscellaneous expense.

20. CFCF Loans do not apply to NRDs.

PURCHASES - MERCHANDISE

21. Ships in homeport and static establishments will purchase merchandise using a payment card. If a payment card is not available then the purchase should be made by cheque. All cash purchases shall be approved and documented by the NPP Manager.

22. The Log O must approve in writing all Ship's Exchange purchases including alcohol and tobacco. Log Os can delegate routine purchases in writing to the Exchange Manager as they see fit. However, the LogO remains responsible for the purchases made by the Exchange Manager on their behalf and are responsible for the inventory held in Ship's Exchange. Consumption reports should be used when ordering large quantities of stock subject to spoilage in order to determine an acceptable order quantity.

23. Supplier deliveries must be verified immediately upon receipt with the invoice annotated. In the case of cigarettes and alcohol, the merchandise must be counted both on the jetty and when entering the appropriate secure space.

24. Expenses, directly related to the purchase of merchandise for resale, should be applied against the cost price of the merchandise, when processing the receipt/purchase transaction in the accounting records. Such expenses include, but are not limited to, shipping costs and insurance.

25. Merchandise carried in the Ship's Exchange shall generally be of a consumable, fast moving nature. Large or luxurious items (i.e. cameras, radios, expensive watches, ship's jackets, etc) shall only be purchased through the Ship's Exchange on a consignment or special order basis. Log Os shall review the assorted stock held by the Ship's Exchange Manager in an effort to identify slow moving inventory and advise command on the discounting of slow moving items.

PURCHASES - EXPENSES

26. The Log O is empowered to authorize all operating expenditures against the Exchange Operating Fund, to a limit of \$500 per expense (e.g. cash registers, stamps etc.) by signing the invoice. All other operating expenditures, to a maximum of \$50K, are to be authorized by the Ship's Company Committee.

PURCHASE AND SALE OF TOBACCO AND ALCOHOL PRODUCTS IN HMC SHIPS

27. The regulations pertaining to this section are found under MARCORD 27-01. The responsibility for effective control of duty-free privileges in HMC Ships is that of every member on board. Officers and non-commissioned members are to make themselves familiar with the regulations and to conduct themselves in such a manner as to ensure continued enjoyment of these privileges. Attention is directed to CFAO 19-5 regarding breaches of customs regulations. CBSA has made it very clear that control of bonded stocks is the responsibility of the ships involved. Commanding Officers are to take particular care that this trust is not abused.

RETURN OF MERCHANDISE TO SUPPLIERS

28. When merchandise is returned to a supplier, the Exchange Manager shall present the applicable documentation to the Log O for approval. An account receivable (at cost) is maintained pending receipt of payment/credit note from the supplier.

DISCOUNT COUPONS/CERTIFICATES

29. When discount coupons/certificates are received as part of a NPP purchase, they are to be turned into the NPF Manager who will safeguard them appropriately until they are issued for follow on purchases at the applicable vendor. Note that coupons/certificates are not to be valued as NPF cash as they have no intrinsic value until they are redeemed.

SALES

30. It is the responsibility of Bar Managers, Canteen Servers and Exchange Managers to safeguard the cash, acquittance rolls, and all other instruments of cash sales, until such time as they can be passed on to the NPF Manager for safekeeping or deposit. When cash is transferred, the amount shall be recorded on a CF602 Non-Public Funds Receipt, Sales Invoices signed as paid by customer and Exchange Manager or on a Monthly Sales Voucher (MSV). All cash transferred to the NPP Manager is to be reconciled against the supporting documentation with the ship's Exchange Manager in attendance. The Exchange Manager and the NPP Manager will verify, when sales documentation is transferred, that their respective inventory holdings match, both in terms of quantity and dollar value.

31. If the MSV is used, the following rules shall apply:

- a. it shall be prepared in two copies and both the person transferring the cash and the person receiving the cash are to sign each copy. One copy shall be retained by each party. Any alterations of amounts on the MSV must be initialed by both parties; and
 - b. at the end of each month's operations, after all sales have been entered on the MSV, a CF602 (Non-Public Funds Receipt) shall be issued by the NPF Cashier receiving the cash. This is for audit and verification purposes.
32. All retail sales shall be either by cash, personal cheque, acquittance roll (AR) or, with the written permission of the CO, credit (i.e. chits).
33. A current retail price list, as approved by the Log O, shall be displayed in an appropriate location in all retail outlets.
34. Use of AR in the Canteen may be authorized by the Log O. The following restrictions apply:
- a. the AR must be afforded the same level of security as cash;
 - b. the AR is not to be used for "cash back" purposes;
 - c. the AR is to be used by crew members of the Ship's company only;
 - d. use of ARs requires a minimum purchase as set by the Log O;
 - e. Canteen servers must be the person recording the SN, name, and amount on the AR (not the customer); and
 - f. the AR must be passed to the Pay Office for reimbursement at least on a weekly basis as a minimum.

SALES AT COST

35. Sales at cost shall normally be restricted to the Formation Commander, CANFLTPAC/CANFLTLANT/CTG/MAROPSGRU Commander, COs, Honorary Captains, Ship's Fund, Crew Morale and Welfare Program, other HMC Ships/NRDs, and any sale billed to Public Funds (e.g. Official Entertainment). Sales at cost beyond these parameters, such as duty free issues, require the written approval of the CO.

RETAIL PRICE CHANGES (MARKUPS/MARKDOWNS)

36. Markups, markdowns and markdowns below cost shall be recommended by the Exchange Manager and authorized by the Log O (Figure 32) with a brief explanation of the transaction. Prior to processing, all imprest stock of the item being adjusted shall be

returned to the Ship's Exchange in order to maintain a consistent selling price throughout the Ship. The price will be adjusted and the stock re-issued at the new price.

CONTROL OF ACCOUNTABLE DOCUMENTS

37. The muster of accountable documents shall be done semi-annually as per AFN-105 Chap. 6. These documents include, but are not limited to, CF 602 Receipts, meal tickets and CBA cheques.

38. The Log O is responsible for ensuring the control and security of blank NPF cheques. Cheques are considered accountable documents for control purposes and thus shall be recorded in the accountable document control register and safeguarded accordingly. CBA cheques must be afforded the same security required for public funds as detailed in CFAO 202-2. The loss/theft of blank CBA cheques shall be immediately reported by message to Base/FCompt, using the same reporting format as indicated in CFAO 202-2. The message is to list the missing cheques by their control numbers.

39. Accountable documents not required for use in the short term (e.g. NPP Manager, Bookkeeper/Cashier – CF 602 books) are to be held by the LogO and properly secured. Accountable documents are to be drawn on a replacement basis.

40. Accountable documents shall be retained for 6 years.

CONTROL OF CASH

41. The same precautions taken to protect public funds apply to the security of NPP and CFAO 202-2 provides the necessary direction and guidance. Each person responsible for handling cash shall be aware of the procedures for security.

42. Frequency of cash deposits by the entities to the NPP Manager shall be determined by the availability of secure storage. If the NPP Manager is unavailable, cash holdings shall be transferred to the Exchange Manager, Pay Office, or Log O for safekeeping pending transfer to the NPP Manager.

43. The Executive Officer shall ensure that NPP cash held by the NPP Manager or designated cashier are examined monthly on a surprise basis. This is to be done concurrently with the examination of Public Funds in accordance with FAM Chapter 76. The NPP Cash Verification Statement (Figure 24) is to be completed by the Verifying Officer. At that time, all outstanding cash vouchers shall be posted by the NPP Bookkeeper. All verification statements shall be retained on file by the Log O until reviewed during verification by FCompt staff.

44. The NPP Manager shall balance cash holdings at the end of each day in which a cash transaction occurs. Hard copy records of cash counts shall be retained on file.

45. The Canteen, Ship's Exchange and bars shall be fitted with, at a minimum, an approved secure storage cabinet with a locking bar or approved safe that is rated to secure \$1000.

46. Each person responsible for receiving NPP cash (other than sales to the Messes and Canteen) shall obtain an NPP 602 cash receipt book; record all cash received; and issue the original of the receipt to the person making the payment. When the amount of NPP cash collections reaches the maximum amount allowable by the applicable security regulations for the container utilized, or it is the day before the last accounting day of the month, all cash is to be deposited with the NPP Manager along with the duplicate copies of CF602 receipts.

47. Cash Disbursements. When making a cash disbursement, the NPP Manager shall ensure that the disbursement is:

- a. within the parameters of the approved annual standing financial authorities for the entity concerned or approved as a separate item in a general mess or Ship's Fund Committee meeting; or
- b. approved in writing by the designated authority (i.e. memo, e-mail);
- c. supported by the appropriate source documentation (i.e., sales receipt, NPP minute authority); and
- d. signed for by the individual receiving the cash.

ADVANCES

48. When making cash advances, in accordance with para 47, a cash-like voucher (i.e. NPP promissory note) shall be produced and signed with supporting documentation indicating a timeframe for settlement or recovery.

FOREIGN CURRENCY

49. While deployed outside of Canada, foreign currency may be accepted in extraordinary circumstances, as approved by the Log O. Only currency exchangeable at the pay office can be accepted in the NPP operation. All applicable exchange rates shall be posted next to the retail price lists in all retail outlets.

50. All foreign currency received through Ship's Exchange operations must be exchanged at the pay office prior to being transferred to the NPP Manager as sales.

51. The value of foreign coin held as part of NPP cash at the conclusion of a port visit may, following all reasonable efforts to utilize the funds (such as charitable donations) be accounted for as a canteen or entity operating expense.

NON PUBLIC PROPERTY CORPORATE CREDIT CARDS (NPP CCC)

52. Non-public property corporate credit cards are payment tools for which the unit is fully liable for outstanding balances. They may be used for the purchase of NPP goods as well as services. At no time are NPP Credit Cards to be used for anything related to public funds.

53. NPP credit cards will be issued in the name of the individual holder and is only to be used by the cardholder. Holders will be expected to safeguard these cards as if they were their own personal credit cards.

54. To ensure proper use, the following procedures must be adhered to:

- a. an NPP Credit Card Purchase Authorization form (Figure 36) must be completed prior to any purchase. It must be signed by the SYO for purchase made by the NPP Bookkeeper or signed by the CO or XO for purchase made by the SYO;
- b. a purchase register (Figure 37) is to be maintained for each NPP card. The register is to be held in a secure cabinet by the card holder (NPP Bookkeeper and SYO). The card purchase register will consist of all transactions from the time the card was issued. All purchase records must be complete, accurate and auditable, at all times;
- c. the monthly statements will be downloaded from BMO Details Online and reconciled against the purchase register. The statement and related invoices are to be attached as source documentation to the transaction that pertains to the credit card payment;
- d. charges will be validated against the bank reconciliation;
- e. the monthly statement is certified as correct and verified by the SYO;
- f. the certified monthly statement is then included with the NPP monthly books;
- g. the monthly NPP Credit Card Recapitulation is generated by the NPP Bookkeeper, it is signed by the cardholder, approving authority and Bookkeeper, a copy is sent to DGMWS (which constitutes payment approval), and the original is kept in a binder with the Bookkeeper;
- h. NPP credit cards are to remain secure in a DND safe when not in use; and

- i. any discrepancies or incidents of card misuse are to be promptly reported to the respective Formation NPP Office by the NPP Bookkeeper. Incidents of misuse or other activity of a criminal nature are to be reported by the LogO to the CO and appropriate investigative measures are to be taken ensuring that the FCompt is advised.

55. Ships wishing to apply for a non-public property corporate credit card from DGMWS may do so through their FCompt.

BANK ACCOUNT

56. A single bank account in the name of the Ship's Exchange Operating Fund shall be maintained through the Consolidated Bank Account (CBA).

57. The bank account shall be reconciled using a Bank Reconciliation Statement (Figure 25) by the NPP Manager and submitted to the Log O for review on a monthly basis and whenever the NPP books are closed for audit. Note: NRDs may use Simply Accounting Bank reconciliation summary and detail reports.

58. Updated specimen signature cards shall be forwarded to DGMWS Financial Management office in Halifax and local bank institutions whenever there is a change in account holders or at the direction of DGMWS staff.

59. After a cheque has been issued, a situation may occur where there is a requirement to stop payment on the cheque. Proper entries within Simply Accounting and all appropriate documents with explanatory remarks shall be attached to the applicable journal voucher explaining the transaction. When it is necessary to cancel a cheque, which has not been forwarded to the payee, or the cheque has been returned by the payee, the NPP Bookkeeper shall cancel the cheque by cutting out the signatures, annotating "cancelled" on the cheque and cheque stub, and filing it with negotiated cheques.

60. Un-cashed CBA cheques become stale-dated six months after issue and will not be honored by the bank's clearing system.

61. The cost of all cheques issued to all NPP entities will be borne by the CFCF.

DEPOSITS TO SHIP'S BANK ACCOUNT

62. Deposits shall be made as frequently as necessary to avoid carrying any amount of NPP cash on board in excess of that required for:

- a. making change; and
- b. petty cash and other minor disbursements which cannot be paid by credit card or cheque.

63. Cash deposits to the bank account, whether in homeport or deployed, shall be done by Direct Funds Transfer (DFT) through the Pay Office using the Automated Cashier System (ACS). Only cheques received as payment should be hand carried to the bank for deposit.

BANK INTEREST AND OTHER INVESTMENT INCOME

64. Interest will be earned on unit CBA accounts based on closing monthly balances.

65. Units will use CFCF investment services for investments held in trust. For options on investment opportunities ships are required to engage DGMWS through their FCompt.

DISHONoured PERSONAL CHEQUES

66. On receipt of a fraudulent or dishonoured cheque, the Log O shall make arrangements with the issuer of the cheque to have the cheque reimbursed, including any service charges that were assessed by the bank.

CHANGE FUNDS/IMPRESTS

67. Change funds and imprests are advances of non-public funds to individuals for a specific purpose:

- a. change funds can be issued to those personnel at the retail level of Ship's Exchange Operations provided that a secure depository is available. Change funds shall not exceed \$500 and are authorized by the Log O; and
- b. an imprest is a fixed amount of cash or inventory used for the operation of messes and canteens. The amount of the imprests shall be set by the LogO and will always be commensurate with the level of activity of the entity. Merchandise held in an imprest should generally be of a consumable, fast moving nature. Adjustments to the imprest level can be made by the imprest holder based on discussions with the LogO.

68. When issuing a change fund or imprest the NPP Manager shall:

- a. obtain a receipt from each authorized holder using either a Receipt for Mess Imprest (Figure 19) or a Receipt for Petty Cash (Figure 17) as applicable;
- b. record the issue through the appropriate NPF accounting entry;
- c. make provision for the annotation of the issue of the change fund/imprest on the individual's pay account, including the amount of the fund and the date of issue;

- d. retain the receipt in a secure place;
 - e. obtain a new receipt on each change of imprest/change fund holder; and
 - f. advise the imprest holder that he/she is liable for all losses and subject to recovery action.
69. In the case of the imprest, the NPP Manager is to ensure that the holder of an imprest account understands that:
- a. funds are to be used only for stock replenishment; and
 - b. stock is to be replenished regularly to avoid cash build-up.

