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DECEMBER 1988



PERSONNEL
POLICY MANUAL FOR
NONAPPROPRIATED FUND
INSTRUMENTALITIES

**Administrative Reissuance Incorporating
Through Change 13, January 29, 2010**

**OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
(FORCE MANAGEMENT AND PERSONNEL)**



FORCE MANAGEMENT
AND PERSONNEL

THE OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301-4000

December 13, 1988

FOREWORD

This Manual is reissued under the authority of DoD Instruction 1401.1, "Personnel Policy for Nonappropriated Fund Instrumentalities (NAFIs)," November 15, 1985. It supersedes and cancels DoD 1401.1-M, "Personnel Policy Manual for Nonappropriated Fund Instrumentalities," February 1987, and all changes through December 15, 1987. This reissuance incorporates administrative changes as well as authorized and coordinated policy changes.

This Manual applies to DoD civilian and off-duty military employees of Nonappropriated Fund Instrumentalities (NAFIs) worldwide, whose compensation is derived from nonappropriated funds, except for the following exclusions:

1. Employees of private organizations which have been authorized by appropriate military authority.
2. Civil Service and U.S. military personnel assigned to morale, welfare, or recreation activities.
3. Independent contractors (such as professional entertainers and sports officials), where no employer and employee relationship exists.
4. Individuals employed by private contractors and concessionaires who do business with NAFIs.
5. Local nationals or third country nationals employed in Guam, other U.S. areas, or in foreign areas who may be subject to the provisions of treaties or country-to-country agreements.

The Manual is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components may issue supplementary instructions only when necessary to provide for unique requirements within their respective Components.

Recommendations for changes may be submitted to:

Director for NAF Personnel Policies, OASD (FM&P)
The Pentagon
Washington, D.C. 20301

A handwritten signature in black ink, appearing to read "Claire E. Freeman".

CLAIRE E. FREEMAN
Deputy Assistant Secretary of Defense
(Civilian Personnel Policy)

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REFERENCES

This list may not be complete. Heads of DoD Components shall ensure compliance with all applicable Executive Orders, laws, rules, regulations, etc., including those that may not be listed below.

EXECUTIVE ORDERS

- 11137 "Relating to Certain Allowances and Benefits for Civilian Employees of Nonappropriated Fund Instrumentalities of the Armed Forces," January 7, 1964. Amended by E.O. 11382 on November 28, 1967
- 11222 "Prescribing Standards of Ethical Conduct for Government Officers and Employees," May 8, 1965. Amended by E.O. 12565 on September 25, 1986
- 11478 "Equal Employment Opportunity in the Federal Government," August 8, 1969. Amended by E.O. 12106 on December 28, 1978
- 12568 "Employment Opportunities for Military Spouses at Nonappropriated Fund Activities," October 2, 1986
- 12674 "Fundamental Principles of Ethical Conduct for all Executive Branch Employees," April 12, 1989. Amended by E.O. 12731 on October 17, 1990
- 12871 "Labor-Management Partnerships," October 1, 1993
- 12953 "Actions Required of all Executive Agencies to Facilitate Payment of Child Support," February 27, 1995

PUBLIC LAWS

- 88-448 "Dual Compensation Act of 1964," August 19, 1964
- 90-40 "Military Selective Service Act of 1967," June 30, 1967, as amended
- 92-261 "Equal Employment Opportunity Act of 1972," March 24, 1972
- 92-392 "Government Employees-Prevailing Rate System," August 19, 1972. An Act to provide an equitable system for fixing and adjusting the rates of pay for prevailing rate employees of the Government, and for other purposes.
- 92-576 "Longshoremen's and Harbor Workers' Compensation Act," October 27, 1972. Provides compensation rules for NAF employees injured on the job. Amended in 1984 by Pub. L. 98-426.
- 93-259 "Fair Labor Standards Amendments of 1974," April 8, 1974. Amends the Fair Labor Standards Act of 1938, to cover nonsupervisory Federal employees under its provisions for minimum wage, overtime and nondiscrimination because of age. Amended on November 17, 1991, by Pub. L. 101-157.
- 93-406 "Employee Retirement Income Security Act," September 2, 1974

- 93-579 "Privacy Act of 1974," December 31, 1974. Amends title 5, United States Code by adding Section 552a to safeguard individual privacy from the misuse of Federal records, and to provide that individuals be granted access to records.
- 95-256 "Age Discrimination in Employment Act Amendments of 1978," April 6, 1978. Amends the Age Discrimination in Employment Act of 1967 to extend the age group of employees who are protected by the Act.
- 95-454 "Federal Service Labor-Management Relations Act," October 13, 1978. Amended on June 13, 1991 by Pub. L 102-54.
- 95-595 "Budget and Accounting Procedures Act of 1978," November 4, 1978. Amends the 1950 act to require that the Comptroller General provide for a financial audit with respect to pension plans for employees of the Federal Government, its Agencies, and instrumentalities; to require that an annual report, including a financial statement and an actuarial statement, be furnished to Congress and the Comptroller General with respect to such plans; and for other purposes.
- 96-70 "Panama Canal Act of 1979," September 27, 1979. Provides for the operation and maintenance of the Panama Canal under the Panama Canal Treaty of 1977.
- 97-35 "OMNIBUS Budget Reconciliation Act of 1981," August 13, 1981. Includes NAIs within the definition of employee for purposes of the Health Maintenance Organization Act (Title IX, Section 946(b)).
- 98-94 "Department of Defense Authorization Act, 1984," September 24, 1983. Section 1253, "Employment Protection for Certain Nonappropriated Fund Instrumentality Employees," amends Chapter 81 of title 10, United States Code, by adding Section 1587 concerning "whistleblower" protection.
- 98-397 "The Retirement Equity Act of 1984," August 23, 1984. Provides greater equity under pension plans for workers and their spouses and dependents by taking into account changes in work patterns, the status of marriage as an economic partnership, and the substantial contribution to that partnership of spouses.
- 99-145 "Department of Defense Authorization Act, 1986," November 8, 1985, Section 806, "Employment Opportunities for Military Spouses."
- 99-603 "Immigration Reform and Control Act of 1986," November 6, 1986. Makes it unlawful to hire, recruit, or refer for a fee for employment, unauthorized aliens in the United States. This law necessitated a rule promulgated by the Immigration and Naturalization Service, U.S. Department of Justice. The rule provides for an employment eligibility verification system designed to prevent the employment of unauthorized aliens.
- 99-638 "Nonappropriated Fund Instrumentalities Employees Retirement Credit Act of 1986," November 2, 1986. Provides credit under CSRS for certain NAF service performed after June 18, 1952, and before January 1, 1966.
- 101-189 "Military Child Care Act of 1989," November 29, 1989. Provides compensation rules for NAF employees in child care positions.