CANTEEN/BAR IMPRESTS

70. Canteens/Bars shall operate through an imprest. To reduce liabilities and maintain a healthy cash flow, the level of stock and cash is to be maintained at the minimum level required to sustain operations.

BREAKAGE AND SPOILAGE

71. On occasion, merchandise held by the Ship's Exchange will become unfit for sale. Such situations can count as a legitimate expense to the Ship's Exchange and shall be approved by the Log O as a miscellaneous expense of \$100 or less (at cost) and by the CO for situations where the breakage or spoilage was valued above this amount (Figure 31).

72. Depending on the situation that gives way to a breakage and spoilage transaction, losses experienced by the mess can be handled in one of two ways:

- a. it may be determined that the loss be borne by the Ship's Exchange. In this case a one for one replacement of the spoiled item is effected between the Exchange Manager and the Mess Imprest Holder concerned and the procedures at paragraph 68 above apply; or
- b. alternatively, it may be determined that the loss be borne by the mess concerned. In this case the mess imprest shall be reimbursed by the NPF Manager with the Log O's approval for the items valued at selling price and charged to the appropriate mess equity as a miscellaneous expense.

INVENTORY CONTROL

73. Inventory discrepancies shall be investigated immediately by the Log O. Normally, shortages will be recovered from the individual assigned responsibility for the

inventory. Therefore, Log Os and NPP employees are to be cognizant of the policy on recovery of shortages. NPP Personnel Policy - Recovery of Shortages (Figure 20) and Chapter 5, NPP and NPP Property Security, Losses, Write-Offs and CIP Insurance provide further guidance on this issue.

74. It is the responsibility of the Log O to ensure that each individual responsible for NPP assets is given control over those assets and the capability to properly safeguard them. A critical element of this rests in the control of access to NPP assets and spaces through proper control of/responsibility for keys. Key control is a fundamental aspect of NPP security and must not be compromised. Leaders at all levels are advised that they can be held liable, if it is deemed that their actions contributed to the discrepancies.

75. It should be recognized that a large inventory overage may well indicate bookkeeping errors or a breakdown in internal control. All discrepancies shall be appropriately investigated and action taken to correct the situation.

76. Every effort should be made to have Ship's Exchange stock to "turn over" as quickly as possible. "Turn over" is the cycle in which inventory is sold, hence converted to cash, and new inventory purchased.

MERCHANDISE STORAGE

77. It is essential that secure storage be provided for the Ship's Exchange inventory. This storage area must be under the complete control of the Exchange Manager, as only then is there a single point of responsibility which can be identifiable in the event of a discrepancy. Instructions concerning key control of NPP spaces are found in Chapter 5 of this manual. If sufficient secure storage cannot be provided, the range and depth of the inventory must be reduced accordingly. This can be partially achieved by limiting stock to high turnover items, and by establishing a more frequent purchasing pattern to minimize storage requirements.

78. Static establishments shall keep Ship's Exchange stock at a minimum to prevent the storage area from growing into a large warehouse. The storage area should be simply a central ordering point.

THE STOCKTAKING BOARD

79. The CO shall ensure that a Stocktaking Board is appointed consisting of:
- a. Chair. An officer appointed by the CO, under the direction of a COTM. This appointment is normally for a period of one year;
 - b. Section Directors. Senior NCMs from within the ship's company, usually by department and appointed by the Chair; and
 - c. Members in the ship's company. Appointed by the Chair and should be from

all departments.

80. The board should be divided into two or more sections grouped by common or like activities (e.g. Warehousing and Retail Sections). Depending on personnel available, size of inventory and the layout of the storerooms, this may also be further divided into subsections such as wines/spirits, beer/pop and canteen stores.

RESPONSIBILITIES OF THE STOCKTAKING BOARD CHAIR

81. The Chair is responsible for:

- a. obtaining the necessary members to complete the stocktaking tasks required;
- b. organizing the Stocktaking Board into teams as necessary;
- c. liaising with the NPP Manager to obtain and prepare all stocktaking sheets;
- d. liaising with the Log O/NPPAO on pre-stocktaking arrangements within the Ship's Exchange;
- e. briefing the Stocktaking Board on procedures to follow;
- f. ensuring accurate and timely completion of stocktaking;
- g. ensuring a verification of Imprest Form (Figure 23), covering all messes and canteen imprests, is completed after each stocktaking; and
- h. sign the Stocktaking Certificate (Figure 21) for each stocktaking and attach them to the Stocktaking Sheets. The findings of NPP stocktakings are to be reported to the ship's LogO for further action as required. The chair is to retain all verifications and file for review purposes.

82. Stocktaking Shortage/Overage Results. When a stocktaking or verification produces a shortage/overage, the Stocktaking Chair shall notify the Log O immediately. The Log O shall do the following:

- a. ensure that the Stocktaking Chair verifies that the correct prices were used when counting and verifying inventory;
- b. have the Stocktaking Chair verify the addition on all sheets used by his/her team,
- c. when the above checks have not resolved the discrepancy, and the Log O determines the discrepancy to be in excess of \$20.00 for canteen/messes and \$50.00 for the Ship's Exchange, the LogO will direct the Stocktaking Chair to conduct a second stocktaking ensuring that different members verify different

areas. This second count must be conducted immediately with all applicable spaces locked and retail activities ceased until it is conducted; and

- d. where a second count has not revealed the discrepancy, the Log O must begin reporting processes along with recovery action. The matter will be reported to the CO with a recommendation from the LogO regarding the need for an SI or BOI.

FREQUENCY OF STOCKTAKING

83. Unless otherwise directed by the CO, the minimum requirements for stocktakings and Exchange Manager/imprest holder verifications are:

- a. Ship's Exchange Warehouse. An independent surprise stocktaking is to be completed quarterly, at the end of the NPP fiscal year, and on supersession of the Log O or Exchange Manager;
- b. Messes and Canteens. An independent surprise stocktaking of messes and of canteens is to be conducted quarterly and at the end of the NPP fiscal year (holder verifications are to be conducted monthly and on handover); and
- c. Independent stocktaking. On any occasion as directed by higher authority.

84. In order to ensure a proper stocktaking is conducted, a cut-off time shall be established covering the receipt and issue of merchandise. All sales shall be turned into the NPF Manager and all vouchers up to the time of the stocktaking passed to the NPF Bookkeeper prior to completing the stocktaking. The NPP Manager and Exchange Manager shall ensure that their respective inventory valuations match, prior to conducting the physical count. Any merchandise arriving after the cut-off date, even if the invoice is dated before that date, shall be considered as purchased in the new period.

85. In order to ensure that imprest holders' verifications are conducted monthly, the NPF Bookkeeper shall hold the salaries for the current month until a documented verification is provided to the NPP Manager.

DISTRIBUTION OF PROFITS/LOSSES

86. The distribution of Ship's Exchange net profit/loss shall be recommended by the Log O and approved by the Ship's Fund Committee. This distribution to each mess and Ship's fund may be based on a fixed percentage, in proportion to sales, on a per capita basis, or another system as may be determined. Profits/losses shall be distributed monthly.

87. In accordance with CFAO 27-7, COs of NRDs may also authorize a levy of up to 7% of gross sales for distribution to the Ship's Fund (Ch 3, para 11).

EMPLOYMENT CONTRACTS

88. All NPP employees, whether paid or not, shall sign a contract acknowledging their duties and responsibilities as well as the NPP Personnel Recovery of Shortages Policy (Figure 20). In addition, those with cash will acknowledge the dollar value responsibility of their imprest and complete an imprest handover certificate when transferring their responsibility to another.

89. On supersession of imprest holders or when the imprest holder is proceeding on leave/course and is handing his/her responsibilities temporarily over to someone else, a Handover Certificate (see Figure 19) shall be completed, signed and submitted to the NPP Manager for retention with an attached stocktaking sheet.

SALARIES AND WAGES

90. The amount to be paid to NPP employees shall be recommended by the Log O and approved by the Ship's Fund Committee. The amounts can be a fixed sum per month, a percentage of canteen sales, a percentage of Ship's Exchange sales, or any other reasonable and equitable method. When the Exchange Manager's position is filled by a member posted to that position, NPP remuneration shall not be authorized. NPP remuneration shall also not be paid to personnel who hold positions on Mess committees (e.g. mess secretary) or fulfill secondary public duties (e.g. Ship's postal representative).

91. An honorarium is defined as "a voluntary payment for professional services rendered without the normal fee". As such, honoraria shall not be used as a substitute for the payment of a salary and shall be used only when there is a requirement to compensate an individual on a one-time basis. Additionally, a T4A shall be raised and provided to the recipient of the honorarium at year-end.

INCOME TAX

92. In order to meet the requirements of Federal Government regulations concerning income tax, a salary and wage ledger shall be kept for each employee.

93. Notwithstanding that each of the Ship's NPP entities may function autonomously, for purposes of employment records and benefits, Labour Canada has ruled that all employees have the same employer (i.e. CO). Therefore, it is essential that all NPP wages from all sources be recorded. The ledger sheets are to encompass the calendar year (January to December) in order to facilitate preparation of T4 slips.

94. All employees, regardless of amount of income, must be issued a T4 slip that covers the calendar year. The NPP Manager shall prepare T4 Supplementary forms for each NPP employee as required by Canada Revenue Agency and render a T4 Summary to the District Taxation Office not later than the end of February. For NRDs in Quebec, a TP1015 Supplementary Form must be prepared for each employee, as required by Revenue Quebec.

95. The amount of income tax deducted will be kept at the lowest amount allowable (as a minimum 30% should be used as a guideline), except when the employee files the appropriate income tax form requesting greater deductions. A taxation form TD1 or a certification on the contract of employment shall be used to authorize tax deductions. These are to be held in the NPP Manager's records for each employee.

96. When income tax has been deducted, a tax remittance form (PD 7A) shall be prepared and remittances made by the 15th of the month following the month in which remuneration was paid, in accordance with instructions issued by Canada Revenue Agency.

97. Canada Pension Plan Contributions and Employment Insurance Premiums for members of the Ship's Company employed in the canteen or messes are to be remitted. The applicable entities must pay the employer's share of EI and CPP contributions.

98. For taxation purposes, the Ship's NPP operation is not considered to be the same employer as the CF (who employs Service Members in their primary employment) due to the fact that each operation carries a separate Revenue Canada business number. Thus, irrespective of whether or not members are paying the maximum for CPP or EI through military or other employment, they must still contribute to those benefits out of their NPF salaries and wages and claim reimbursement for any overpayment on their income tax. If manual calculations are made, directions are found in the Revenue Canada Employer Deductions Guide (Basic Information) and Payroll Deduction Tables available from Canada Revenue Agency.

99. For NRDs, Vacation Pay for NPP employees is to be included in the wage calculation in accordance with provincial legislation.

SUPPORT BASE LEVY

100. Contribution to the supporting base (CFB Halifax or CFB Esquimalt) consisting of two percent (2%) of retail sales shall be calculated by HMC Ships monthly. A Support Base Levy Remittance Form shall be forwarded by email to the supporting base by the 15th of the following month to conduct the transfer of funds.

101. While the purpose of this levy varies from base to base, in general it is used to allow the support base to provide services/amenities that are common to all personnel supported by the base (e.g. basic cable T.V. service to buildings/jetties and funding to support Base clubs and recreation activities).

CANADIAN FORCES CENTRAL FUND LEVY

102. For Regular Force units, a contribution to the Canadian Forces Central Fund equal to 0.75% of retail sales shall be determined monthly. A CFCF Remittance Form shall be forwarded to DGMWS by the 15th of the following month.

103. This contribution is used to provide the funding used to support the Canadian Forces Personnel Assistance Fund (CFPAF) Loan program (.25%), while the remainder represents the premium paid for the Consolidated Insurance Program (CIP).

104. For NRDs, the CFCF contribution required for the CIP will be withdrawn monthly from the unit's CBA bank account. The unit rate adjustment will be published annually to NRDs as determined by DGMWS in collaboration with NAVRESHQ.

HOSPITALITY

105. There are two types of hospitality functions:

- a. NPP Function. Any function held that does not fall into the classification of publicly funded function. This includes mess sponsored activities and private functions that are organized specifically for the entertainment of mess members and their invited guests, such as baptisms, parties, and entertainment committee sponsored functions.
- b. Official Hospitality Function. When conducting DND/CF business with external parties, hospitality may be extended to guests and federal government employees when it facilitates the conduct of DND/CF business by contributing to the achievement of DND/CF objectives, or when required as a matter of official protocol of Canada. FAM 1017-1 outlines the policy and procedures for the administration of publicly funded hospitality events.

106. The NPP Manager is responsible, under the direction of the Log O, for the consolidation of expenses for the hospitality function and the generation of an invoice. For publicly funded functions, the CF52 claim is raised by the senior pay writer to cover the public expenses incurred and is then deposited by DFT. For NPF Functions, the invoice is sent to the appropriate member/organization for payment.

NPP FUNCTIONS

107. Military personnel may be required to work in support of official hospitality functions without supplementary remuneration given the following criteria:

- a. they should not normally be required to work after normal working hours without pay, in excess of once per quarter;
- b. when cooks and stewards are required to work beyond normal hours in excess of once per quarter they should be compensated; and
- c. when a salary is provided to cooks and stewards employed in support of official functions, the rate of pay is to be determined by the CO and should not normally be less than the public wage scale paid GS-FOS Classification

personnel being paid by the crown in support of this hospitality function.
(MARCORD 67-01)

OFFICIAL HOSPITALITY AWAY FROM HOME PORT

108. Cooks, stewards and other designated personnel are expected to work in support of all official hospitality functions while deployed. Dependent on the Ship's routine the volume of work done by military personnel in support of these official functions should be considered when assigning other types of duty watches while in foreign ports. (MARCORD 67-01)

END OF CHAPTER

CHAPTER 3

THE SHIP'S FUND AND PUBLIC/NON-PUBLIC PERSONNEL SUPPORT

GENERAL

1. These instructions prescribe the manner in which the Ship's Fund shall be administered and outline NPP unit level support available to personnel.

PURPOSE

2. The purpose of a Ship's Fund is to provide a medium whereby the CO can, based on recommendations from the Ship's Fund Committee, administer NPP for the benefit of all members in the unit. This chapter does not include NPP operations administered to the ship's messes.

SHIP'S FUND COMMITTEE ESTABLISHMENT

3. The CO shall arrange for the establishment of a Ship's Fund which is administered by the Ship's Fund Committee. The primary purpose of the Ship's Fund Committee is to advise the CO on matters falling within the scope of their responsibilities, and to provide a full opportunity and proper mechanism for the open discussion among all members of the Ship's Company on items of personnel support, welfare, and general amenities that they would like to see provided within the Ship.