- 101-508 "Portability of Benefits for Nonappropriated Fund Employees Act of 1990," November 5, 1990. Section 7202 imposes employee benefit portability requirements when civil service employees move to NAF (& vice versa).
- 101-509 "Treasury, Postal Service and General Government Appropriations Act, 1991," November 5, 1990. Section 210 (Premium pay amendments) of section 529 (Federal Employees Pay Comparability Act of 1990) amends Subchapter V of 5 U.S.C. Chapter 55.
- 101-510 "National Defense Authorization Act for Fiscal Year 1991," November 5, 1990. Section 331, "Assistance Program for Employees of a NAFI Adversely Affected by Base Closures," amends Section 1013 of the Demonstration Cities and Metropolitan Development Act of 1966 to include NAF employees in homeowner's assistance coverage. Also, adds 10 U.S.C. Chapter 58, Section 1143(d) to grant hiring preference in NAF positions to eligible involuntarily separated military members and their dependents.
- 101-647 "Crime Control Act of 1990," November 29, 1990. Section 231 requires in part that every facility operated by the Federal Government or operated under contract with the Federal Government, that hires or contracts for individuals who have regular contact with children in the provision of child care services to children under the age of 18 years, conduct a criminal history check for all current and newly hired employees.
- 102-190 "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991. Section 661, which added section 1174a of title 10 U.S.C. 1174a, provides preference in hiring in NAF jobs for members of the Armed Forces, involuntarily or voluntarily separated with Special Separation Benefit (SSB) pay, and their dependents.
- 102-484 "Defense Conversion, Reinvestment, and Transition Assistance Act of 1992," October 23, 1992. Division D, Subtitle C, provides civilian personnel transition initiatives, including separation pay for appropriated fund employees.
- 103-3 "Family and Medical Leave Act of 1993," February 5, 1993. Provides eligible employees up to 12 administrative workweeks of leave without pay during a 12-month period to take care of certain family and medical needs.
- 103-94 "Hatch Act Reform Amendments of 1993," October 6, 1993. Permits Federal employees to participate in certain political activities on their own time. Section 9 allows the garnishment of Federal pay in order to settle commercial debts.
- 103-226 "Federal Workforce Restructuring Act of 1994," March 30, 1994. Restricts employees who resign or retire with an incentive on or after March 30, 1994, from re-employment with the U.S. Government for 5 years following separation with an incentive unless the incentive is repaid.
- 103-337 "National Defense Authorization Act for Fiscal Year 1995," October 5, 1994. Section 343 limits payment of severance pay to certain appropriated fund employees transferring to NAF positions.

103-353 "Uniformed Services Employment and Reemployment Rights Act of 1994," October 13, 1994. Amends title 38 U.S.C. to improve reemployment rights and benefits of veterans and other benefits of employment of certain members of the Uniformed Services, and other purposes.

UNITED STATES CODE

Title 5 - Government Organization and Employees. Sections as amended:

- 2105 (status of nonappropriated fund employees)
- 2108 (veterans preference eligibility)
- 3110 (restrictions in the employment of relatives)
- 3326 ("Appointments of retired members of the Armed Forces to positions in the Department of Defense.
- 3502(a)(C)(ii) (portability of benefits - order of retention in reduction-in-force)
- 5332 (GS pay rates)
- 5334(g) (portability of benefits - rate on change of position)
- 5335(g) (portability of benefits - periodic step-increases)
- 5341 - 5349 ("Prevailing rate system")
- 5342 (prevailing rate system - definitions)
- 5361 - 5366 (grade and pay retention instructions applicable to Federal Wage System employees and to employees involuntarily moved to the civil service)
- 5373 ("Limitation on pay fixed by administrative action")
- 5531 - 5532 - 5533 ("Dual pay and dual employment")
- 5544 ("Wage-board overtime and Sunday rates; computation")
- 5551(a) (portability of benefits - "Lump-sum payment for accumulated and accrued leave on separation")
- 5595(b)(2)(c) and (h) ("Severance pay")
- 5753 ("Recruitment and relocation bonus")
- 5754 ("Retention allowance")
- 5911 (entitlement of quarters and facilities by civilian employees in the United States)
- 6304(a) ("Annual leave; accumulation")
- 6308(b) (portability of benefits - "Transfers between positions under different leave system")
- 6312(a)(2) (portability of benefits - leave accrual and accumulation)
- 7101 - 7103 ("Labor management relations")
- 7204 ("Antidiscrimination in Employment; Other prohibition")
- 7324 (influencing elections; taking part in political campaigns; prohibitions; exceptions)
- 7901 (health services programs for civilian employees)

- 7902 (legal status of civilian NAF employees with regard to safety programs)
- 8171 (extends the provisions of the Longshoremen's and Harbor Workers' Compensation Act to NAF employees)
- 8423 (portability of benefits - "Government contribution")
- 8501 - 8509 ("Unemployment compensation")
- Title 10 - Armed Forces. Sections as amended:
 - 1143(d) (employment preference by NAFIs)
 - 1580 - 1599 (concerns "Whistleblower" protection for NAF employees)
- Title 29 - Labor. Sections as amended:
 - 201 - 219 (implements provisions of the Fair Labor Standards Act)
 - 1651 (Joint Training Partnership Act Provisions)
- Title 31 - Money and Finance. Section as amended:
 - 1349 (requires at least one month suspension for certain motor vehicle and aircraft use violations)
- Title 33 - Navigation and Navigable Waters (Chapter 18 of title 33 (Longshore and Harbor Workers' Compensation Act) applies with respect to disability or death resulting from injury, as defined by section 902(2) of title 33, occurring to an employee of a nonappropriated fund instrumentality)
- Title 38 - Veterans Benefits. Sections as amended:
 - 101 (definitions)
 - 301 (definitions)
 - 2021 - 2026 ("Veterans' reemployment rights")
- Title 42 - The Public Health and Welfare. Sections as amended:
 - 300e-9 Health Maintenance Organizations
 - 410 Social Security (nonappropriated fund employees)
 - 659 (authorizes the garnishment of Federal salaries and retirees annuities and Social Security benefits, to enforce obligations of alimony and child support)

CODE OF FEDERAL REGULATIONS

- Title 5 - Administrative Personnel. Parts as amended:
 - Part 310 Employment of Relatives
 - Part 530 Subpart B--Aggregate Limitation on Pay
 - Part 531 Subpart F--Locality-Based Comparability Payments
 - Part 532 Prevailing Rate Systems
 - Part 536 Grade and Pay Retention
 - Part 551 Pay Administration Under the Fair Labor Standards Act
 - Part 575 Recruitment and Relocation Bonuses; Retention Allowances
 - Part 731 Suitability
- Title 20 - Employees' Benefits. Part as amended:

Part 609 Unemployment Compensation for Federal Civilian Employees

OPM OPERATING MANUALS AND OTHER PUBLICATIONS

Federal Wage System - NAF

The Guide to Processing Personnel Actions

The CSRS and FERS Handbook for Personnel and Payroll Offices

The Federal Employees Group Life Insurance Handbook for Personnel and Payroll Offices

The Federal Employees Health Benefits Handbook for Personnel and Payroll Offices

The OPM Job Grading Standards for Trades and Labor Occupations

OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULARS

A-76 "Performance of Commercial Activities" (current edition)

DEPARTMENT OF STATE REGULATIONS

Department of State Standardized Regulations (Government Civilians - Foreign Areas),
April 2, 1961, as amended:

Section 030 (eligibility for allowances and differentials)

Section 270 (education allowances for dependents of civilian personnel
employed overseas)

GENERAL SERVICES ADMINISTRATION REGULATIONS

"Records Disposition Schedule for DoD NAF Employee Personnel Records," as
approved by the General services Administration, National Archives and Records
Service on June 29, 1983, as amended.

"Joint Travel Regulation" (Volume II) - payment for official travel and transportation of
U.S. Government employees

DoD DIRECTIVES

1010.4 ["Alcohol and Drug Abuse by DoD Personnel,"](#) August 25, 1980

1010.9 ["DoD Civilian Employee Drug Abuse Testing Program,"](#) August 23, 1988

1015.6 ["Funding of Morale, Welfare and Recreation Programs,"](#) August 3, 1984

1342.13 ["Eligibility Requirements for Education of Minor Dependents in Overseas
Areas,"](#) July 8, 1982

1400.5 ["DoD Policy for Civilian Personnel,"](#) March 21, 1983

1400.6 ["DoD Civilian Employees in Overseas Areas,"](#) February 15, 1980

1401.3 "Employment Protection for Certain Nonappropriated Fund Instrumentality
Employees/Applicants," July 19, 1985

1402.1 "Employment of Retired Members of the Armed Forces," January 21, 1982

- 1426.1 "Labor-Management Relations in the Department of Defense," November 10, 1988
- 1440.1 "DoD Civilian Equal Employment Opportunity (EEO) Program," May 21, 1987
- 4165.50 "Homeowners Assistance Program," June 26, 1991
- 5120.39 ["Department of Defense Wage Fixing Authority Appropriated Fund Compensation,"](#) April 24, 1980
- 5120.42 ["Department of Defense Wage Fixing Authority Nonappropriated Fund Compensation Programs,"](#) May 19, 1977
- 5500.7 ["Standards of Conduct,"](#) August 30, 1993
- 5525.9 ["Compliance of DoD Members, Employees, and Family Members Outside the United States with Court Orders,"](#) December 27, 1988
- 7050.1 ["Defense Hotline Program,"](#) March 20, 1987

DoD INSTRUCTIONS

- 1010.15 ["Smoke-Free Workplace,"](#) March 7, 1994
- 1330.20 ["Reporting of Morale, Welfare and Recreational \(MWR\) Activities Personnel Information,"](#) September 4, 1980
- 1400.10 "Employment of Foreign Nationals in Foreign Areas," December 5, 1980
- 1400.23 "Employment of Family Members of Active Duty Military Members and Civilian Employees Stationed in Foreign Areas," May 12, 1989
- 1401.1 "Personnel Policy for Nonappropriated Fund Instrumentalities (NAFIs)," November 15, 1985
- 1404.12 "Employment of Spouses of Active Duty Military Members Stationed Worldwide," January 12, 1989
- 5010.39 "Work Force Motivation," November 16, 1984
- 6055.1 ["DoD Occupational Safety and Health Program,"](#) October 26, 1984
- 7000.12 ["Financial Management of Morale, Welfare, and Recreational Activities,"](#) May 27, 1987

DoD MANUALS AND REGULATIONS

- 1015.8-R "DoD Civilian Employee Morale, Welfare, and Recreation (MWR) Activities and Supporting Nonappropriated Fund Instrumentalities (NAFIs) Regulation," November 1985
- 1400.20-M-4 "A Civilian Personnel Office Manual to Downsizing and Base Closure," July 1992
- 1400.25-M "DoD Civilian Personnel Manual," July 1978
- 1401.1-M-1 "Job-Grading System Manual for Nonappropriated Fund Instrumentalities," October 1981
- 5200.2-R "DoD Personnel Security Program," January 1987
- 5000.12-M "DoD Manual for Standard Data Elements," July 1989

Change 13, 1/29/2010

7000.14-R "Financial Management Regulation- Nonappropriated Fund Policy and Procedures," Volume 13, August 1994

OTHER DoD PUBLICATIONS AND DOCUMENTS

Defense Outplacement Referral System (DORS), Nonappropriated Fund (NAF) User's Guide

Defense Federal Acquisition Regulation Supplement, Parts 222.7100 - 222.7102, 252.222.7000 and 252.222.7001 (hiring preference for contractor positions related to closure or downsizing)

DoD/OPM Interchange Agreement between the Department of Defense and the Office of Personnel Management for the noncompetitive movement of personnel between the civil service system and the DoD NAF system, September 20, 1991

C1. CHAPTER 1

INTRODUCTION

C1.1. PURPOSE

C1.1.1. This Manual sets forth the personnel policies of the Department of Defense with respect to Nonappropriated Fund Instrumentality (NAFI) civilian employment consistent and in conformance with the principles and authorities contained in DoD Directives 1400.5, 1400.6, and 5120.42.

C1.1.2. The purposes to be served by these policies are:

C1.1.2.1. Ensure that employees of the NAFIs are treated equitably and fairly in accordance with applicable laws, executive orders, and other pertinent regulations.

C1.1.2.2. Provide the basis for achieving a desired degree of uniformity among NAFIs in the management of their personnel.

C1.1.2.3. Recognize and provide a basis for dealing with labor organizations.

C1.1.2.4. Promote those practices and processes that will facilitate obtaining, developing, and retaining a NAFI workforce of well qualified individuals.

C1.1.2.5. Achieve optimum utilization of available manpower resources.

C1.1.2.6. Recognize fully the contributions of the NAFIs to the overall morale, welfare, and recreation programs for military personnel, their dependents, and civilian employees of the Department of Defense by seeking to develop and maintain personnel programs that serve to preserve NAFI operational and financial integrity.

C1.2. RESPONSIBILITIES

C1.2.1. The Assistant Secretary of Defense (Force Management and Personnel) (ASD(FM&P)) is responsible for all personnel policy matters related to nonappropriated fund employees of the Department of Defense. Pursuant to DoD Directive 5120.42, the ASD (FM&P) shall establish the necessary formal and/or informal committees to develop, formulate and implement personnel policies for nonappropriated fund employees. Coordination within DoD, i.e., the Office of the Secretary of Defense, the Military Departments, and the Defense Agencies (hereafter

referred to collectively as "DoD Components"), are handled through normal staff channels.

C1.2.2. The ASD (FM&P) has designated the Deputy Assistant Secretary of Defense (Civilian Personnel Policy) (DASD(CPP)) the administrator for this Manual. In this capacity the DASD (CPP) shall:

C1.2.2.1. Maintain the Manual in coordination with appropriate authorities and publish necessary revisions and changes in accordance with DoD Directives System Procedures.

C1.2.2.2. Maintain surveillance over the policies and programs set forth in the Manual, ensuring consistent implementation and continuous application throughout the Department of Defense.

C1.2.2.3. The Heads of DoD Components are delegated authority and responsibility to recruit, select, place, reassign, promote, terminate, and accomplish other related personnel transactions involving NAFI employees. Additionally, they are authorized to establish NAFI positions and, based on the duties and responsibilities assigned, to place each position in its appropriate pay category and to assign a title, code, and grade based on application of directly or closely related job-grading standards. All actions taken under these authorities, including the assignment of pay and the administration of basic, differential, and premium pays, shall conform to the policies and procedures contained in this Manual, applicable laws, and DoD Directives and Instructions, and shall be consistent with fair employment practices and equal opportunity for both applicants and employees.

C1.3. DEFINITIONS

The following definitions apply except where they may conflict with public law:

C1.3.1. Appropriated Fund Employee. A person paid from funds appropriated by the Congress of the United States.

C1.3.2. Nonappropriated Fund Instrumentality (NAFI) Employee. A person employed by a Nonappropriated Fund Instrumentality and compensated from nonappropriated funds.

C1.3.3. Concessionaire. An entrepreneur placed under contract to an authorized Nonappropriated Fund Instrumentality for the purpose of providing goods and/or services.

C1.3.4. Private Organization. A generally self-sustaining, non-Federal instrumentality, incorporated or not, and constituted or established and operated on a DoD installation with the written consent of the installation commander or higher authority, by individuals acting exclusively outside the scope of any official capacity as officers, employees, or agents of the Government.

C1.3.5. DoD Components. The Office of the Secretary of Defense, the Military Departments, the Defense Agencies, and the Army and Air Force Exchange Service. (See DoD Instruction 1401.1 for special interpretation of DoD Components as it applies to this Manual.)

C1.3.6. Local National NAFI Employee. A national or citizen of a host country who is employed in that country by or for a NAFI.

C1.3.7. Third (Other) Country National NAFI Employee. A citizen or national of a country other than the United States or the host country who is employed by a NAFI.

C1.3.8. Foreign Areas. Areas (including the Republic of Palau (Belau), Federated States of Micronesia, and the Republic of the Marshall Islands, all formerly the Trust Territory of the Pacific Islands) situated outside the United States, the Commonwealth of Puerto Rico, the Panama Area and the possessions of the United States (including the Commonwealth of the Northern Mariana Islands, a United States Territory).