4. The composition of the committee is authorized by the CO. The Executive Officer should normally be appointed as President. Where no Executive Officer is borne, the President is appointed by the CO. The Log O should normally be the Treasurer and ex-officio member of the Ship's Fund Committee. Other members are appointed from each mess, and represent a wide distribution of ranks and trades.

5. The CO is responsible for the proper administration of the Ship's Fund and serves as the approving authority for all expenditures of funds as recommended by the Ship's Fund Committee. This authority cannot be re-delegated.

6. Ship's Fund meetings must be held at least quarterly, and/or as required. The Secretary of the Ship's Fund Committee is to record the proceedings of each meeting of the Committee and produce formal minutes for the CO's approval, upon recommendation from the Secretary, Treasurer and the President.

7. A copy of all minutes shall be retained by the Log O, NPP Manager and Ship's Office, as well as posted on a board that is visible to all members of the Ship's company.

SOURCES OF REVENUE

8. Ship's Fund income shall be derived from the following sources:
 - a. donations received (for management of donations refer to AFN-105);
 - b. distribution of profits from Ship's Exchange operations (and for NRDs, a levy on gross sales as per CFAO 27-7 para 11 which provides for a maximum levy of 7% on gross sales); and
 - c. assessments against individuals participating in or attending a Ship's activity, which is administered through the Ship's Fund.

EXPENDITURES

9. The income received by the Ship's Fund shall be used for the benefit of all personnel in the Unit or their dependants.
10. Expenditures from the Ship's Fund and subsidiary trust accounts shall not at any time exceed the equity balance held in those accounts. The President, Treasurer or Ship's Fund Committee may be empowered to authorize the expenditure of the Ship's Fund to a limit agreed to at a Ship's Fund Committee meeting, subject to the approval of the CO. Other positions such as Library Officer or Sports Officer may also be given this authority. Such standing authorities are to be clearly defined in the Ship's Fund minutes and are to be reviewed annually at a Ship's Fund Committee meeting.
11. The Ship's Fund Committee may recommend a standing expenditure authority for recurring expenses (to the Ship's Company) on an as required basis or as a monthly issue, items such as matches, lighter fluid and playing cards. For safety and morale, these items are normally issued through the Ship's Canteen and controlled by the Ship's Exchange. Any such recurring expenditures are to be charged as an expense against the Ship's Fund.

NPP CONTROL RECORDS

12. NPP not belonging to the messes shall be controlled by and recorded in a Ship's Fund trust account.
13. The Exchange Operating Fund shall be used to account for revenues and expenditures of Public Grants and any other funds that are donated or collected for specific purposes and held in trust (e.g. Charity Fund, Ship's Fund Gift Fund, Compassionate Travel Fund), and for which the Ship's Fund exercises only custodial responsibility.
14. The Ship's Fund shall not be alienated by gifts to private or public institutions, to relieve a member of personal responsibility for loss or damage to public or non public

property, for testimonials or gifts, for national appeals of financial assistance, or for the provision of anything connected with religious services.

REPRESENTATIONAL EXPENSES

15. The use of the Ship's NPP resources to cover legitimate representational expenses is covered by the regulations contained in CFAO 27-6. This section covers regulations specific to HMC Ships.

16. Representational expenses are defined as those necessary expenditures required to meet hospitality, hosting or protocol obligations of the Department, the Command or the Ship. It is recognized that by virtue of a ship's mobile nature such expenditures are frequent. These expenses may be set against the Ship's Fund provided that:

- a. the expense does not qualify for reimbursement from public funds;
- b. for Regular Force units, the cumulative amount of such expenses does not exceed the amount specified by DGMWS/NS Compt over the NPP fiscal year;
- c. for NRDs, the cumulative amount of such expenses shall not exceed 25% of the previous year Ship's Fund revenues to a maximum of \$1000 over the year;
- d. the expense is approved by the CO, and
- e. there are sufficient funds in the Ship's Fund to cover these expenses.

17. RCN Compt can authorize an additional \$500 in representational expense for any single event that is requested and supported. DGMWS (thru RCN Compt) can authorize up to \$2000 more for unique situations or unforeseen circumstances.

18. Representational expenses shall be accounted for through the Ship's Fund. Sufficient controls shall be developed to ensure that expenses do not exceed the prescribed limits. There is no requirement to provide a detailed schedule of representational expenses with formally submitted audited financial statements, but expenditures are subject to review as part of the annual review process.

19. While discretion in the use of representational expenses exists, appropriate care is to be exercised when authorizing expenditures. Examples of legitimate representational expenses include plaques, coins and mementos which are not covered by public funds. Gifts given to other ships during a RAS would also qualify as a representational expense.

20. To note, FAM 1017-6 contains the means by which to provide mementos, where applicable, at public expense. Consistent with the parameters found at para 16 above, this

avenue of funding is to be utilized wherever possible, in order to ease the burden on the Ship's NPP.

21. Representational expenses shall not be assessed against a mess or the Ship's Fund outside this mechanism. Such expenses constitute alienation of NPP and are not permitted in accordance with the National Defence Act. A mess may initiate a request to use representational funds so long as they are representing the Ship and not the mess.

SHIP'S COMMANDING OFFICER'S FUND (CO'S FUND)

22. The allotment to the COs Fund is set annually as a portion of the annual allotment of the Ship's Fund Representational Expenses for HMC Ships. The allotment is conditional on the Ship's Fund having a balance sufficient to cover the allotment. The amount of this fund is detailed in Figure 20 and is updated annually by message from the RCN Compt.

23. HMC Ships' COs are authorized to draw further funds, updated annually by message from the RCN Compt, if merited by additional requirements imposed by virtue of deployments in excess of four months. The CO can authorize the additional funds and include the reasoning behind them being drawn (e.g. nature and length of the deployment).

24. To allow COs maximum flexibility in exercising authority over the expenditure of these funds, the following guidelines are provided:

- a. the CO's Fund is to be used solely at the discretion of COs to meet any obligation of the Ship for which no other source of funding exists (service ceremonies, Christmas cards, trophies, entertainment, etc.);
- b. formal NPF accounting action is required for transactions and expenditures made from this fund;
- c. for control purposes, adequate accounting records shall be maintained for permanent items purchased using the CO's Fund; and
- d. funds remaining at the end of the NPF fiscal year may be carried over to the next year.

Note: Taking into consideration the Ship's schedule (e.g. transitioning from HR to SR status), the amount spent by the outgoing CO should be commensurate with the period of time elapsed in the NPF fiscal year.

COMMANDER'S FUND

25. CANFLTLANT/CANFLTPAC/COMMAROPSGRUs are authorized to receive a grant from the CO's Fund to establish a Commander's Fund. The amount of this fund is

detailed in Figure 20 and is updated annually by message from the RCN Compt. This is to be pro-rated amongst the units under their command.

26. NRDs, COMNAVRES and DCOMNAVRES are each authorized a grant from the Naval Reserve Central Fund. The maximum amount of this grant is detailed in an annual message from RCN Compt provided the balance of the NRCF is sufficient to cover these allotments.

27. It is intended that Commanders have maximum flexibility in exercising authority over the expenditure of these funds. To this end, the following guidelines are provided:

- a. the Commander's Fund is to be used solely at the discretion of CANFLTLANT, CANFLTPAC, COMMAROPSGRUs / COMNAVRES/DCOMNAVRES to meet any obligation of the TGs/MOGs/NRUs for which no other source of funding exists (e.g. service ceremonies, Christmas cards, trophies, entertainment, etc.);
- b. formal NPP accounting is required for transactions and expenditures made from this fund;
- c. for control purposes, adequate accounting records shall be maintained for permanent items purchased using the Commander's Funds; and
- d. funds remaining at the end of the NPP fiscal year may be carried over to the next year.

PAY DAY RAFFLES AND FUND RAISING EVENTS

28. Pay day raffles and fund raising events may be authorized for the purpose of raising funds for registered charities, provided that the proceeds are dedicated to that purpose as per provincial regulations (Ref CFAO 19-1).

29. Raffles shall be subject to the following minimum controls:

- a. prices for tickets shall be clearly established;
- b. the policy governing the division of proceeds shall be specified in the Ship's Company Committee Terms of Reference;
- c. a record of prizes awarded including a signature for cash received by each winner shall be maintained; and
- d. both halves of winning tickets should be retained to support cash disbursements; and

- e. a Raffle Recapitulation (Figure 21) shall be prepared to record the results of each raffle.

CHARITY FUND

30. A Charity Fund trust account may be authorized by the CO for the purpose of making charitable donations to registered charities as approved by the Ship's Fund Committee.
31. Sources of revenue for the Charity Fund are raffles, donations from individuals for a specific purpose or a fund raising event specifically organized for a particular activity. Under no circumstances are Ship's Fund revenues to be diverted to the Charity Fund (eg. Revenue from distributed profits).
32. Expenditures from the Charity Fund shall not be allowed to place the fund in an overdraft position. Efforts should be made to disburse the funds frequently enough as to not allow the funds to accumulate.
33. Under no circumstances shall funds from the Charity Fund be alienated by gifts provided to members of the Ship's Company, to relieve individuals of their personal liability for a loss or damage to public or non public property, or for the provision of goods or services associated with religious services.

COMPASSIONATE TRAVEL FUND (CTF)

34. In order to provide the CO the capability to assist an individual who does not qualify for reimbursement of travel expenses at public expense, with the cost for compassionate travel home, a compassionate travel fund (CTF) may be established (as a trust account). To avoid the alienation of NPP, revenue for the CTF must come from any combination of raffle proceeds and donations.
35. The Ship's Fund Committee shall approve all requests for distribution from the CTF, or can establish an appropriate standing authority level to administer disbursements.
36. Other sources of NPP funding to be sought for CTF are local command assistance funds. In addition to a unit level CTF, many Formations also have a designated compassionate fund account that can be called in to assist members and their families.

SHIP'S FUND GIFT FUND

37. A Ship's Fund Gift Fund may be authorized by the CO in order to purchase gifts or testimonials on behalf of the Ship's Company as per A-FN-105, Chapter 2, para 21. Circumstances under which this fund would be used are similar to those of the mess gift funds. However, it would also include occasions such as the retirement or posting of individuals/appointments not covered by mess gift funds (e.g. CO, XO, Coxn etc).

38. The funding for the Ship's Fund Gift Fund shall be from the gift funds established for the messes. Under no circumstances are Ship's Fund revenues to be diverted to the gift fund.

39. Disbursements from the Ship's Fund Gift Fund shall be approved by the CO though the Ship's Fund Committee. Circumstances and authorities are to be specified in applicable minutes or through other forms of source documentation.

40. Expenditures from the Ship's Fund Gift Fund shall not be allowed to place the fund in an overdraft position.

41. Under no circumstances shall funds from the Ship's Fund Gift Fund be used to relieve CF members of their personal liability for loss or damage to public or non public property, for any charitable purpose, or for any other purpose not authorized by the Ship's Fund Committee.

SHIP'S FUND LOANS TO INDIVIDUALS

42. Small loans are available to the Ship's Company via Canadian Forces Personnel Assistance Fund (CFPAF) that is administered through SISIP. As an alternative to, or pending receipt of a CFPAF loan, the Chair of the Ship's Fund Committee, after consulting with the Treasurer, may approve a small loan to be repaid within one year. Before a loan is made from the Ship's Fund, it shall be recommended by the member's Divisional Officer.

43. Normally, Ship's Fund loans should be restricted to a maximum of \$2000.00 and shall be repaid within one year by equal monthly instalments. For NRDs, the amount of the loan is to be limited to \$500.00. Loans shall not be issued if they have a negative impact on the Exchange Operating Fund cash flow.

44. The pay guide of a Ship's Fund loan recipient shall be annotated to the effect that a loan has been issued. Pay Office staff shall ensure that the Log O and NPP Manager are made aware of the impending departure of the recipient prior to clearing the member from the Ship.

45. A Promissory Note (Figure 22) shall be signed by the borrower in every case and shall be held by the NPP Manager until the loan has been repaid in full, at which time it shall be marked "paid" and returned to the borrower.

46. Outstanding loans shall be recorded in the accounting books as accounts receivable.

47. Any approved write off of loans that cannot be collected shall be expended against the Ship's Fund. In order to justify this write-off, it must be proven that all effort must be made to collect the loan before it is deemed uncollectible. Efforts to collect

must be documented and that documentation must be part of the source documentation held on file.

LOANS – INTERNAL NPP ENTITIES

48. The Ship's Fund may authorize a loan to internal NPP entities for the purpose of assisting NPP activities/scheduled functions throughout the fiscal year. (A-FN 105, Chapter 9, para 49.)

49. To apply, the Mess Committee shall submit a memo with supporting documentation to the CO for approval of the loan. The application shall include a detailed Business Plan outlining the forecasted unit activities/ functions, including projected revenues/expenses and net profit.

50. The following conditions apply for re-payment of the requested loan:

- a. the approved loan must be cleared within 12 months;
- b. the Log O must ensure that the loan is reflected in the financial statement; and;
- c. repayment of the loan will be on a monthly basis.

Note: Approval of this loan should not impact on the repayment of a CFCF loan if held by either entity.

PUBLIC GRANTS

51. Public Grants shall be accounted for through the Ship's Exchange accounting records. The amount of these grants is summarized in Figure 1.

52. With the exception of the Recreational Library Grant and Fighting Efficiency Fund, the authority for disbursement from the grants is vested in the Ship's Fund Committee. This responsibility should normally be delegated, and formalized in minutes as part of the standing authorities, to the appropriate individuals or positions (Sports Officer, Library Officer). Expenditures are made throughout the FY to maximize the benefits of the funds, and these expenditures shall not exceed the entitlement.

53. Furniture and equipment purchased using Public grants received by a Ship shall be accounted for as NPP.

54. Unless otherwise indicated in regulations, grants funds are obtained by filling out a CF52 General Allowance Claim. It should be noted that original CF 602 receipts are to be attached to the public fund claims. A copy of the finalized claim should be attached to the GL Listing held in the NPF files.

Physical Fitness Maintenance Grant (PFMG)

55. Funds provided shall be used only for the provision and maintenance of physical fitness equipment. The funds shall not be used for:

- a. rental of training accommodation or equipment;
- b. fees, memberships, shares or admissions related to activities;
- c. games room equipment, e.g., darts, ping pong, shuffle board, billiards, etc;
- d. furniture, furnishings or entertainment appliances, e.g., television sets, stereos, lockers, etc;
- e. prizes, awards, trophies, crests, gifts or payments-in-lieu;
- f. wearing apparel other than uniforms for sports teams;
- g. provision of facilities, e.g., sauna baths, squash courts, movable facilities, including renovations and maintenance;
- h. provision of installed equipment;
- i. items supported by public funds found in A-PS-110; or
- j. aerobic/weight training equipment.

56. Title to equipment procured or maintained with funds provided under this section is vested in the CO and the equipment shall be accounted for as NPP in accordance with A-FN-105-001/AG-001, Chapters 10 and 28.