C1.3.9. Host Country. A foreign country where U.S. Forces are stationed.

C1.3.10. Host Government. The political authority of the foreign country where U.S. Forces are stationed under provisions of a treaty and/or agreement.

C1.3.11. Resident Aliens. People who are foreign born residing in the host country and who have not become naturalized citizens.

C1.3.12. Non-U.S. Citizens. A person who is not a citizen of the United States.

C1.3.13. U.S. National. A person born:

C1.3.13.1. In an outlying possession of the United States on or after the date of formal acquisition of that possession;

C1.3.13.2. Of parents who are U.S. nationals, in an outlying possession of the United States; or

C1.3.13.3. Of unknown parents in an outlying possession of the United States.

C1.3.14. Indirect Hire System. A system that provides that the host country assumes the responsibility of ensuring that the needs of the U.S. Forces for local national personnel are met and that the host country is in fact the official employer of such personnel.

C1.3.15. Local Prevailing Rates. Rates, determined by wage surveys, paid to local national personnel employed in retail, wholesale, service, and recreation establishments for comparable jobs.

C1.3.16. Nonappropriated Fund Instrumentality (NAFI). An integral DoD organizational entity through which (a) an essential Government function is performed, and (b) other DoD organizations are provided or assisted in providing morale, welfare, and recreational programs. The NAFI is established and maintained individually or jointly by the Heads of the DoD Components.

C1.3.16.1. As a fiscal entity, the NAFI maintains custody of and control over its nonappropriated funds, and is also responsible for the prudent administration, safeguarding, preservation, and maintenance of those appropriated fund resources made available to carry out its function.

C1.3.16.2. The NAFI contributes to the morale, welfare, and recreational programs of other organizational entities when so authorized, is not incorporated under the laws of any State or the District of Columbia, and enjoys the legal status of an instrumentality of the United States.

C1.3.17. Nonappropriated Funds (NAFs). Consist of cash and other assets received by NAF instrumentalities from sources other than monies appropriated by the Congress of the United States. NAFs are Government funds and are used for the collective benefit of military personnel, their dependents, and authorized civilians who generated them. These funds are separate and apart from funds that are recorded in the books of the Treasurer of the United States.

C1.4. LEGAL STATUS OF CIVILIAN EMPLOYEES OF NAFIs

C1.4.1. NAFI employees are Federal employees within the Department of Defense.

C1.4.2. Section 2105(c)¹ of Title 5, U.S.C., provides that:

"An employee paid from nonappropriated funds of the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Ship's Stores Ashore, Navy exchanges, Marine Corps exchanges, Coast Guard exchanges, and other instrumentalities of the United States under the jurisdiction of the Armed Forces conducted for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Armed Forces is deemed not an employee for the purpose of

(1) Laws (other than subchapter IV of chapter 53² and sections 5550³ and 7204⁴ of this title) administered by the Office of Personnel Management; or

(2) Subchapter I of chapter 81⁵ and section 7902⁶ of this title. This subsection does not affect the status of these nonappropriated fund activities as Federal instrumentalities.

C1.4.3. Subchapter IV of chapter 53 of Title 5, United States Code, (as amended by P. L. 92-392) provides for a pay system under which the rates of pay of prevailing-rate employees are fixed, and adjusted from time to time as nearly as is consistent with the public interest in accordance with prevailing rates.

¹ Definition of employee.

² Prevailing rate pay systems.

³ NAF employee pay for Sunday and overtime work.

⁴ Certain areas of equal employment opportunity.

⁵ Compensation for work injuries.

⁶ Safety programs.

C1.4.4. The acts quoted above removed NAFI employees from the provisions of laws or regulations administered by the U.S. Office of Personnel Management (OPM), except Equal Employment Opportunity (EEO) and wage fixing for prevailing-rate employees covered under the provisions of P. L. 92-392 and except for application of the Fair Labor Standards Act (as amended by P. L. 93-259).

C1.4.5. NAFI personnel policy is governed or guided by DoD Directives, Instructions, Manuals, executive orders, public laws, OPM issuances, DoD Circulars, and other regulations. Documents pertaining to this Manual are listed (the list may not be complete) in the References Section.

C1.5. NEW OR REVISED PROGRAMS

C1.5.1. The provisions of this Manual shall not be construed as limiting NAFIs in the continuance, development, implementation, and administration of personnel policies deemed appropriate to the establishment and maintenance of sound, progressive career development and management programs. However, such programs must meet the basic objectives of DoD policy set forth in this Chapter.

C1.5.2. New programs or revisions to existing programs that increase the levels of NAFI employee compensatory benefits and allowances so that they exceed those authorized in this Manual will be subject to approval, prior to implementation, by the ASD(FM&P) upon recommendation of the appropriate Head of the requesting DoD Component.

C1.5.3. DoD Components are encouraged to carry out research and demonstration projects that test new approaches to personnel management. Such projects require prior approval of the DoD NAF Personnel Policy Office and consultation with employees or consultation and negotiation with unions when negotiated agreements exist. The DoD NAF Personnel Policy Office may waive personnel policies in the conduct of projects, provided such waivers do not violate laws, rules, or regulations relating to political activities or equal employment opportunity; leave, insurance, or annuity provisions; merit system principles; or prohibited personnel practices.

C1.6. IMPLEMENTATION

The Heads of DoD Components or designee shall forward a copy of all implementing documents to the DASD(CPP) within 120 days of the effective date of this Manual or subsequent changes. All Component regulations and documents (including group

insurance and retirement plan summaries and employee booklets) that serve to satisfy the requirements of DoD 1401.1-M and applicable laws, etc., shall be provided. The DASD(CPP) is responsible for reviewing such regulations and documents in accordance with DoD 1401.1-M, Chapter 1, paragraph C1.2.2.2.

C2. CHAPTER 2

EMPLOYMENT AND PLACEMENT

[This information is now published in DoD 1400.25-M, "Civilian Personnel Manual,"
Subchapter 1403]

C3. CHAPTER 3

POSITION CLASSIFICATION, PAY, AND ALLOWANCES

[This information is now published in DoD 1400.25-M, "Civilian Personnel Manual,"
Subchapter 1405]

C4. CHAPTER 4
ATTENDANCE AND LEAVE

[This information is now published in DoD 1400.25-M, "DoD Civilian Personnel Manual (CPM)," Subchapter 1406]

C5. CHAPTER 5

PERSONNEL RELATIONS AND SERVICES

C5.1. EMPLOYEE-MANAGEMENT RELATIONS POLICY

In conformance with the provisions of DoD Directives 1426.1 and 1400.5, the Heads of DoD Components in their management of NAFI personnel shall recognize and strive toward the establishment of orderly and constructive relationships between managerial and nonmanagerial personnel. Continued and unimpeded communications are vital factors to an informed and productive workforce. These extend to a thorough understanding of conditions of employment, job requirements, employee rights, privileges, and responsibilities of both management and employees.

C5.1.1. Standards of Conduct. The nature of many of the activities supported by nonappropriated funds administered by the DoD Components is such that the civilian employees and assigned military personnel shall exemplify the highest standards of personal conduct and integrity. The provisions of DoD Directive 5500.7 are applicable to NAFI employees. The Heads of DoD Components shall ensure that their NAFI employees are fully acquainted with all aspects of the Government's standards for ethical conduct.

C5.1.2. Loyalty. The Heads of DoD Components shall ensure that no person will be employed or continue to be employed at a NAFI who:

C5.1.2.1. Advocates the overthrow of the U.S. Government.

C5.1.2.2. Is a member of an organization that advocates the overthrow of the U.S. Government.

C5.1.2.3. Participates in any strike against the Government, including all instrumentalities of the Government.

C5.1.3. Political Activity

C5.1.3.1. The principles of 5 U.S.C. 7324 relating to political activity of Government employees are hereby administratively extended to NAFI employees to the extent that no employee shall:

C5.1.3.1.1. Use official authority or influence for the purpose of interfering with an election or affecting its results.

C5.1.3.1.2. Take any active part in a partisan political campaign.

C5.1.3.2. NAFI employees retain the right to vote as they choose; express their opinions on all political subjects and candidates; and participate in nonpartisan political activity. Also, an employee may hold a State, territorial, and local office if it does not conflict with duties, laws, or executive orders. No inquiries shall be made concerning the political affiliation of an employee or applicant for employment, and any disclosures of political affiliation shall not be considered in the employment process of the employee or applicant for employment.

C5.1.3.3. Determinations as to violations of the above policy will be made by the Head of the DoD Component in which such violations are alleged to have occurred.

C5.1.4. Business-Based Actions

C5.1.4.1. Definition. A business-based action (BBA) is a reduction in employment category or pay rate, a furlough of 8 calendar days or more, or separation action initiated by management for non-disciplinary reasons. A BBA is used to adjust resources in response to changes in business revenue, budget, workload, organization, or mission. It is not used to address a performance or conduct deficiency. Employees are affected by BBAs only if so identified after an objective, fair and equitable ranking against other employees in the same employment category and group of affected positions.

C5.1.4.2. Coverage. The following provisions cover Regular employees and those Flexible employees who have been on the rolls of the NAF activity affecting the BBA for 3 continuous years (except Flexible employees are not covered where they are furloughed, nor do they have a right to the third stage of the appeal process, i.e., appeal above the base level). Excluded from coverage are employees currently serving probationary periods (non-supervisory), employees with less than satisfactory performance ratings, and Flexible employees who have been on the rolls of the NAF activity affecting the BBA less than 3 continuous years. The following provisions are not applicable where they conflict with negotiated procedures under collective bargaining agreements.

C5.1.4.3. Types of Business Based Actions

C5.1.4.3.1. Reduction in pay rate. Such actions could result from reorganization, realignment of workload, elimination of duties or responsibilities from a position, lack of funds, or from a need to be competitive with pay in other organizations or the local labor market.

C5.1.4.3.2. Furlough of a Regular employee (Flexible employees are excluded) for 8 calendar days or more (temporary layoff for a definite or indefinite period of time).

C5.1.4.3.3. Change in employment category.

C5.1.4.3.4. Separation.

C5.1.4.4. Factors to Consider Before Resorting to BBA. Careful planning is necessary to lessen adverse effects, prepare employees, and to avoid administrative and morale problems. It is important to consider whether the cause of the reduction or realignment is a temporary or permanent situation along with each of the various actions that may be taken. For example, a reduction in hours of work, a reduction in pay rate, or a furlough may be more appropriate than separation.

C5.1.4.5. Business Based Action Procedures

C5.1.4.5.1. Determining Affected Employees

C5.1.4.5.1.1. Covered employees must be ranked to determine the order in which they will be affected (unless all employees will be equally affected--separation due to base closure, for example). The ranking process must include performance and seniority. Performance may be the primary criterion. The performance factor must include at least the employee's last two performance ratings. If there is only one rating, then it must be used. If there is no rating, then a rating must be issued and used.

C5.1.4.5.1.2. The determination of the order in which employees were adversely affected, the process used to determine the order, and copies of the written notices shall be maintained in a separate BBA file apart from the employee's official personnel folder. Subject to the provisions of the Privacy Act of 1974, the BBA file shall be made available for review upon request only by an affected employee or by those whose official duties require access.

C5.1.4.5.2. Effective Date and Requirement for Extended Employment.

In some individual cases, the Chapter VIII requirement for extended employment for retirement and health insurance eligibility will affect the determination of the effective date of separation.

C5.1.4.5.3. Advance Notice. The minimum advance notice period for covered Regular employees is 7 calendar days for a non-separation action and 30 calendar days for separation. For covered Flexible employees, the minimum advance notice period is 24 hours for non-separation action and 7 calendar days for separation. Under emergency conditions (e.g., breakdown of equipment or other emergency conditions requiring suspension of operations, or an unanticipated reduction in business such as occurs with a sudden deployment of troops) a minimum of 24 hours notice may be given. The notice shall contain:

C5.1.4.5.3.1. The employee's position title, series, grade or payband level, and rate of pay.

C5.1.4.5.3.2. A description of the BBA and reason for it.

C5.1.4.5.3.3. Advice on severance pay entitlement, if applicable.

C5.1.4.5.3.4. Advice on loss of benefits, if applicable.

C5.1.4.5.3.5. If the action is separation:

C5.1.4.5.3.5.1. A statement that the action taken is non-disciplinary and does not preclude re-employment.

C5.1.4.5.3.5.2. Information on the reemployment priority list (RPL).

C5.1.4.5.3.5.3. Information on eligibility for Civil Service positions for 1 year from date of separation, under the terms of the DoD/OPM Interchange Agreement.

C5.1.4.5.3.5.4. Information on unemployment compensation.

C5.1.4.5.3.5.5. Information on other benefits described in Chapter 8, as applicable.

C5.1.4.5.3.6. An explanation of the employee's right to appeal, including how and where to appeal and the time limits.

C5.1.4.5.4. Appeals of Business Based Actions

C5.1.4.5.4.1. General. Covered employees have a right to appeal in accordance with the following provisions, within 7 calendar days after the effective date of the BBA, if they believe BBA regulations and procedures were not properly applied. Management decisions regarding the budget, workload, organization and mission are reserved to management and are not appealable. If an employee alleges that the action resulted from an act of discrimination, the action may only be contested through the discrimination complaint procedure. A decision in favor of an employee entails the requirement that the employee be "made whole." This includes pay and restoration to duty including employment rights and benefits, as applicable. If, however, it is clear the same action would have been taken against the employee even if the regulatory or procedural error had not been made, then there is no "made whole" provision.

C5.1.4.5.4.2. Representation. An employee may be accompanied, represented, and advised by a representative of his or her own choosing, provided the person is willing and free to do so. The employee shall designate his or her representative in writing and provide the designation to the first stage deciding official. The representative's service must not result in a conflict of interest as determined by the installation commander. All costs for the representative shall be borne by the employee.

C5.1.4.5.4.3. Use of Official Time. The employee and his or her designated representative may use reasonable amounts of official duty time subject to supervisory determination as to when such time may be used in light of priority needs of the NAFL. Such time may be used to prepare and present appeals.

C5.1.4.5.5. Business Based Action Appeals Procedure

C5.1.4.5.5.1. First Stage. The employee and his or her representative shall, not later than 7 calendar days after the effective date of the BBA, present an written appeal to the lowest level of management that can grant relief. Every effort shall be made to resolve the matter promptly and fairly at this stage. A written decision shall be provided to the employee within 7 calendar days of receipt of the appeal. It shall summarize the issue, the consideration given, and advise the

employee of the right to seek relief at the next stage within 7 calendar days from the date of receipt of the decision, if he or she is not satisfied.

C5.1.4.5.5.2. Second Stage. A written appeal shall be submitted to an official, designated by management, in the chain of command above the official who considered the appeal at the first stage. Upon receipt of the appeal, the deciding official may designate a disinterested third party to review the facts and make a recommendation to the deciding official. A written decision shall be provided the employee within 45 calendar days of receipt of the appeal. The decision shall summarize the issue, the consideration given, and advise Regular employees of:

C5.1.4.5.5.2.1. The right to request a review of the written appeal record by a level above the installation commander or principal management official of the Army and Air Force Exchange Service (AAFES);

C5.1.4.5.5.2.2. How and where to file the request; and

C5.1.4.5.5.2.3. Time limits for filing. There is no further review or appeal above this level for covered Flexible employees.