57. An annual review of the amounts that may be claimed under this order will be conducted by DGMWS. The annual amounts will reflect the percentage increase or decrease in the sports equipment element of the Consumer Price Index during the previous year and will be published by DGMWS. The effective date for all changes will be 1 Apr of each fiscal year.

58. For HMC ships, the annual PFMG grant is generated and allocated to them automatically by DGMWS quarterly and is reduced by the unspent balance from the previous year.

59. For HMC ships entering a period of refit totalling more than 4 months, a request can be submitted to the RCN Compt to carry over unexpended PFMG funds over the fiscal year immediately preceding and the fiscal year during which the Ship is in an extended refit period. The request shall include a detailed expenditure plan providing insight into how the PFMG grant will be spent by the end of the fiscal year once the refit

is complete. In situations where it is unreasonable or unfeasible to expend the funds in that timeframe, an extension may be granted by RCN Compt. Requests are to be staffed to NS Fin Svcs through Formation Comptrollers. Upon approval, NS Fin Svcs will forward to DGMWS in order to carry over unexpended funds into the next fiscal year.

60. For NRDs, the funds will be expended in advance and then claimed in arrears, by submitting a PFMG claim on a quarterly basis. For instructions on determining the entitlement and raising the claim refer to CFAO 210-20.

61. PFMG is generally to be used for items of portable and consumable nature. A-PS-110-001/AG-002, Public Support for Morale and Welfare Programs and Non Public Property, outlines the level of public support for physical fitness equipment. Equipment such as weight training and aerobic machines are to be supported by public funds.

Recreational Library Grant

62. The Recreational Library Grant is administered by the support base, which shall raise the claim in accordance with QR&O 210.315 and CFAO 210-24. In the case of MARLANT and MARPAC, the Recreational Library Grant funds have been used to establish a Command pool library. The officer commanding a command is authorized to approve the annual maintenance grant on behalf of the Chief of the Defence Staff. Unexpended balances shall not be carried over from one fiscal year to the next.

63. The purpose of a Command pool library is to provide;

- a. a book exchange and circulation system for HMC ships and isolated units;
- b. assistance to officers in charge of recreational libraries in the operation of ships' libraries; and
- c. a means to purchase new books from annual maintenance grants.

64. The officer commanding the command shall designate an officer, preferably one associated with educational duties, as the Command pool library officer, who shall be responsible for the administration and operation of the pool library.

65. The Command pool library officer shall:

- a. purchase new books for the pool library;
- b. maintain a record of acquisition, loan and return of books;
- c. maintain an equitable system of book exchanges between Ships or isolated units and the command pool library;

- d. assist recreational library officers in library matters and operating a library;
and
- e. ensure that command pool library books on loan to HMC ships or isolated units that are paying off or disbanding are returned to the command pool library.

Reference Library

66. The Reference Library Grant shall be used only for the purchase and maintenance of books, periodicals, documents and other copyrighted electronic materials and devices for reference purposes. The claim for the year shall be reduced by any unspent balance from the previous year's grant.

Reading Room Grant

67. For the purpose of the Reading Room entitlement, HMC ships (excluding NRDs) are considered isolated and are entitled to the additional grant authorized pursuant to QR&O 210.31(2). The Reading Room Grant is intended to purchase those reading materials for the Ship's company/library that are not considered reference documents. Examples of this could be periodical subscriptions for material such as newspapers or current affairs magazines. The claim for the year is not reduced by the unspent balance from the previous year.

Ship's Fighting Efficiency Fund

68. The Ship's Fighting Efficiency Fund is intended to be used for the purchase/funding of:

- a. minor fittings, devices, or equipment that tend to promote general efficiency and are not included in the usual outfit of ships; and
- b. entrance fees to official small arms competitions.

69. No portion of the fund shall be expended on prize money or benefit to members of the Canadian Forces.

70. Expenditure authority for the Ship's Fighting Efficiency Fund is vested with the CO (QR&O 210.36). The claim for the year is not reduced by the unspent balance from the previous year.

Naval Reserve Contingency Grant

71. A Contingency Grant is provided to the CO of a formed unit of the Primary Reserve to promote the general efficiency of the unit and to obtain certain services,

matériel, and training and recreational facilities not otherwise available from publically supported sources (CFAO 210.32 and QR&O 210.42).

72. The Contingency Grant is payable annually at the beginning of each fiscal year to the CO of a formed unit of the Primary Reserve. The amount of the grant is based on the unit's average monthly effective strength for the previous fiscal year. Goods and services shall be received by 31 March.

73. Contingency Grant funds may be expended in instances where it would promote the general efficiency of the unit and does not exceed \$500. Expenditures exceeding \$500 require the prior approval of the Deputy Commander NAVRES. Contingency Grant funds shall not be expended for floral tributes, gifts to departing members, tokens of esteem, or expenses for mess dinners or unit parties. All contingency grant expenditures shall be approved by the CO.

Reserve Band Maintenance Grant

74. The annual grant towards the cost of maintaining an authorized band of the Reserve Force may be paid in an amount determined by the Chief of Defence Staff but not exceeding the maximum amount calculated in accordance with QR&O 210.34. For NRDs, the funds will be expended in advance and then claimed in arrears, by submitting a claim on a yearly basis. Each claim is to be calculated based upon the annual per capita rate and multiplied by the average monthly effective strength from the previous year. Goods and services shall be received by 31 March and be used:

- a. for the purchase of music, minor repairs and maintenance of instruments and other miscellaneous expenses; and
- b. in accordance with any orders issued by the Chief of Defence Staff.

PERSONNEL ASSISTANCE FUNDS

75. There are a variety of non-public assistance funds to assist members with financial support in order to help with emergencies or unfortunate situations. Many of these funds are easily accessible through a request by the member through their divisional system. Some of these funds are:

Hospital Comforts Fund (HCF) Ref (CANFORGEN 211/09)

76. The Hospital Comforts Program (HCP) ensures that all members of the Canadian Forces (CF) who find themselves hospitalized for longer than 48 hours will have access to a telephone, television, and internet services for the duration of their stay in hospital.

77. The program also provides funds to ensure that hospitalized members are able to buy toiletries and canteen items such as books and movie rentals while they are

recovering. The HCP works with the already established and substantial existing support programs offered through the DGMWS and other programs offered to CF members.

78. The HCF is administered through DGMWS. Units wishing to utilize the program for hospitalized members are to review CANFORGEN 211/09 and contact the Base PSP Staff for reimbursement through locally raised claims.

Military Families Fund (MFF)

79. The Military Families Fund (MFF) is an agile and responsive means for COs to help military families within hours of being advised of a need. It will help with short-term emergencies and also provide long-term support. The MFF allows the CF leadership to meet the special-case needs of CF members and their families with speed and flexibility not always available through the traditional programs.

80. The MFF enhances and complements but does not replace existing public and non-public programs. The Fund fills a gap by providing for the unforeseen and often immediate needs that families may experience due to the conditions of service life.

81. The MFF works with the already established and substantial existing support programs offered through the DGMWS and elsewhere, to CF members and their families. The MFF allows for several areas of support, including rehabilitation, education, financial assistance in the case of injury or death of a CF member due to service, and urgent and extraordinary financial demands where the ability to provide family necessities is at risk.

82. The MFF is administered by DGMWS but can be accessed or recommended by a number of means. If this fund needs to be accessed, please contact the appropriate office for referral (ie, MFRC, Chaplain, Base Pers Svcs O, IPSC's, local DGMWS office).

MARLANT Assistance Fund

Ref: MARLANTORD 20-20

83. The MARLANT Assistance Fund is a benevolent fund sustained by donations from military and civilian personnel employed in MARLANT and its Lodger units. The fund has two purposes. It provides grants of financial assistance to eligible persons to help offset compassionate leave travel costs arising from the serious illness or death of an immediate family member and it provides assistance in response to "other endeavours of a compassionate nature".

84. Financial assistance for compassionate leave travel is generally contingent upon ineligibility for reimbursement from the publicly funded Compassionate Travel Assistance (CTA) program (CBI 209.51). In all cases, "other endeavors of a compassionate nature" are not limited to travel and must be sufficiently explained such that the reason for the request and severity of the situation are apparent to the Board of Directors.

85. In processing requests for assistance from the MARLANT Assistance Fund, the CO/Divisional Officer is responsible for investigating, documenting and forwarding applications for grants of financial assistance to ACOS P & T. The submission must include documentation as indicated in the reference.

OPERATIONAL SUPPORT AND AMENITIES GRANT (OPAS)

86. Ship's COs are authorized to provide an Operational Support and Amenities Grant (OPAS), under the authority of the Crew Morale and Welfare Allowance referenced in APS-110). This funding serves to enhance the morale, improve the well being, and add to the quality of life of the Ship's Company while away from home port.

87. Maximum funding shall be calculated at 10 cents per member per day for ships with a manning of 250 or less and 8 cents per member per day for ships with a manning of more than 250. Funding entitlement begins 72 hours after departure from home port and the funding formula is inclusive of those days. First and last days of a deployment may be included if the Ship is deployed at least six hours during the day in question. The funds available under the program must be fully expended prior to the return to homeport.

88. OPAS funds and non-public funds may be used in conjunction for the support or subsidy of the chosen program(s).

89. Authorized expenditures must involve a general benefit to the ship's company and must not include alcohol, cigarettes or gifts to individuals. Finally, the provision of amenities covered by other grants (i.e. Physical Fitness Maintenance Grant) shall only be funded by OPAS if these grants have been exhausted.

90. OPAS expenditures are to be debited against the OPAS account. At the end of the deployment a CF 52 must be prepared to include details of the number of personnel actually borne and all the necessary receipts. Any expenditure in excess of the OPAS grant shall be assessed against the Ship's Fund in order to bring the OPAS Grant Account back to a zero balance at the conclusion of each deployment. The Formation Comptroller will promulgate local procedures as required.

REST AND RECREATION (R&R) FUNDS

91. R&R funds are provided to CJOC deployed operations for the purpose of enhancing the morale, well being and quality of life of deployed members.

92. Ships tasked for deployment where these funds apply will be briefed directly by CJOC staff and have direct liaison with DGMWS via CJOC J8 for the management of these funds. The pre-deployment briefing will provide all the required directives. Additional information can be found on CJOC web site and in DDIO 2/2001 Chap 15.

USE OF SHIPBOARD EQUIPMENT FOR CLEANING OF PERSONAL LAUNDRY

93. In accordance with A-LM-007-014/AG-001 Article 3-24D-011, the ship's laundry equipment may be used for the washing and drying of personal clothing of the Ship's company after service work commitments have been met.

94. IAW the reference, the cost of consumable supplies required for personal laundry shall be defrayed by the Ship's Fund, which shall pay monthly (in arrears) to the Receiver General the amounts listed below, based upon the ship's average daily strength for the month. The charges are contingent upon a ship's laundry being used for personal laundry at any time during a calendar month. These charges shall not be payable for any calendar month in which a ship's laundry has not been used for personal work, regardless of whether the ship has been at sea, alongside in harbour or in extended refit. The monthly charges are:

- a. 250 and over - \$25.00;
- b. 200 to 249 - \$20.00;
- c. 150 to 199 - \$15.00;
- d. 100 to 149 - \$10.00; and
- e. 99 or less - \$5.00.

95. The Ship's Fund Committee shall decide and promulgate the ship's policy on the settlement of claims for loss or damage to personal items. Approved compensation payments shall be made from revenues received from the processing of personal laundry.

96. In the case of CJOC sponsored missions, CJOC will provide a financial coding to the ship, and laundry supplies of a consumable nature can be expensed to this coding.

END OF CHAPTER

CHAPTER 4

MESSES

GENERAL

1. For general guidance on messes and mess membership, see A-AD-262-000/AG-000, Chapter 4 and SSO's Chapter 2 (for HMC Ships).

MESS COMMITTEE

2. Mess Committees are responsible to the CO for the proper admin of their mess. It shall be comprised of a President of the Mess Committee (PMC), Secretary, Treasurer and Committee members. These individuals shall not be remunerated for their participation. The CO shall appoint in writing the PMCs of the Wardroom (normally the XO), the C&POs' (normally the Coxswain) and the MS & Below Messes. Exceptions may occur for NRDs sharing facilities with other non-Naval Reserve units.

3. It is recommended that the treasurers of the three messes be appointed by each PMC as follows:

- a. Wardroom - LogO;
- b. C&POs – PO1/2 Steward or PO1/2 RMS Clerk; and
- c. MS & Below – MS Steward or LS/Cpl RMS Clerk.

4. The remainder of the mess committee shall be elected by the mess members.

5. The functions and composition of the mess committee shall be as specified in A-AD-262-000/AG-000, Chapter 2. Terms of reference should be included in the by-laws to the constitution, and shall be made available to the applicable committee members.

RESPONSIBILITIES OF THE PRESIDENT OF THE MESS COMMITTEE (PMC)

6. In addition to any other duties that might be assigned, the President shall be responsible for:

- a. the efficient operation of the mess;
- b. ensuring that personnel operating the mess are properly instructed in their duties as laid down by the CO;
- c. signing the minutes after each meeting; and

- d. arranging with the CO for the appointment of an A/PMC during periods of absence.

SUPERVISING OFFICER

7. The CO shall appoint an officer or senior NCM to act in an advisory capacity to the mess committee for Master Seamen and Below. The duties of the supervising officer are detailed at A-AD-262-000/AG-000, Chapter 2, Paragraph 13 and Annex A.

CONSTITUTION AND BY- LAWS

8. A constitution is a document that enunciates the authorized principles according to which the mess is formed and operated. A sample constitution and suggested article headings for by-laws can be found at A-AD-262-000/AG-000, Chapter 3, Annex A.

9. Any changes to the constitution or by-laws shall be ratified at a general mess meeting and approved by the CO prior to taking force. It is recommended that the approved mess constitution and by-laws be reviewed and amended, if required, once every two years. A copy of the constitution must be made available to members at all times.

MESS MEETINGS

10. Mess committee meetings shall be held at least once per quarter. A general mess meeting shall be held at least once during each six month period. Extraordinary general meetings may also be convened in accordance with A-AD-262-000/AG-000, Chapter 3.

11. Mess meetings shall be conducted in accordance with A-AD-262-000/AG-000, Chapter 3, Annex B. The agenda may include proposals submitted by members as well as by the mess committee.

12. Minutes shall be recorded for all general mess meetings and mess committee meetings and shall be signed by the following personnel:

- a. Secretary;
- b. PMC;
- c. LogO;
- d. Executive Officer (recommended); and
- e. CO (approved).

13. Copies of mess minutes shall be distributed as follows:
 - a. original – Ship’s Office;
 - b. copy - secretary;
 - c. copy – mess notice board; and
 - d. copy – NPP Manager.
14. Standing authorities shall be reviewed and approved annually by the Log O. These authorities include such things as PMC bar chits, petty cash authorities and mess committee expenditure authorities.

PAYMENT INTO MESS FUNDS

15. For general information, see A-AD-262-000/AG-000, Chapters 3 and 4.
16. Each member of ship’s company shall pay into mess funds such amounts as may be determined by a general mess meeting and approved by the Commanding Officer.
17. In accordance with CFAO 27-1 and CANFORGEN 150/09, when a member proceeds on temporary duty or attached posting to another unit for a period in excess of 14 days, mess subscriptions shall be suspended at the parent unit and commenced at the other unit. Members on LWOP may follow the procedure outlined in CANFORGEN 150/09.
18. Members of a ship’s company may pay mess dues in cash, by cheque, or by authorized deductions from their pay accounts in accordance with CFAO 203-4 or by a pay allotment to the appropriate mess in accordance with CFAO 207-1. Payment by acquittance roll requires completion of the authorization form at Annex A to CFAO 203-19. Payment by either acquittance roll or pay allotment are considered to be the most efficient and expeditious means of collecting mess dues and shall therefore be promoted as the normal methods used in all the messes in HMC Ships.
19. All mess bills shall be settled in full by the 15th day of the following month. The Mess shall ensure that members and visitors pay their mess bills in full prior to their departure from the mess. For further information on this topic, see A-AD-262-000/AG-000, Chapter 3.
20. Personnel either on maternity or parental leave are not be subject to the payment of Mess subscriptions. (CANFORGEN 150/09). Mess dues are subject to Goods and Services Tax (GST)/Harmonized Sales Tax (HST). In Quebec, mess dues are also subject to PST.

MESS FUNDS

21. Mess Funds are derived primarily from:
 - a. distribution of Exchange profits;
 - b. mess dues; and
 - c. entertainment assessments.
22. Revenue from mess functions shall be deposited to the equity by the NPP Manager at the earliest opportunity.
23. In accordance with A-AD-262-000/AG-000, Chapter 4, profits should not be allowed to accumulate in the Mess Fund, but should be used for the general good of the mess. Shares of profits shall not be distributed to individuals under any circumstances.

MESS EXPENDITURES

24. Disbursement of Mess Funds shall be in accordance with procedures described at A-AD-262-000/AG-000, Chapter 2 Paragraph 23. Expenditures from messes shall not at any time exceed the equity balance.
25. In accordance with A-FN-105-001/AG-001, Chapter 2, Mess Funds shall not be alienated by gifts to private or public institutions, to relieve a member of personal responsibility for loss or damage to public or non public property, for testimonials or gifts to individuals, for national appeals for financial assistance, or for the provision of anything connected with religious services.
26. The PMC, Treasurer or Mess Committee may be empowered to authorize the expenditure of Mess Funds to a limit agreed to at a general mess meeting, subject to the approval of the CO and the formal Delegation of Authorities. Such standing authorities are to be clearly defined in mess minutes and are to be reviewed annually at a general mess meeting. For example, the PMC may establish, in writing, a standing authorization for recurring expenses such as bar supplies and subscriptions.
27. All expenditures from mess funds, other than those that have been approved on a standing basis, shall be made on recommendation of a general mess meeting and approved by the CO.
28. Requests for payments of services, e.g. bands, shall be supported by written contracts or memo agreement, setting out total charges for services rendered. A person

must have Delegation of Authority in order to contract services for NPP. After confirmation that goods have been received or services rendered in accordance with the agreement, invoices covering charges for goods (not for resale), e.g. prizes, trophies, decorations, and services, shall be approved for payment by the PMC.

29. For general information concerning mess entertainment and the expenditure of funds for entertainment, see A-AD-262-000/AG-000, Chapter 3.

PUBLIC SUPPORT TO SHIPBOARD MESSES

30. HMC ships, other than those deployed on international operations, are authorized the same level of Public support for NPP MW programs as remote units in Canada, where it is practical and unless otherwise specified in A-PS-110-001/AG-002, Public Support for Morale Welfare Programs and NPP – Volume 1.

31. The Public is responsible to provide, repair and replace furnishings for Regular Force Messes. Mess furnishings are the standard quality furniture and accessories needed to accommodate Mess operations.

32. The LogO may authorize Public funds to purchase standard quality furniture. If a Mess Committee chooses to buy better quality furnishings or specialty items using NPP, Public may reimburse NPP with the dollar value of the standard furniture. DAOD 3004-1 provides guidance in determining the credit. Furnishings purchased in whole or in part using Public funds are Public property, accounted for as a Public asset, and maintained at Public expense. When procuring furniture quality standards and Standing Offer Agreements (SOA) must be reviewed before entering into a procurement contract as it is part of the ten mandatory use SOA commodities.

33. Any NPP that has been repaired at public expense becomes Public Property after the repair. A-LM-007-014/AG-001, Canadian Forces Supply Manual shall be reviewed prior to any public expense repair of NPP to determine the maximum repair cost authorized

34. The Public is responsible for fixed asset procurement and maintenance needed to accommodate Mess operations. These items include refrigerators, sinks/water supply, lighting and other items that are built into a facility or connected by plumbing or electric wiring and not readily removable.

BAR OPERATIONS

35. The bar shall purchase stock for resale only through the Exchange. Bar supplies, such as pre-mix, coasters, stir sticks and automatic dispensers may be purchased direct from the trade using petty cash funds, if so authorized by the PMC or Treasurer and within spending limits set at a general mess meeting and the CO's Delegation of Authorities.

36. The LogO shall provide each mess with a fixed amount of cash to establish a bar imprest. The amount of the imprest is to be established by the LogO at a minimum level consistent with security arrangements for cash and stock, and replenishment requirements. The imprest shall be signed for by the Bar Manager, who will be responsible for it in accordance with the terms of his/her contract.

37. The imprest shall be signed for by one individual designated as the Bar Manager or Mess Manager using a Receipt for Canteen/Mess Imprest found at Figure 15. An imprest may consist of cash, merchandise and/or accounts receivable. The amount of cash and stock on hand at selling price, as well as accounts receivable if applicable, shall equal the amount of the imprest at all times.

38. The bar manager (unless employed as part of his/her duties i.e. Steward) may be remunerated at a rate set by a general mess meeting and approved by the CO. It should be noted that any form of remuneration is considered a taxable benefit, for which a T4A shall be produced.

39. The bar manager shall be provided with written terms of reference which are to be produced locally and shall at least include expectations with respect to:

- a. security of the imprest;
- b. control of inventory;
- c. oversight of day-to-day bar operations; and
- d. work scheduling, training, and control of mess staff (e.g. bartenders and swampers).

40. The bar is to be mustered and cash counted each day in which the bar is open and on change of bartenders. The CO may order an independent muster at any time. Reports of stock-takings shall be retained on file by the Bar Manager for audit purposes.

41. Current retail price lists shall be signed by the LogO and posted in each bar.

BAR OVERAGES

42. Overages discovered during imprest verifications shall normally be turned in to the designated cashier. However, the CO is authorized to exercise discretion in this regard. The overage is to be actioned as a debit to cash and a credit to the applicable mess equity.

BAR SHORTAGES

43. Shortages discovered during imprest verifications shall normally be recovered from the responsible Bar Manager. However, the LogO is authorized to exercise discretion in this regard. Recovery or write-off is at the CO's discretion based on the circumstances of the case.

BREAKAGE AND SPOILAGE

44. There are two options for recording breakage and spoilage:
- a. the maintenance of a monthly breakage and spoilage register (sample form at A-FN 105-001/AG-001, Chapter 36, Annex B) and expense the loss against the mess equity at retail; or
 - b. return merchandise to the Exchange and write it off at cost against the Exchange breakage/spoilage account.

PROVISION, SERVING AND CONSUMPTION OF ALCOHOLIC BEVERAGES

45. All personnel involved in the administration or operation of bars shall be familiar with the provisions of CFAO 27-12 and SSOs Chapter 2 (for HMC Ships) concerning the provision, serving and consumption of alcoholic beverages.

46. All personnel involved in serving alcohol, including Bar Managers, Assistant Bar Managers and Beer Machine Custodians are to obtain the provincial hospitality (i.e. Serving it Right, Smart Serve) certification prior to being hired.

ACCOUNTING BAR CARDS

47. The CO may authorize credit sales (i.e. personal chits) for the Wardroom and C&PO's Mess.

48. Bar cards shall be priced and totalled monthly at a minimum by the bartender and posted regularly by the Bar Manager or Treasurer to an Account Receivable Ledger Sheet raised for each mess member. These forms, as well as ledger covers, should be produced locally. A control account shall be kept in front of the ledger; the balance in this account shall at all times equal the combined total of the individual accounts receivable.

49. Payments by mess members shall be calculated from the current balances in the ledger. Payment in full is required by the 15th day of the following month. The Bar (Mess) Manager shall report all overdue accounts receivable to the PMC on a monthly basis. The PMC may establish a maximum balance on mess accounts. The Mess Manager shall issue a CF602 to the member when payment is received and such receipts shall be posted to the accounts receivable ledger. Cash receipts that do not form part of the imprest, such as mess dues and assessments for functions, shall be deposited immediately with the NPP Manager who shall issue a CF 602.

50. Closed bar cards shall be kept on file by the imprest holder for one year. At the end of the fiscal year, they shall be turned into the NPP Manager who shall keep them for six years as financial records.

ARCADE GAMES

51. Arcade games may be authorized for use only under the umbrella of the NPP operation. Rental of arcade games shall be governed by a written contract.

52. The distribution formula for arcade game revenues shall be duly recorded in mess committee minutes. Expenditures against such revenues shall be approved in the same manner as any other mess expenditure.

53. The following accounting controls are to be maintained:

- a. the NPP Manager or designated mess representative shall accompany the vendor/game custodian whenever the machine is emptied. At that time, revenues are to be reconciled to the meter readings;
- b. total revenue shall be recorded on a CF602 and a cheque issued for the vendor's share of the revenue; and

54. Another option is to have the operation of arcade games controlled by a company, which will then pay royalties to the Ship as revenue. The distribution of these royalties is to be recorded in the mess minutes.

GIFT FUNDS

55. In accordance with A-FN-105-001/AG-001, Chapter 2, a mess shall create a separate Gift Fund to procure gifts and testimonials of a reasonable amount. Limits on the value of gifts shall be specified in mess minutes and used on occasions such as the following:

- a. retirement or posting of a mess member;

- b. expressions of sympathy in respect of a deceased member or dependants of a member;
 - c. congratulations on the marriage of a member or birth of a child;
 - d. items not covered under the Hospital Comfort Fund for a member that is hospitalized; and
 - e. presentations of a suitable nature to visiting ships, a host ship when abroad, or to port officials. Presentations of this nature shall not be made to members of the Ship's company or to individuals serving in the CF.
56. The Gift Fund shall be funded from mess dues and shall not be created or replenished by transfers of funds from other accounts. It shall operate as a trust account of the mess.
57. The proportion of the mess dues that is to be designated for the Gift Fund shall be recorded in the minutes of a general mess meeting and approved by the CO. This amount should be reviewed on an annual basis.
58. The Gift Fund shall not be placed in a negative balance.
59. If a Gift Fund for the Ship's Fund is not established, expenditures legitimately assessable to such a fund may be apportioned among Mess Gift funds of the three messes, provided approval is granted by the CO. The method of apportioning shall be determined by the Ship's Fund Committee.

PETTY CASH FUNDS

60. Petty cash funds for miscellaneous minor operating expenses may be issued on authority of the LogO.
61. Petty cash funds shall not be used to purchase stock for resale, except if authorized, for the Exchange Manager only, by the LogO.
62. A petty cash fund shall be the responsibility of the holder and shall be kept in a secure place in accordance with security regulations and CFAO 202-2. Petty cash funds shall be kept separate from change funds, imprest funds and other mess funds.
63. A receipt shall be obtained from each authorized holder to whom a petty cash fund is issued using a Receipt for Petty Cash (Figure 16).

64. Holders are to obtain reimbursement by submitting invoices to the NPP Cashier at least monthly.

65. At the time of stocktaking, independent stocktakers shall count and verify all petty cash holdings.

LOANS FOR MESS RENOVATIONS AND THE PURCHASE OF NPP

66. A CFCF loan to purchase NPP or Mess renovations can be arranged as detailed in Chap 2 para 16-20.

67. Public support to mess renovations are detailed in para 31-35.

END OF CHAPTER

CHAPTER 5

SECURITY, LOSSES, WRITE-OFFS AND INSURANCE

GENERAL (SECURITY)

1. NPP assets shall be afforded the same degree of security given assets owned by the public. General security requirements are prescribed in QR&O 202.03 and CFAO 202-2. If any doubt exists pertaining to security, the Security Section of the Military Police shall be consulted.

KEY CONTROL

2. The prime consideration governing the control of keys and access to spaces is that of responsibility and accountability. Only those individuals responsible for NPP assets shall have access to those spaces. Key control is a fundamental aspect of NPP security and shall not be compromised. Refer to Ships' Standing Orders (SSOs), Chapter 4, Article 4072 for regulations on key organization and control.

3. The original keys for all NPP spaces shall be held by those individuals responsible for the NPP or inventory held in those spaces. Separate locks with separate keys are required for each NPP space.

4. Duplicate keys to all logistics spaces shall be held in the LogO's keyboard, with the exception of the following keys, which shall be held in sealed envelopes on the duplicate keyboard in the CO's cabin and on the OOD keyboard, SSO Art. 4072 (2) (c):

- a. canteen keys;
- b. canteen bulk stores keys;
- c. spirit stores keys;
- d. pop/beer stores keys;
- e. Exchange Warehouse keys;
- f. vending machine keys; and
- g. in the case of NRDs, bar access keys.

Note: It is essential that secure storage be provided for the Exchange, Canteen and Bar inventories of non self-accounting units. A padlock of a type with non-reproducible key (i.e. ABLOY) shall be used in conjunction with the existing door lock.

5. In the event of an emergency or other exceptional circumstances such that it becomes necessary to enter a space in the absence of the individual responsible, the LogO, NPP Manager, OOD/OOW, or XO may obtain duplicate key(s) from the OOD or CO's keyboard. In the presence of an independent witnessing officer, the space may then be opened and the requirement carried out. At no point should the space be left unattended or unlocked. Prior to returning the key(s) to the appropriate keyboard, the member who unlocked the space shall ensure the space is secured and that the keys are sealed in a new envelope, with the signature of both the LogO/NPP Manager/OOD (the XO or OOD/OOW in non self-accounting units) and witnessing officer across the seal. Stock should be counted by the individual responsible for the space at the earliest opportunity and the keys replaced in a new sealed envelope, marked accordingly and properly secured in the applicable keyboard.