C5.1.4.5.5.3. Third Stage (Applies to Regular employees only). The official above the installation commander, or the principal management official of AAFES, designated as the reviewer, shall make a decision based on the written record within 30 calendar days of receipt. NAF resources shall be used to accomplish BBA appellate review above the base level. Components may request exception to this NAF resource requirement. There is no further review or appeal above this level.

C5.1.4.5.6. Record of Appeal. A complete record of the appeal shall be maintained in the BBA file.

C5.1.5. Reemployment Priority Lists

C5.1.5.1. Each personnel office servicing a NAF activity that separates employees by BBA shall establish a Reemployment Priority List (RPL) to provide placement assistance to those separated by BBA. Separated employees shall have priority placement rights in the NAF activity from which separated and priority consideration rights at other NAF activities in the commuting area. They shall immediately be placed on the RPL and remain on the RPL until reemployed, but not longer than 1 year from the date of separation.

C5.1.5.2. NAF employees who were separated by BBA no more than 1 year prior to the effective date of this RPL policy shall be added to the RPL. Placement or

consideration is prospective from the time placed on the list. As an exception to the general rule, employees so added shall remain on the list until reemployed or until 1 year from the date they were added, whichever comes first.

C5.1.5.3. A person on the RPL shall be offered employment in a vacant position in the NAF activity from which he or she was separated if:

C5.1.5.3.1. Management is filling a vacancy by other than detail or position change (promotion, demotion, reassignment).

C5.1.5.3.2. The position is in the same or lower employment category as the position from which separated.

C5.1.5.3.3. The position is in the same or lower grade or pay level as the position from which separated.

C5.1.5.3.4. The position has substantially the same duties as the position from which separated.

C5.1.5.4. If the offer is declined, the person will be removed from the RPL and the next eligible person on the RPL will be offered the position, and so on until the RPL is exhausted.

C5.1.5.5. Rehiring an individual on the RPL is a noncompetitive recruitment action. Therefore, such individuals shall be rehired before those who receive preference in competitive recruitment actions.

C5.1.5.6. A person on the RPL must also be offered priority consideration for NAF jobs in other DoD NAF activities in the commuting area if:

C5.1.5.6.1. The NAF activity is filling the vacancy by other than detail or position change (promotion, demotion, reassignment);

C5.1.5.6.2. The vacancy is in the same or lower grade or pay level as the position from which the person on the RPL was separated;

C5.1.5.6.3. The vacancy is in the same or lower employment category as the position from which the person on the RPL was separated; and

C5.1.5.6.4. The vacancy has substantially the same duties as the position from which the person on the RPL was separated.

C5.1.5.7. DoD NAF activities shall exchange RPLs within the commuting area to affect the above requirements.

C5.1.5.6. An individual's name is removed from the RPL when he or she accepts an offer of a position in the same or higher employment category as the position from which separated in any DoD NAF activity. Declination of such an offer constitutes removal from the RPL.

C5.1.6. Employee Grievances

C5.1.6.1. NAFI employees shall have the right to present their complaints and grievances to management officials for prompt and equitable consideration. The Heads of DoD Components shall establish procedures for deciding grievances of employees in an equitable and timely manner.

C5.1.6.2. Where a labor organization has exclusive recognition, any negotiated grievance procedure shall be governed by 5 U.S.C. 7101 et seq., as implemented by DoD Directive 1426.1 and DoD 1400.25-M.

C5.1.6.3. The employee grievance procedure may be used to resolve employee disputes of business-based actions and disciplinary actions of suspension of 30 days or less.

C5.1.7. Disciplinary Actions

C5.1.7.1. A disciplinary action is a personnel action affecting a Regular employee that reduced the employee's basic pay or level; placed the employee in a nonpay, nonduty status; or separated the employee from employment; and was affected for cause, i.e., the disciplinary action stemmed directly from the actions of the affected employee.

C5.1.7.2. Disciplinary actions do not include:

C5.1.7.2.1. Business-based actions.

C5.1.7.2.2. Actions taken as the result of termination of temporary promotion.

C5.1.7.2.3. Separation or change to lower pay or level when voluntarily initiated by the employee.

C5.1.7.2.4. Application of a revised prevailing rate schedule when there is no change to the position.

C5.1.7.2.5. Actions taken as a result of an employee abandoning his or her position.

C5.1.7.3. Procedures for Processing Disciplinary Actions and Appeals. The Heads of DoD Components shall issue regulations and procedures for processing disciplinary actions and for handling employee appeals of disciplinary actions that result in reduction of pay or in separation. That appeals process shall include a final appellate decision above the level of Installation Commander or General Managers of the Army and Air Force Exchange Service.

~~C5.1.8. Performance Management Program. To improve individual and organizational performance and strengthen the link between pay and performance, achievement-focused performance management programs shall be established. Recognition of team achievement is encouraged. Programs may be tailored to fit the mission and culture of the organization, but they must include the following core requirements:~~

~~———C5.1.8.1. An annual appraisal of whether performance met expectations, using at least two rating levels.~~

~~———C5.1.8.2. A fair and consistent method for deriving a summary rating from performance. At a minimum, performance expectations consistent with duties must be discussed with the employee.~~

~~———C5.1.8.3. Approval of the appraisal or rating at a level above the rater where practicable, and retention of the appraisal in the employee's Official Personnel Folder for possible future use in reaching personnel decisions.~~

~~———C5.1.8.4. Provision for determining actions to be taken when expectations are met or not met. Payband employees rated less than satisfactory, or equivalent, will not be granted a pay increase (does not apply to crafts and trades employees as their pay is based on the prevailing rate system rules). Appropriate limits and approval levels should be set for cash awards and pay adjustments. An employee may grieve the rating, but not the amount of the pay change.~~

C5.1.98. Incentive Awards and Recognition Programs. Recognizing that NAFI employees at all levels share responsibility for the efficient and economical operations of the activity in which they are employed, incentive awards programs shall be established to the extent feasible, and within resources available, for the purpose of improving these operations and recognizing deserving employees.

C5.1.109. Occupational Safety and Health. Components shall create and maintain a safe and healthful environment for their employees and for the users of facilities managed for the morale, welfare, and contentment of military personnel, their dependents, and authorized civilians. All safety and health regulations shall be strictly adhered to by NAFI employees in accordance with DoD Instruction 6055.1. Where safety technicians are not available within the installation, outside consultants shall be used as appropriate.

C5.1.110. Drug and Alcohol Abuse. Components shall ensure that drug and alcohol abuse control programs are available to NAFI employees in accordance with the provisions of DoD Directive 1010.4.

C5.2. LABOR-MANAGEMENT RELATIONS POLICY

The Federal Service Labor-Management Relations Statute, 5 U.S.C. 7101 et seq., is implemented within the Department of Defense by DoD Directive 1426.1 and DoD 1400.25-M. The statute, as implemented by these DoD issuances, applies to Nonappropriated Fund Instrumentalities (see 5 U.S.C. 7103 (a)(2) and (3) and DoD 1400.25-M, Chapter 711).

C5.3. ENTITLEMENT TO PERSONAL SERVICES AND GOVERNMENT QUARTERS

The privileges afforded NAFI employees shall be consistent with those available to appropriated fund employees. In addition, the personal use of the facilities of the NAFI in which an individual is employed may be authorized by local commanders when the use of regular eligible patrons is not diminished. The entitlement of 5 U.S.C. 5911, (Government Quarters and Facilities) as well as any other regulations prescribed by the President and deemed to be necessary and appropriate to carry out the provisions of this section, are hereby administratively extended to NAFI civilian personnel. The Heads of the DoD Components shall prescribe the regulations necessary to carry out the provisions of 5 U.S.C. 5911. Except in isolated situations in which the only suitable quarters and facilities available are Government-owned, NAFI employees will be expected to secure them from the private sector. Also, exceptions may be made when, in the judgment of

the commander, the mission of the installation will be better accomplished by having certain key administrative NAFI personnel quartered on the installation. The occupation of Government quarters on a temporary basis by NAFI employees while traveling on official business is authorized.