6. All NPP spaces will remain locked during the second degree of readiness (SSO's 2043 (2) (a)).

7. If the absence of the Exchange Manager (imprest holder) is a scheduled event (leave or TD), a stocktaking shall be conducted by the person assuming responsibility for the stock. Short absences can be catered for by advance planning on the part of the Exchange Manager (i.e. liaison with imprest holders/canteen servers). Due to conflict of interest, the LogO, and the NPP Manager shall not be designated as a replacement for the Exchange Manager at any time.

8. Safe Combinations. IAW CFAO 202-2, safe combinations must be changed at a minimum of 6 months or on hand-over of the safe from one individual to another. When the combination is changed, a card shall be appended to the inside of the safe indicating the date of change and the individual's name. In addition, the combination of the safe shall be written on two pieces of paper and sealed in two separate envelopes. The face of the envelopes shall include the location of the safe, serial number as applicable, name of safe holder and date. The envelopes shall be sealed with the individual's signature along the seal line and one passed to the CO to be locked in his/her safe, and one hand-carried to the LogO for deposit in his/her safe.

NPP DISCREPANCIES

9. All discrepancies of NPP assets shall be investigated IAW QR&O 21.72 and 21.73, DOAD 7002, and A-FN-105 Chapter 30. In normal circumstances, losses experienced by individuals responsible for controlling NPP assets are recovered from the person responsible.

INVESTIGATION OF DISCREPANCIES

10. When a deficiency is detected in an NPP account, the person finding the discrepancy shall contact the LogO (and/or NPPAO for NRDs), through the NPP Manager if he/she is available. After the LogO conducts an initial investigation of the inventory/cash discrepancy, regardless of the amount. The LogO will inform the CO of

the situation who should allow a period of 72 hours to permit a vigorous attempt to reconcile the account before reporting it through the chain of command. If, on the expiration of the 72 hours the deficiency remains unreconciled, it shall be placed into a suspense account until the deficiency is reconciled and reported to the superior HQ as outlined in para 15-17.

Note: In the case of non self-accounting units, the XO is responsible for conducting the initial investigation. If the discrepancy has not been revealed following the 72 hours, the NPP sections must be locked and the MOG LogO contacted immediately (by message if deployed) for further direction.

11. For discrepancies less than \$1000, where a criminal act is not known or suspected, the CO may order a CO's investigation or an SI as required.
12. For discrepancies \$1000 and above, where a criminal act is not known or suspected, a CO may order an SI or BOI as required.
13. In any instance where a criminal act is known or suspected, the deficiency shall be immediately reported to the Military Police for investigation and to the appropriate COMCANFLTPAC/ COMCANFLTLANT/COMMAROPSGRU, FCompt, and RCN Compt for info using template under para 16 of this chap. Subsequent to the MP investigation, the CO or higher authority may direct the completion of a BOI or SI should circumstances so warrant.
14. The Formation OPI should be contacted prior to the conduct of BOI/SI if clarification or additional information is required.

REPORTING OF DISCREPANCIES

15. All NPP losses, shortages (including those resolved by full recovery), and overages equal to or exceeding \$1,000 in a single occurrence shall be reported through the chain of command to RCN Compt within 72 hours of discovery (FCompt can reduce their own reporting threshold through local SOPs). The message shall include:
 - a. particulars of the account in which the deficiency occurred;
 - b. particulars of the holder of the account;
 - c. amount of the deficiency;
 - d. date deficiency initially discovered;
 - e. apparent reason for deficiency;
 - f. whether a criminal act is known or suspected; and

g. any action already taken or planned by the CO.

16. All NPP losses reported above shall be investigated appropriately and a closing report or request (for amounts outside the CO's authority) shall be sent from the unit to FCompt, info RCN Compt and Fleet Comd as follows:

- a. For amounts to be written off within the CO's authority, a message of explanation detailing action taken.
- b. For amounts beyond the CO's authority, a letter of explanation to FCompt recommending write off by appropriate authority along with action taken.
- c. In any instance where a criminal act is known or suspected, a message of explanation detailing write-off or restitution and other disciplinary or administrative actions taken.

17. All accumulated NPP shortages, overages or losses equal to or exceeding \$1,000 in any one NPP entity in either the first or second six month period in the NPF fiscal year (excluding those already reported IAW paragraph 2 above) shall be reported to the RCN Compt by the FCompt by 31 Oct and 30 Apr respectively each year. These reports shall include a brief synopsis of any response or action the Formation intends to take.

TRIVIAL DISCREPANCIES

18. The following are the only exceptions to investigation and reporting requirements:

- a. Warehouse Inventory Discrepancies. If discrepancies less than \$50 (at cost price) per month occur, and a reasonable attempt by the LogO and Stocktaking Board Chairman to reconcile the discrepancy proves unsuccessful, the LogO may write-off or bring on charge, the amount on the inventory adjustment audit list;
- b. Canteen Discrepancies. If discrepancies less than \$50 (at selling price) per month occur, and a reasonable attempt by the LogO and Stocktaking Board Chairman to reconcile the discrepancy proves unsuccessful, the LogO may write-off or bring on charge, the amount of the discrepancy;
- c. NPF Cashier Cash Discrepancies. If discrepancies of less than \$20 per occurrence of a non-repetitive nature occur, and a reasonable attempt to reconcile the discrepancy proves unsuccessful, the LogO may write-off or bring the amount on charge; and
- d. LogO Cash Discrepancies. If discrepancies of less than \$20 per occurrence of a non-repetitive nature occur, and a reasonable attempt to reconcile the discrepancy proves unsuccessful, the CO may order the amount written-off or brought on charge.

RECOVERY OF NPP LOSSES

19. When recovery action is deemed appropriate and the individual(s) responsible for the loss refuse(s) to make voluntary restitution, the CO may apply the provisions of QR&O Chapter 38 and/or QR&O 27.38 as appropriate. It should be noted that recovery is possible as QR&O 38.03(7) provides an avenue whereby this can be affected, notwithstanding the member's objections. Recoveries affected by administrative deduction shall be credited to the Ship's Fund or mess concerned pursuant to FAM Chapter 101 paragraph 27.

BASIS FOR VALUATION OF WRITE-OFF OF NPP

20. In the case of damage to inventory, the total value of the loss at cost price will be used as the basis to determine the write off authority for inventory in the Exchange Warehouse. The total value of the loss at selling price will be used as the basis for determining the appropriate entry/adjustment for items in the Canteen and messes. The procedures for valuation considering amortization/depreciation can be found in A-FN-105 Chap 28.

21. Accounting action to recognize the loss shall be taken in the month in which the deficiency was discovered, and shall not be delayed pending the outcome of any investigation.

22. The authorization for the write-off of NPP assets shall not prejudice disciplinary or administrative action against any individual responsible for the loss or damage.

DISPOSAL OF NPP

23. All disposal of NPP must be approved and reflected in the minutes of the appropriate mess or Ship's Fund Committee.

24. Deletion from records and disposal action shall not occur until approved by the CO.

25. Every effort shall be made to realize the maximum dollar value of NPP slated for disposal. Sale to other ships, shore units or to individuals is preferred over scrapping. Any monies realized from the sale of NPP accrue to the entity that disposed of it.

26. Property that has no resale value shall be scrapped in a controlled fashion.

27. The sale of NPP assets to non-NPP organizations or individuals is subject to GST/HST.

REPAIR OF NPP

28. The decision to repair damaged or malfunctioning NPP rests with the entity that owns the item.

29. As required by A-LM-007-014/AG-001, Vol 3, Chap 11, Section D, Para. 11, should the item be repaired at public expense, in other words with public material or labour, then it becomes the property of the Crown. Consequently the authority of the Ship's Fund Committee, or mess concerned, must be obtained prior to proceeding with such repairs.

WRITE-OFFS AUTHORITIES

30. The CDS Delegation of Authority for NPP matrix indicates a delegation of write-off authorities per any single occurrence for cash, Exchange inventory, imprests, petty cash funds, and property as follows:

- a. CO \$250K per occurrence;
- b. Associate DGMWS \$500,000K per occurrence; and
- c. DGMWS \$1M per occurrence.

31. Guidelines on how to report and process write-offs are found in A-FN-105 Chapter 3 Annex A. Write-offs shall be actioned by a Request for Write-off in memorandum format outlining the full particulars of the circumstances and reasons for write-off. If the amount to be written off exceeds an individual authority, the entire amount is to be submitted to the next higher authority for action, with recommendations.

32. In the event of write-off, the loss, having been accounted for through the Suspense account and then investigated as appropriate, is written off as an expense against the entity concerned. In the case of the Canteen, write-off action is taken against the Exchange (Ship's Fund for NRDs) as a miscellaneous expense.

PHYSICAL NON-PUBLIC PROPERTY (NPP)

33. All NPP is vested in the CO and shall be administered and controlled either through the Ship's Fund or one of the messes.

34. For control purposes NPP shall be classified as follows:

- a. Fixed Assets. All F&E, whether donated or purchased costing more than \$1000 per unit, \$1000 or less per unit if of a desirable and attractive nature, or all sports and physical fitness equipment whether acquired or purchased from non-public funds, public grants or received as donations; and

- b. Consumable Assets. Purchased or donated F&E items having a relatively short useful life that do not fall within category of "a." above, including expendable items of sports and recreational equipment. No formal property records are required for these items.

35. NPP administered by the Ship's Fund shall be signed for on an individual basis by the user.

36. All fixed NPP, excluding sports equipment, shall be recorded on a Furniture and Effects Stock Record Card. All sports equipment shall be recorded on a Sports Equipment Record Card. All NPP, including sports equipment, shall be summarized on a NPP Control Register. Control numbers are required for all fixed and accountable assets and shall be permanently affixed to the item.

37. NPP shall be independently verified by personnel appointed by the CO. Verifications shall be conducted annually (normally at the end of the NPF fiscal year) and at turn over of account holders. Results of the verification shall be held by the NPP Manager for audit purposes. A physical count done as part of a handover is considered verification for the purposes of this article.

SPORTS EQUIPMENT

38. The LogO shall ensure that the accounting and control of Sports Equipment is as follows:

- a. Stock Record Card. Each item of Sports and Physical Fitness Equipment shall be entered on a Stock Record Card.
- b. Control Register. A separate NPP Control Register may be used for each Sport category (i.e. hockey, baseball, curling, etc.);
- c. Security and Stowage. It is essential that adequate stowage space be made available. Access to this space must be strictly controlled;
- d. Temporary Issues. It is a matter of routine to issue the members of a representative team their equipment for an extended period. It is essential that this be tightly controlled and that a DND 638 or locally produced control sheet is filled out by each team member. As well, when members are clearing out from the ship they should be required to see the Sports Officer or Custodian to ensure that any loaned equipment is returned; and
- e. Verification. The Sports Equipment shall be independently verified once per year, whether it is by an independent Board or by turnover of the account holder. The Board (or new account holder) shall recommend unserviceable items for disposal and list missing items for write-off. The

Board (or new account holder) shall formally present their findings to the CO through the LogO and XO immediately following verification.

CONSOLIDATED INSURANCE PROGRAM

39. The Non-Public Property Consolidated Insurance Program (NPP CIP) covers all NPP of the Canadian Forces, with the exception of NPP cash. Procedures and policy related to NPP CIP are contained in A-FN-105-001 Chapter 11.

40. DGMWS OTTAWA/CFO & VPI is the OPI for the NPP CIP and all correspondence by Ships and NRDs in connection with the program will be made through the OPI. All correspondence pertaining to an actual claim shall be forwarded via the FCompt and info NS Compt.

END OF CHAPTER

CHAPTER 6

SALES TAXES

SALES TAX

1. COs shall ensure that messes, institutes, and Exchanges under their command comply with Federal and Provincial Tax Regulations.

HARMONIZED SALES TAX (HST)-EAST COAST

2. General.

- a. The NPP spaces of HMC Ships fall within the category of regular commercial outlets due to their commercial operations; therefore, the normal provisions of the HST/GST legislation apply. However, Canada Revenue Agency (CRA) has acknowledged the unique nature of the operations of HMC Ships and has approved the use of a predetermined multiplier (does not include NRDs) system in order to calculate the tax payable. This concession greatly simplifies the application of HST to shipboard operations; and
- b. HMC Ships also take advantage of the Input Tax Credit (ITC) system, which allows ships to claim all of the HST paid on merchandise for resale purchased by the Exchange as well as the HST paid on goods and services that are not for resale. The ITCs are subtracted from the tax payable on monthly Exchange sales and from the tax collected on revenue sources (e.g. mess dues), with only the difference remitted to CRA. Should the ITCs claimed total more than the amount of tax collected for the period, the monthly return will be used as a claim for a refund from CRA.

3. Revenue. With the exception of internal transfers and fund raising revenue credited to the charity fund, HST is to be collected on all revenue including mess dues, admissions to a function (e.g. ship's company dance), arcade game revenue, proceeds from the sales of sports equipment and other NPP using a formula of the total price divided by 1 + the tax rate. For example, a 15% HST rate for sales of \$100 would equal to $\$100/1.15 = \86.96 . The difference between \$100 and \$86.96 equals HST payable of \$13.04)

4. Sales. HST shall not be directly assessed at the point of sale. The predetermined multiplier as determined by CRA shall be levied against retail sales and expensed against the Exchange operation on a monthly basis.

5. Internal Transactions. In general, transactions that occur between ships or between a ship and another NPP entity (e.g. CANEX) are not subject to HST. For

instance, when ship A buys goods from ship B, the transaction will not carry any HST charge. HST will be paid by ship A (using the multiplier) after the merchandise has been sold on board. Any tax paid on the original purchase by ship B will be claimed only by ship B as an ITC, since ship A did not pay any HST on the purchase.

6. Private Functions. The LogO shall ensure that HST is charged on the total cost of food, regardless of whether it is purchased with public or non-public funds, and on NPP wages paid for private functions i.e. an activity or function not related to the operation of a mess. No taxes need to be collected on sales of spirits, pop and beer from the messes, as the tax is already collected on these items at the time the merchandise is sold from the Exchange.
7. Partially Subsidized Functions. The HST is not charged on totally subsidized Ship's Fund or mess functions. However, in the case of partially subsidized functions, the LogO shall ensure that the HST is collected on that portion of the cost of the function that is paid for by the participants. For instance, if the cost of the Christmas party is \$50.00 per person but \$30.00 of the cost is assumed by the Ship, HST is calculated on the \$20.00 that the participants pay.
8. Official Entertainment. The LogO shall ensure that the Crown is charged HST on the total cost of the function (including bar merchandise, food paid for with public/non-public funds and miscellaneous items). The HST component shall be coded against the HST refundable advance account using the special resource code provided for that purpose on the CF 52 – General Allowance Claim.
9. Sale of NPP. The LogO shall ensure that the HST is charged on the sale of NPP, including sports equipment, to a non-NPP activity or to an individual. This is accounted for using the same formula in para 3.
10. Reporting. HMC Ships are assigned individual HST account numbers provided by CRA . Ships shall submit directly to CRA using the monthly report. This monthly report (Harmonized Sales Tax Return For Registrants) provided by CRA is a consolidated report including all NPP activities taking place on board a ship. CRA automatically sends the forms before the deadline for each report. A report of transactions which took place during a given month must be submitted at the end of the following month, preferably submitted electronically. Operating instructions on how to complete the report are available in a separate CRA Guide and pursuant to Section 281.(1) of the Excise Tax Act. If a ship expects to experience difficulties in completing their HST Return for Registrants on time (e.g. due to long deployments), the LogO shall immediately inform CRA GST/HST Collections, info the FCompt of the potential delay.
11. Record Keeping. Accounting records are required to be kept with sufficient information as to allow determination of the amount of HST to be paid, collected, deducted or refunded. Registrants are required to keep their accounting records for a period of six years from the end of the year to which they relate. These records shall be made available to CRA Excise auditors as required.

PROVINCIAL SALES TAX (PST) AND GOODS AND SERVICES TAX (GST) WEST COAST

12. PST:

- a. An HMC Ship's NPF organization shall be registered with provincial tax authorities and provided with a registration number, which bears a provincial sales tax exemption number. This number is to be quoted on all purchase documents issued to acquire goods for resale in order to preclude payment of tax at the wholesale level. PST must therefore be collected and remitted for merchandise sold. Duty free wines, spirits and beer are not subject to provincial sales tax at any time because they are excised;
- b. PST shall not be assessed at time of transfer to an imprest (e.g., to the canteen). Instead, it shall be assessed at the final point of sale to the customer (i.e., to the sailor). PST is expensed against the exchange operation monthly. PST collected is to be remitted monthly to the Minister of Finance for B.C. in accordance with instructions provided by MARPAC/N8 COMPTROLLER;
- c. Purchases of goods and services not intended for resale, ("personal use"), are governed by the principles contained in A-FN-100 Chapter 50 Section 2;
- d. The term "personal use" is restrictive and applies to property and effects that remain onboard the ship. Items purchased as gifts, prizes, or which can in any way be considered for the personal use of a member of the ship's company, cannot use the PST tax exemption number. Prepared foods (meals, pizza etc.) purchased by an NPF entity are subject to tax and the entity must pay the supplier. The PST tax exemption number is not applicable to these purchases; and
- e. The Federal PST tax exemption number (XXXXXX) is only applicable on all Public Fund (PF) purchases, including PF grants to ships, such as the Physical Fitness Maintenance Grant, Fighting Efficiency Fund, Reference Library and Reading Room Grants. (TBC by ADM(Fin CS)).

13. GST. HMC Ships' NPP operations fall into the category of regular commercial outlets, and therefore the normal provisions of the GST legislation apply. However, CRA has acknowledged the unique nature of the operations of HMC Ships and has approved the use of a predetermined multiplier system in order to calculate the tax payable. This concession greatly simplifies the application of GST to shipboard operations.

14. GST- Input Tax Credits. In general, the input tax credit (ITC) system allows ships to claim all of the GST paid on merchandise for resale purchased by the Exchange as well as the GST paid on goods and services that are not for resale. The ITCs are subtracted from the tax payable on monthly Exchange sales and tax collected on sources of revenue (e.g. mess dues) with only the difference remitted to CRA. Should the ITCs claimed total more than the tax that was collected for the period, the monthly return will be used as a claim for a refund from CRA.

15. GST-Purchases. The LogO shall ensure that input tax credits are claimed on every NPP purchase made by the ship that has attracted GST. This includes merchandise purchased for resale by the Exchange as well as goods or services that are not for resale, such as items purchased for messes or using the various gift funds.

16. GST – Revenue. In general, with the exception of sales, internal transfers, and fund raising revenue credited to the charity fund, GST is to be collected on all sources of revenue including mess dues, admissions to a function (e.g. ship’s company dance), video game revenue, proceeds from the sales of sports equipment and other NPP, using a formula of 5/100 of the total receipts.

- a. Sales. In HMC Ships, GST shall not be directly assessed at the point of sale. Instead, a predetermined multiplier shall be levied against retail sales as shown in the income statement and expensed against the Exchange operation on a monthly basis.
- b. Internal Transactions. In general, transactions that occur between ships or between a ship and another NPP entity (e.g. CANEX) are not subject to GST. For instance, when ship A buys goods from ship B, the transaction will not carry any GST charge. GST will be paid by ship A (using the multiplier) after the merchandise has been sold on board. Any tax paid on the original purchase by ship B will be claimed only by ship B as an ITC, since ship A did not pay any GST on the purchase.
- c. Private Functions. The LogO shall ensure that the GST and PST are charged on the total cost of food purchased with public and non-public funds and NPF wages assessed against private functions (e.g. an activity or function not related to the operation of a mess). As all sales of spirits, pop and beer from the Exchange are taxed at the time the merchandise leaves the warehouse, there is no requirement to charge GST and PST on sales of these items from one of the messes and/or Exchange to private functions.
- d. Partially- Subsidized Functions. GST and PST are not chargeable on totally subsidized Ship’s Fund or mess functions. In the case of partially subsidized functions, the LogO shall ensure that both the GST and PST are collected on that portion of the costs that are collected

from the participants. For example, if the ship's Christmas dance costs \$50 per person but the ship's fund intends to pay \$30 per person in subsidization, then GST and PST is to be calculated and collected on the \$20 per person that is collected from participants to pay the balance of the cost of the function.

- e. Official Entertainment. The LogO shall ensure that the Crown is charged GST on the total cost of the function (including bar merchandise, food purchased with public/non-public funds and miscellaneous items). The GST component shall subsequently be coded against the GST Refundable Advance Account using the special resource code provided for that purpose on the CF52- General Allowance Claim; and
- f. Sale of NPP. The LogO shall ensure that both the GST and PST are charged on the sale of NPP to a non-NPP entity or an individual.

17. GST Reporting. Each eligible HMC Ship has been assigned an individual GST account number by CRA and shall submit a monthly return directly to CRA with the required information. The monthly report "Goods and Services Tax Return For Registrants" will be a consolidated report, which will include all NPP activities. A return for transactions that occur in one accounting month is due at the end of the following month. CRA will automatically forward these forms to each location prior to the due date of each return. Detailed instructions on how to complete the report are available in a separate CRA Guide.

18. Pursuant to Section 281.(1) of the Excise Tax Act, if a ship expects to experience difficulties in completing their monthly Return for Registrants on time, the LogO shall immediately contact CRA GST Collections and inform their FCompt of the potential delay.

19. Accounting records are required to be kept in an appropriate form and to contain sufficient information to allow determination of the amount of GST to be paid, collected, deducted or refunded. Registrants are required to keep their accounting records for a period of six years from the end of the year to which they relate. These records shall be made available to CRA Excise auditors as required.

NAVAL RESERVE DIVISIONS (NRDs)

20. Provincial Sales Tax (PST)

- a. Goods for Resale. NRDs must register their Exchange operation with provincial tax authorities and be provided with a registration certificate, which bears a provincial sales tax number. This number is to be quoted on all purchase documents issued to acquire goods for resale in order to preclude payment of tax at the wholesale level. PST must therefore be

collected and remitted for merchandise sold, except for those units located in provinces in which an HST agreement exists. NRDs with a set tax rate on all items can calculate the PST at the end of the month. Divisions for which some items purchased for resale are non-PST taxable shall calculate the PST at the time of purchase. It should be remembered that the PST is calculated on the selling price and not on the cost price;

b. Goods not for Resale. Applicability

- (1) General Principles. Purchases of goods and services not intended for resale (“personal use”) are governed by the principles contained in FAM Chapter 50 Section 2. The term "personal use" is restrictive and applies to property and effects that remain onboard the ship. Items purchased as gifts, prizes, or which can in any way be considered for the personal use of a member of the ship’s company are subject to provincial sale tax. Similarly, prepared foods (meals, pizza etc.) purchased by an NPP entity are subject to tax and the entity must pay the supplier;
- (2) Representational & Public Grant Expenses. These expenses are exempt from PST. However, it should be noted that PST shall be paid by NPF for third party transactions such as petty cash purchases; and
- (3) Units in the province of Quebec shall pay QST on purchases of goods not for resale and apply for a rebate in accordance with provincial tax regulations.

c. Goods not for Resale. Taxation exempt numbers with the exception of units located in provinces where HST is applicable, and units in Alberta where there is no PST, units are to apply for and use an exemption certificate/omnibus tax exemption number applicable to their province.

21. GST/HST. In general, the Input Tax Credit (ITC) system allows NRDs to claim all of the GST/HST paid on merchandise for resale as well as the GST/HST paid on goods and services that are not for resale. The ITCs are subtracted from the tax payable on monthly Exchange sales and tax collected on sources of revenue (e.g. mess dues) with only the difference remitted to CRA. Should the ITCs claimed total more than the tax that was collected for the period, the monthly return will be used as a claim for a refund from CRA.

- a. Purchases. The LogO shall ensure that ITCs are claimed on every NPP purchase made by the ship that has attracted GST/HST. This includes merchandise purchased for resale by the Exchange as well as goods or services that are not for resale but rather are expensed against any of the NRDs NPP accounts (including gift funds);

- b. Revenue. With the exception of internal transfers and fund raising revenue credited to the charity fund, HST is to be collected on all revenue including mess dues, admissions to a function (e.g. ship's company dance), arcade game revenue, proceeds from the sales of sports equipment and other NPP using a formula of the total price divided by 1 + the tax rate. For example, a 15% HST rate for sales of \$100 would equal to $\$100/1.15 = \86.96 . The difference between \$100 and \$86.96 equals HST payable of \$13.04);

Note: For NRDs, GST/HST is built into the selling price and must be deducted and remitted at the GST/HST rate of the monthly sales before taxes for all merchandise sold;

- c. Internal Transactions. In general, transactions that occur between NRDs or between NRDs and another NPP entity (e.g. CANEX, other units) are not subject to GST/HST. For instance, when NRD A buys goods from NRD B, the transaction will not carry any GST/HST charge. GST/HST will be paid by NRD A after the merchandise has been sold on board. Any tax paid on the original purchase by NRD B will be claimed by NRD B as an ITC. Because NRD A did not pay any GST/HST on its purchase, it cannot claim an ITC;
- d. Private Functions. The LogO shall ensure that the GST/HST and/or PST (in accordance with Provincial Tax Regulations) are charged on the total cost of food purchased with public and non-public fund and NPF wages assessed against private functions (e.g. an activity or function not related to the operation of a mess). As all sales of spirits, pop and beer from the Exchange are taxed at the time the merchandise leaves the Warehouse, there is no requirement to charge GST/HST and PST on sales of these items from one of the messes and/or the Exchange to private functions;
- e. Partially Subsidized Function. GST and PST are not chargeable on totally subsidized ship's fund or mess functions. In the case of partially subsidized functions, the LogO shall ensure that both the GST and PST (or HST if applicable) are collected on that portion of the function costs that are collected from the participants. For example, if the ship's Christmas dance costs \$50 per person but the ship's fund intends to pay \$30 per person in subsidization, then GST and PST (or HST if applicable) is to be calculated and collected on the \$20 per person that is collected from participants;
- f. Official Entertainment. The LogO shall ensure that the Crown is charged GST/HST on the total cost of the function (including bar merchandise, public/non-public fund food and miscellaneous items).

The GST/HST component shall subsequently be coded against the GST/HST refundable advance account using the special resource code provided for that purpose on the CF 52- general allowance claim; and

- g. Sale of NPP. The LogO shall ensure that both the GST/HST and/or PST (in accordance with Provincial Regulations) are charged on the sale of NPP to a non-NPP activity or an individual.

22. GST/HST Reporting. Each applicable NRD has been assigned an individual GST/HST account number by CRA and shall submit a monthly return directly to CRA with the required information. The monthly report ("Goods and Services Tax Return For Registrants") will be a consolidated report, which will include all NPP activities. A return for transactions that occur in one accounting month is due at the end of the following month, submitted electronically. CRA will automatically forward these forms to each location prior to the due date of each return. Detailed instructions on how to complete the report are available in a separate CRA Guide; and

Pursuant to Section 281.(1) of the Excise Tax Act, if a NRD expects to experience difficulties in completing their monthly Return for Registrants on time, the LogO shall immediately contact CRA GST/HST Collections and inform their FCompt.

23. GST/HST Record Keeping. Accounting records are required to be kept in an appropriate form and to contain sufficient information to allow determination of the amount of GST/HST to be paid, collected, deducted or refunded. Registrants are required to keep their accounting records for a period of six years from the end of the year to which they relate. These records shall be made available to CRA Excise auditors as required.

TAX COMMISSIONS

24. All commissions remitted to units by the Provincial Tax Commission for collecting the PST shall be recorded as miscellaneous revenue to the Exchange operating fund.

25. For units located in Ontario or British Columbia, the Provincial Tax Commission considers all Federal Government Departments and Agencies to be one vendor. As such, the provincial Ministry of Finance in those provinces remits the commissions directly to Treasury Board. Therefore units located in these provinces are not to claim any commission from the collection of provincial sales tax.

END OF CHAPTER

CHAPTER 7

MINOR WAR VESSELS AND SUBMARINES

GENERAL

1. This chapter is intended for use by all personnel responsible for the operation, maintenance and safekeeping of the Exchange, Canteen and Mess Bar Imprests in Minor Coastal Defence Vessels (MCDV), Submarines and HMCS ORIOLE. It shall be read in conjunction with the other chapters of this publication and any local procedures produced by the applicable MOG.
2. The MOG Exchange, MCDVs, Submarines, HMCS ORIOLE, Shore based messes, MOG Funds and PSP activities are to be administered IAW Chapters 1-7. This chapter serves as amplification of the previous chapters and addresses the individual issues of non-self accounting units.

APPLICABILITY

3. This chapter is to be used in conjunction with related orders including QR&Os, CFAOs, DAODs, MARCORDs, FAMs, A-AD-262, A-PS-110, A-FN-105, and related Formation, CANFLTLANT (East)/ CANFLTPAC (West), MOG policies and Ships Standing Orders.
4. Throughout this chapter, the term "Ship" and "Non Self Accounting Units" refers to all MCDVs, HMCS ORIOLE and Submarines. The term "Ship's Logistics Officer (S Log O)" shall refer to the person assigned the duties of Logistics Officer (i.e. the Executive Officer in an MCDV, or the designated officer in HMCS ORIOLE and Submarines). The terms Exchange Manager, Canteen Manager and Bar Manager refer to the ship's NPP employees while MOG agencies will be prefixed with the word MOG (e.g. MOG Exchange Manager).

MOG NPP OPERATION

5. Due to the significant volume of work, the MOG NPP Operation is comprised of the NPF Cashier, NPF Bookkeepers and NPP Exchange Manager. Duties and responsibilities are outlined in Chap 1.

RESPONSIBILITY OF THE COMMANDING OFFICER (CO)

6. COs are ultimately responsible for all NPP activities and custody of NPP/NPF on board their ship. They shall ensure that all regulations and procedures are adhered to and that any anomalies are promptly reported to the MOG Log O.