C5.4. "WHISTLEBLOWER" PROTECTION FOR NAFI EMPLOYEES AND APPLICANTS DISCLOSING INFORMATION

C5.4.1. The DoD Components shall ensure that the confidentiality of employees and applicants making disclosures are protected fully. In accordance with 10 U.S.C. Chapter 81, NAFI employees and applicants for NAFI employment may not be impeded from disclosing information to appropriate authority that they reasonably believe evidences:

C5.4.1.1. A violation of any law, rule, or regulation; or

C5.4.1.2. Mismanagement, a gross waste of funds, an abuse of authority, or a substantial and specific damage to public health or safety.

C5.4.2. DoD Directive 7050.1, "Defense Hotline Program" May 20, 1987, establishes the DoD Hotline for reporting fraud or mismanagement, assigns responsibility and prescribes managing and operating procedures.

C5.4.3. Concerning protection against reprisals, DoD Directive 1401.3 provides policy and implements P. L. 98-94, DoD Authorization Act, 1984, section 1253 (10 U.S.C. 1587) that establishes protection against reprisals for certain NAFI civilian employees and applicants who have made protected disclosures. DoD Directive 1401.3 sets forth responsibilities and authorities for providing such protection and prescribes operating procedures.

C6. CHAPTER 6

RETIREMENT AND INSURANCE

[This information is now published in DoDI 1400.25, Volume 1408, "DoD Civilian Personnel Management System: Insurance and Annuities for Nonappropriated Fund (NAF) Employees."]

C7. CHAPTER 7

EMPLOYMENT OF NAFI PERSONNEL IN OVERSEAS AND FOREIGN AREAS

C7.1. GENERAL POLICY AND PURPOSE

C7.1.1. The DoD policies and laws governing employment practices for NAFI personnel in the Continental United States (CONUS) basically apply overseas to U.S. citizens and U.S. nationals and are consistent with existing treaties or agreements with host countries. The employment conditions for locally hired non-U.S. citizen employees shall be based on customs and practices in the areas and the provisions of the country-to-country agreements. The NAFI personnel policies developed in any one area shall apply uniformly to all NAF elements of the U.S. Forces in the same area.

C7.1.2. DoD Directive 1400.6, DoD Instruction 1400.10, and DoD 1400.25-M, which prescribe the policies currently governing civilian personnel employed by DoD Components in CONUS and overseas, are hereby administratively extended to NAFI employees. This Chapter summarizes the essential elements contained in these issuances and makes interpretations for NAFI employees as needed.

C7.1.3. No Head of a DoD Component or organization of his or her command shall cause any actual or potential liability to appropriated funds by reason of employment of NAFI personnel or use by such employees of non-U.S. Government facilities in foreign areas except as authorized by DoD Directive 1015.6, or as otherwise specifically authorized by regulations and procedures approved by the Secretary of Defense or designee.

C7.1.4. Appropriated fund logistical or administrative support of NAFI employees in foreign areas shall be on a reimbursable basis except where exempted by the provisions of DoD Directive 1015.6 or otherwise specifically exempted.

C7.2. SPECIFIC POLICIES

C7.2.1. U.S. Citizens or U.S. Nationals Recruited Locally

C7.2.1.1. U.S. citizens and U.S. nationals residing in the host country may be recruited locally by oversea NAFIs in accordance with established country-to-country agreements. Except in those instances where placement must be made under the provisions of Chapter 2, paragraph C2.4., "Employment of Spouses of Military Personnel," first priority must be given to the employment of dependents of military and

civilian personnel assigned in the host country, without regard to other priorities in this Manual and to off-duty military personnel, when such actions are not at variance with the Status of Forces agreements, country-to-country agreements, treaties, or as prescribed by DoD Instruction 1400.23 when the host nation's political or economic conditions require maintenance of the existing local national or U.S. citizen employment balance. A DoD Component may require approval at an appropriate level when the position is at the UA-12 level and above, or is a supervisory position.

C7.2.1.2. Compensation of such employees shall be in accordance with FPM Supplement 532-2, and Appendices 1 and 4 of this Manual.

C7.2.2. U.S. Citizens Recruited in the United States

C7.2.2.1. When it has been determined that local nationals, U.S. citizens, or U.S. nationals residing in the host country do not possess the necessary training or experience for a particular NAFI position, civilian personnel may be recruited from the United States to fill these positions. In general, such personnel shall be limited to key management or supervisory positions and those positions regarded as essential for security reasons.

C7.2.2.2. Rates of pay for U.S. citizen NAFI employees who are compensated under the Annual Salary Plan and who are recruited in the United States and its territories and possessions for overseas assignments shall be fixed in conformity with rates paid for work of a comparable level, difficulty, and responsibility to that of NAFI employees in the United States.

C7.2.3. Employment of Non-U.S. Citizens. The employment of non-U.S. citizens by Armed Forces overseas is covered by DoD Instruction 1400.10. The Instruction supplements DoD Directive 1400.6, which is the basic DoD policy governing civilian personnel of the Department of Defense in overseas areas.

C7.2.3.1. Local Nationals. Local laws and customs shall be followed in the employment and administration of local nationals to the extent that such laws and customs are compatible with the basic management needs of the U.S. Forces.

C7.2.3.2. Third (Other) Country Nationals. The importation of workers from another country by a NAFI shall only be made when personnel requirements cannot be met by local hire. When it becomes necessary to do so, arrangements should be made with the host government to permit importation of workers who are acceptable to the host country.

C7.2.3.3. Resident Aliens. Resident aliens shall be employed in accordance with agreements made with the host country.

C7.2.4. Allowances and Differentials The payment of allowances and differentials to NAF employees shall comply with DoD 1400.25-M, "DoD Civilian Personnel Manual" (CPM) Chapter 592, "Overseas Allowances and Differentials." The delegation of authority restrictions provided in that Chapter apply to NAF. However, the Commander, AAFES, will be considered a Head of Agency.

C7.2.5. Travel and Transportation

C7.2.5.1. Heads of DoD Components may authorize payment by NAFIs of expenses for essential travel and transportation of NAFI employees and their dependents in amounts not to exceed those prescribed in Volume II of the JTRs, when such travel and transportation is clearly in the interests of a NAFI.

C7.2.5.2. Transportation of household goods and personal effects, including privately owned vehicles, at the expense of NAFIs may be authorized in connection with the employee's assignment, permanent change of station, or separation, which is initiated by the NAFI and is clearly in the interests of the NAFI. In this regard, Heads of DoD Components may establish cost-reduction programs as described in Chapter 2, paragraph C2.1.2.10.

C7.2.5.3. When a NAFI employee transfers from one DoD NAFI to another, the gaining NAFI is authorized to grant the above travel and transportation allowances to the employee.

C7.2.5.4. Household goods of employees returning for separation from an overseas location may be transported at NAFI expense, if otherwise entitled, from the overseas permanent duty station, place of nontemporary storage, or both, to the place of actual residence, as determined in accordance with JTR, Vol. II, C4004-2. Shipment may be made to a different place designated by the employee provided that any cost to the NAFI in excess of the cost for shipment of household goods in one lot by the most economical route from the overseas permanent duty station to place of actual residence is borne by the employee.

C7.2.5.5. The provisions outlined in Volume II of the JTR, Chapter 14, are also applicable to those employees who are moved from a permanent duty station in CONUS to an overseas permanent duty station and are covered by an unconditional mobility agreement as a condition of employment. These provisions are not applicable to the sale and purchase of a residence in foreign and overseas areas.