7. The CO shall formally assign personnel to the following positions:

- a. Ship's Logistics Officer; and
- b. Stocktaking Board Chairperson.

8. The CO shall ensure that incoming and outgoing S Log Os are afforded sufficient time and resources to complete a thorough supersession.

MOG LOGISTICS OFFICER (MOG Log O)

9. The MOG Log O is responsible for overseeing NPP operations of all MOG units (both ashore and afloat). This includes accounting services, assisting S Log Os, NPP training, and staff assistance visits (SAVs). He/She is responsible for the development of policy and procedure and the interpretation of NPP regulations on behalf of the MOG and its units. The MOG Log O is also responsible for setting retail prices as well as advising the CO/MOG Commander on profit distribution.

SHIP'S LOGISTICS OFFICER (S Log O)

10. The S Log O is responsible to the CO for the effective management of the NPP operation on board. He/She is responsible for:

- a. requesting an increase to the imprest level from the MOG Log O prior to any major deployment (if so required);
- b. selecting, hiring and supervising the Exchange, Canteen and Bar Manager(s) and completing the handover paperwork;
- c. ensuring that all required stocktakings are performed, finalized and results forwarded to the MOG Log O;
- d. administration of NPP grants and OPAS claims for the ship;
- e. overseeing the activities of the Exchange, Canteen and Messes; and
- f. managing all Non-Public Property (NPP).

Note: To ensure proper segregation of responsibility and avoid any conflict of interest, the XO/S Log O shall not hold an NPP imprest on behalf of a member for any period of time. During periods of absence, another crew member (with necessary handover completed) must be appointed.

SUPERSESSION OF SHIP'S LOGISTIC OFFICERS

11. S Log O is required to complete supersession prior to assuming the responsibilities of the position. This hand-over includes the requirement to undergo any formal training programs that may be established at their MOG as well as debriefs by the MOG Log O.
12. The S Log O hand-over checklist shall be completed and the Supersession Certificate signed by the in-coming and out-going S Log Os as well as the CO upon completion. A copy of the Supersession Certificate shall be hand-carried to the MOG Log O along with an envelope containing the incoming S Log O's safe combination.

RESPONSIBILITIES OF THE EXCHANGE MANAGER

13. The Exchange Manager is financially liable for the full value of the imprest. He/She shall be directly responsible to the S Log O for:
 - a. the care and custody of all Exchange stock and cash equal to the value of the imprest and all equipment belonging to the Exchange;
 - b. ordering and purchasing of approved Exchange stock from the MOG Exchange;
 - c. warehousing of all Exchange stock until such time as the stock is sold to the Canteen, Messes or handed over to a successor following a stocktaking;
 - d. selling of stock and the reporting of any breakage;
 - e. advising the S Log O of the type of merchandise available for sale; and
 - f. submitting vouchers i.e. MR(CF 603), PO's (CF 601's), Chits, Breakage and Spoilage on a monthly basis or within 2 working days upon return to homeport.

SECURITY OF CASH AND INVENTORY

14. If the Exchange Manager is consistently carrying an excessive amount of NPP cash while alongside in homeport, the Exchange imprest level shall be re-evaluated by the MWV/MOG Log O and reduced to a more appropriate level.
15. For security purposes the following entities shall not hold cash in excess of: \$2,000 for the Exchange, \$500 for the Canteen and \$200 for the Mess Bars. Additionally, each entity must use an approved safe to hold these and larger amounts of cash as per the parameters outlined in CFAO 202-2. Excess cash in the ships Canteen and Bars shall be used to purchase additional stock from the Exchange. Excess cash in

the Exchange is to be used to purchase stock from the MOG Exchange or deposited to the S Log O for temporary safekeeping whereby a CF602 is issued for the deposit of cash.

16. Each person responsible for receiving NPF cash (other than sales to the Messes and Canteen by the Exchange) such as S Log Os and Mess representatives who collect mess dues shall be issued a book of CF 602s from their respective MOG NPP Office. All cash receipts shall be recorded therein and the original of the CF 602 shall be issued to the person making the payment.

17. Safe Combinations. IAW CFAO 202-2, safe combinations must be changed at a minimum of 6 months or on hand-over of the safe from one individual to another. When the combination is changed, the card inside the safe shall be appended to indicate the date of change and the individual's name. Two envelopes, each containing a copy of the new combination, shall be sealed with the individual's signature along the seal line and the location, name of safe holder and date on the face. One shall be passed to the CO to be locked in his/her safe, and the second hand-carried to the MOG Log O for deposit in his/her safe.

PURCHASES – MERCHANDISE

18. This article should be read in conjunction with Chapter 2. The MOG Log O is the sole authority for all purchases and/or replenishment of stock from suppliers made by the MWV/MOG Exchange warehouse for sales to MWV/MOG units.

19. The S Log O is the sole purchaser of goods made available for sale in the Canteen/Messes of their ship. He/She shall ensure that the selection and quantity ordered reflects the ship's requirement.

20. Purchases in Homeport. All purchases/replenishment of stock must be made from the MOG Exchange. Under no circumstances shall stock be purchased for resale from any other supplier. Each MOG has established policies on the method for ordering stock from their MOG Exchanges.

21. Purchases Away from Homeport. Ship Exchange Managers and S Log Os must carefully review their ship's requirements prior to deployments. They shall purchase sufficient stock from the MOG Exchange and submit a request to increase the imprest amount, if necessary. Subject to the approval of the MOG Log O, they are authorized, in extraordinary circumstances, to make purchases of confectionery routine items away from homeport if stocks become low. Any items of a non-routine nature such as crested items will only be ordered through the MOG Exchange. Purchasing of tobacco and alcohol in exceptional circumstances may be approved in accordance with MARCORD 27-01. The MOG Log O is to be consulted prior to and during the entire process for proper procedures.

22. The ship's Exchange imprest is the sole source of payment for Exchange NPP foreign port purchases. Any such purchases are to be conducted with imprest cash only.

23. The Exchange Manager will retain the original copy of the purchase order, invoice and the appropriate cash. Upon the ship's return to homeport, the Exchange Manager will turn in the paperwork and associated cash within 48 hours to the MOG NPP Office in return for a CF 602 receipt. At no time throughout the deployment shall the Exchange value exceed the approved imprest level. Once the selling price has been determined, any difference between the selling price and cost will be submitted to the S Log O to maintain the imprest at the approved level. The S Log O will turn in the excess cash to the NPP Office upon return to homeport.

24. Purchases Exceeding on Board Selling Price. The MOG Log O shall be contacted before any purchases exceeding on board selling price are made so that he/she may advise the S Log O on the best procedure for bringing the stock on charge and establishing the price. S Log Os and Exchange managers must be very careful in choosing suppliers when making foreign port purchases. If items are purchased that exceed the onboard selling price, the result will be a reduction of the Ship's Fund equity account upon return to homeport.

Note: The importance of following the requirements in paragraph cannot be understated. The loss of equity to the Ship's Fund by bringing high cost items on board in foreign port (which will have additional Customs duty charges upon return to Canada) can be detrimental to the Exchange operation.

25. Foreign Currency. Under no circumstances shall the ship's Exchange, Canteen or Mess Bars accept foreign currency in lieu of Canadian currency.

SALES

26. All NPP sales shall be made either by cash or personal cheque. The CO may authorize credit sales (i.e. chits). Personal cheque cashing policy shall be clearly stated in a COTM and strictly enforced.

27. CO's shall seek guidance from the MOG Log O before deciding upon their cheque cashing policy. While QR&Os allow DND to debit a member's pay account for NSF cheques not reimbursed to the Crown, this avenue is not available to MCDVs when a member is finishing his/her Reserve contract and returning to their home NRD. Follow-up on subsequent member's Non Sufficient Funds (NSF) cheques can be expensive and may result in a debit to the Ship's Fund equity account.

28. NSF Cheques. Personnel are responsible for any cheques returned to the MOG NPP Office for NSF and will be levied the applicable bank charges. A ledger is kept at the MOG NPP Office for NSF cheques and COs are informed in writing when a member has more than one NSF cheque.

29. Exchange Sales. All sales from the Exchange to the Canteen/Bars shall be made using a Merchandise Requisition (MR) CF603 form. It is imperative that this form

be fully completed and that both parties (i.e. Exchange Manager/Canteen Manager, etc.,) confirm that the correct prices are annotated therein. Imprest shortages and overages during stocktakings are, in most cases, directly attributable to pricing errors.

SALES AT COST

30. Sales at cost shall normally be restricted to the CO, Ship's Fund, OPAS and official entertainment functions, as approved pursuant to DAOD 1017, and are recorded on a CF603 with "Sale at Cost" clearly written. The person receiving the goods, e.g. XO or function coordinator, must sign for the order however, no cash is paid to the Exchange Manager. The Exchange Manager retains the yellow copy of the CF 603 (MR) as part of his/her imprest. The MR is hand-carried to the MOG NPP Office within 48 hours if alongside (or 48 hours after return to homeport) for reimbursement to the Imprest. In the interim, during any stocktakings or imprest verifications, the selling price is used in order to balance the Imprest.

31. Exchange/Canteen Managers receive no remuneration for sales at cost. When a sale at cost is carried out, the percentage of sales remuneration for the NPP employee is reduced before wages are paid.

BREAKAGE AND SPOILAGE

32. On occasion, merchandise held by the Exchange/Canteen and Messes will become unfit for sale. Such losses are legitimate expenses and should be recorded with all pertinent information on a Breakage and Spoilage Register. The Exchange/Canteen/Bar Manager shall submit his/her register to the MOG NPP Manager monthly and be reimbursed the retail value of the stock from the mess equity. All entities are to submit their register to the applicable PMC and/or S Log O for approval of amounts less than \$50 and the Ship's CO and MOG Log O for amounts greater than \$50.

33. Once approved onboard, the register is hand carried to the MOG NPP Office by the Exchange Manager and the Imprest reimbursed for the amount of the register. Breakage and Spoilage for the Exchange/Canteen shall be charged against the Ship's Fund equity account and Messes against the Mess equity account.

DUTY FREE ISSUES

34. MARCORD 27-01 outlines the rules and regulations for duty-free issues of liquor and tobacco. All duty free orders must be submitted to the MOG Exchange a minimum of 14 days in advance of the deployment.

35. The MOG Exchange will create an accounts receivable at cost for duty free sales. Upon returning to homeport, the exchange manager will hand carry monies collected from the crew from the duty free sales to the MOG NPP Manager for payment of the accounts receivable.

STOCKTAKINGS AND VERIFICATION OF IMPRESTS

36. The CO shall ensure a Stocktaking Board is appointed to conduct quarterly verifications of all onboard NPP entities. Results of the quarterly verifications, including originals of all CF 614's Merchandise Stocktaking Reports (MSR), are to be submitted to the MOG Log O once the stocktaking is completed.

37. If for some reason an independent quarterly stocktaking cannot be conducted, a memorandum stating the reason and substantiation must be signed by the CO and forwarded to the MOG Log O stating the reasons why.

38. The Board shall not include any NPP employees directly involved with the entity being verified.

39. Frequency Of Imprest Verifications and Stocktakings. Stocktakings shall be carried out on the following occasions:

- a. Exchange/Canteen/Bar Imprest. Manager verification shall be conducted at least weekly and submitted monthly to MOG Log O.
- b. Independent Stocktaking. Will be conducted quarterly and on any occasion as directed by the CO or MOG staff; and
- c. Hand-over Stocktaking. An imprest verification shall be conducted prior to the supersession of either the Exchange/Canteen Manager or Bar Managers.

INVENTORY DISCREPANCIES

40. Any inventory discrepancies (shortages or overages) for the Exchange/Canteen and Mess Bars shall be reported to and investigated immediately by the S Log O. The instructions issued in QR&O 21.72 and 21.73, CFAO 21-9, MARCORD 21-1, Chapter 5 will assist COs in investigating discrepancies. The MOG Log O should also be consulted for direction and assistance as required. The Exchange/Canteen or Mess Bars shall remain closed until the investigation is completed.

Note: In the case of non self-accounting units, the XO is responsible for conducting the initial investigation. If the discrepancy has not been resolved within 72 hours, the NPP sections must be locked and the MOG Log O contacted immediately (by message if deployed) for further direction.

41. Both cash overages and shortages are to be reported to the MOG Log O (through the CO) no later than 48 hours after discovery.

42. When a cash overage is discovered during an imprest verification or

stocktaking, the excess cash is to be deposited immediately with the MOG NPP Office. If this is not possible due to ship scheduling/deployment, the MOG Log O shall be notified. The overage is to be held in the S Log O's safe and a CF 602 issued to the Imprest holder, until the ship returns to homeport at which time the excess cash is to be deposited immediately with the MOG NPP Office.

43. Normally, shortages will be recovered from the individual assigned responsibility for the stock. The MOG Log O will action recovery and/or write off as per CO's decision of action required.

SHIP'S FUND

44. Ship's Fund meetings shall be held at a minimum quarterly, and as deemed necessary. Minutes shall be recorded in writing for all Ship's Fund Meetings by the Secretary. These minutes shall be signed by the PMC, Secretary, Treasurer, S Log O and forwarded to the MOG LOG O for signature prior to being submitted to the CO for approval. Original copy shall be submitted to the MOG Log O and copies of Ship's Fund minutes shall be distributed to the Secretary, and S Log O for retention.

45. Income is generated when the Ships' Exchange purchases from the MOG. Specifically, the MOG Exchange income and expenses are reconciled at the end of each month and the resulting profits are distributed monthly to each of the ships' entities in accordance with rates published in the Ship's Fund constitution.

MESSES

46. Minutes shall be recorded in writing for all Mess Meetings by the Secretary. These minutes shall be signed by the PMC, Secretary, Treasurer, S Log O and forwarded to the MOG LOG O for signature prior to being submitted to the CO for approval. Original copy shall be submitted to the MOG Log O and copies of mess minutes shall be distributed to the Secretary, S Log O, and appropriate mess.

47. Mess Dues. All members shall belong to a Mess and pay dues as dictated in each respective Constitution and By Laws. As collection of mess dues is normally the only profit generated by the Messes, each respective Mess Treasurer shall ensure that mess dues are collected on a monthly basis and deposited to the MOG NPP Office.

48. An official receipt (CF 602) will be completed when cash payments are made for mess dues and the member is given the white copy of the receipt. The yellow copy of the receipt and the money collected shall be hand-carried to the MOG NPP Office monthly and deposited to the Mess's account. The pink copy shall remain in the CF 602 book for audit purposes. A CF 602 book shall be signed out from the MOG NPP Office or passed from the out-going representative during hand-over of duties.

FINANCIAL STATEMENTS

49. Financial Statements will be prepared for each ship monthly by the MOG NPP Bookkeeper and forwarded to COs. More frequent statements or requests for account balances should be made to the MOG NPP Office. Allow two working days for printing of the statements.

END OF CHAPTER