C7.2.5.5.1. When employees are transferred to overseas areas and own the residence they occupied at the former duty station in CONUS, the time limit prescribed in Volume II of the JTR for selling that residence shall begin on the date they return to CONUS on PCS reassignment, rather than the date they arrive at the overseas duty station.

C7.2.5.5.2. The above provisions shall not apply to an employee who returns to CONUS on a PCS reassignment to a duty station in the same city or area, as defined by paragraph C4108, Volume II, JTR, provided the employee did not sell the former residence.

C7.2.6. Return Rights. NAFI personnel recruited from a NAFI in the United States for assignment in foreign areas may be afforded (by the same DoD Component) return rights to a suitable position in the United States. The recruiting NAFI will make every effort to provide for return placement at no loss in pay; however, such action shall not be construed as constituting mandatory reemployment.

C7.2.7. Entitlement to Government Quarters and Facilities

C7.2.7.1. NAFI employees in positions for which it is necessary to recruit from the United States shall be accorded full membership in the joint overseas military and civilian team to which they make a significant support contribution. Each overseas military commander shall provide facilities under his or her jurisdiction, including Government quarters and family housing, to NAFI personnel, in accordance with the policies set forth in DoD Directive 1400.6 and other pertinent regulations. The principle of equal treatment of NAFI personnel with appropriated fund personnel at equivalent grade levels shall be followed.

C7.2.7.2. U.S. citizen/U.S. national NAFI personnel traveling on official business may occupy temporary Government quarters, including guest houses, under the same terms and with the same eligibility as appropriated fund personnel.

C7.2.8. Medical and Health Services. U.S. citizen/U.S. national NAFI employees will have access to the same medical and health service provided appropriated fund personnel, in accordance with the provisions of 5 U.S.C. 7901 and FPM Letter 792-15.

C7.2.9. Privileges. U.S. citizen/U.S. national NAFI personnel shall be afforded the same privileges provided their counterparts who are appropriated fund civilian personnel in the same overseas area, to the extent permitted by country-to-country agreements. These will include commissary, exchange, laundry, transportation, postal services (APO and FPO), recreation, and religious facilities. The basis for extending the privileges of clubs and messes will be according to grade and position responsibility, as determined by overseas commanders.

C7.2.10. Home Leave. Home leave is granted on the basis that it is earned by service abroad for use in the United States, Commonwealth of Puerto Rico, or possessions of the United States. The provisions of subchapter S6, FPM Supplement 990-2, are hereby administratively extended and govern home leave for eligible NAFI employees recruited in the United States and employed in overseas areas, as defined in the FPM.

C7.2.11. Renewal Agreement Travel. Employees who have completed the agreed period of continuous creditable service outside the United States, and outside the employee's place of residence if such residence is in the Commonwealth of Puerto Rico, or in any of the possessions of the United States; and who agree in writing to serve an additional tour of duty at the same or another overseas Nonappropriated Fund Instrumentality, may be authorized renewal agreement travel at the expense of the employing NAFI.

C7.2.11.1. Renewal agreement travel is allowed from an employee's overseas post of duty to his or her place of actual residence at the time of appointment or transfer and for the employee's return to the same or another overseas post of duty.

C7.2.11.2. Time is not chargeable to leave while in a travel status as long as the travel is by the most direct route.

C7.2.11.3. Upon reaching place of actual residence, the employee shall be charged annual leave, home leave, or leave without pay as appropriate.

C7.2.12. Emergency Leave and Travel. Emergency leave may be granted to U.S. citizen/U.S. national NAFI employees assigned outside the United States and entitled to return transportation in cases of emergencies, such as serious injury, illness, or death in the employee's family located in the United States. The period of emergency leave, including travel time, shall be charged to annual leave. If the employee has no accrued annual leave, he or she may be placed in a leave-without-pay status. Such employees may be provided Government transportation on a space-available basis. Red Cross

confirmation of the emergency should be secured prior to the approval of the leave and transportation.

C7.2.13. Local Holidays in Foreign Countries. Local national NAFI employees may be authorized time off to observe certain local national holidays. Such authorization is subject to country-to-country agreements. When all or part of an installation is closed in observance of such a local holiday and, as a result, U.S. citizens/U.S. nationals and third country nationals are thereby prevented from working, they shall be assigned to other work if possible. Otherwise, such employees may be excused without charge to leave or loss of pay.

C7.2.14. Employee Benefits. Insurance, retirement, medical, and other employee benefits for local national NAFI employees are established by agreements with the host country. Regardless of the place of their recruitment, U.S. citizens shall earn annual leave and accrue sick leave credits in accordance with the policy governing employees in CONUS, as outlined in Chapter 4.

C7.2.15. Care and Disposition of Remains of Deceased Employees. All benefits authorized for the care, preparation, and disposition of the remains of deceased U.S. citizen employees of the Department of Defense paid from appropriated funds shall be accorded equally to RFT and RPT U.S. citizen NAFI employees who are employed outside of the CONUS and who are not dependents of U.S. military personnel who would otherwise be entitled to such care and disposition of remains from appropriated funds. All items and expenses authorized to be furnished by the Government on a reimbursable basis shall be billed to and funded by the employing NAFI.

C7.2.16. Evacuation of NAF Employees and Family Members

C7.2.16.1. Heads of DoD Components shall prescribe regulations, subject to the approval of the Secretary of Defense, governing NAF employee entitlements in emergency situations; procedures for financial assistance to NAF family member evacuees; and employment status of NAF-paid personnel during and after an evacuation or crisis situation.

C7.2.16.2. Entitlement to emergency evacuation for NAF employees, as well as the payment of allowances and benefits, is authorized for eligible employees as prescribed by the Department of State Standardized Regulations.

C8. CHAPTER 8

CIVILIAN ASSISTANCE AND RE-EMPLOYMENT (CARE) FOR NAF EMPLOYEES
AFFECTED BY WORKFORCE REDUCTIONS

[This information is now published in DoD 1400.25-M, "Civilian Personnel Manual,"
Subchapter 1417]

AP1. APPENDIX 1

UNIVERSAL ANNUAL PAY ADMINISTRATION SUPPLEMENT

[This information has been abolished]

AP2. APPENDIX 2

RETIREMENT AND INSURANCE SUPPLEMENT

[This information is now published in DoDI 1400.25, "Volume 1408, "DoD Civilian Personnel Management System: Insurance and Annuities for Nonappropriated Fund Employees."]

AP3. APPENDIX 3

POSITION CLASSIFICATION REVIEW AND APPEAL PROCEDURES FOR
ADMINISTRATIVE SUPPORT, PATRON SERVICES, AND UNIVERSAL ANNUAL
POSITIONS

[This information is now published in DoD 1400.25-M, "Civilian Personnel Manual,"
Subchapter 1405]

AP4. APPENDIX 4

NAF PAY ADMINISTRATION (Hourly Paid Employees)

[This information is now published in DoD 1400.25-M. "Civilian Personnel Manual,"
Subchapter 1405]

AP5. APPENDIX 5

PROCEDURES FOR REQUESTING INCREASED MINIMUM RATES (Hourly Paid
Employees)

[This information is now published in DoD 1400.25-M, "Civilian Personnel Manual,"
Subchapter 1405, Appendix 2]

AP6. APPENDIX 6

"RESERVED"

AP7. APPENDIX 7

"RESERVED"

AP8. APPENDIX 8

PAYBAND CLASSIFICATION AND PAY SYSTEM FOR WHITE-COLLAR NAF EMPLOYEES

[This information is now published in DoD 1400.25-M, "Civilian Personnel Manual,"
Subchapter 1405, Appendix 1]