DoW INSTRUCTION 4105.67

NONAPPROPRIATED FUND PROCUREMENT POLICY AND PROCEDURES

Originating Component:	Office of the Under Secretary of War for Personnel and Readiness
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Approved 07/13/2026 by:	Anthony J. Tata, Under Secretary of War for Personnel and Readiness

Purpose: In accordance with the authority in DoD Directive 5124.02, this issuance:

- Establishes policy, assigns responsibilities, and prescribes procedures for procurements using DoW nonappropriated funds (NAF).

- Establishes the DoW NAF Procurement Working Group.

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY.

This issuance applies to OSW, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of Inspector General of the Department of War, the Defense Agencies, the DoW Field Activities, and all other organizational entities within the DoW (referred to collectively in this issuance as the "DoW Components").

1.2. POLICY.

a. This issuance creates no rights or remedies and may not be relied on by any person, organization, or other non-governmental entity to allege a denial of any rights or remedies.

b. DoW NAF instrumentalities (NAFIs) governed by DoD Instruction (DoDI) 1015.15 are integral components of DoW and instrumentalities of the United States with the inherent authority to enter contracts and leases using NAF.

c. DoW NAFIs are authorized to enter into certain contracts and agreements with other Federal agencies and instrumentalities in accordance with the authorities in Sections 2484(h)(2)(A) and 2492 of Title 10, United States Code (U.S.C.).

d. NAF procurements will be accomplished by trained procurement personnel in a fair, equitable, and impartial manner and to the best value for the NAFI. Appropriated fund (APF) and NAF procurement personnel must perform NAF-funded contract actions in accordance with this issuance and will ensure the actions are not bound by the APF requirements listed in Paragraph 1.2.j. However, when in the best interest of the NAFI, existing APF contracts may be used to fulfill NAF requirements in accordance with Paragraph 3.1.

e. Personnel accomplishing NAF procurements must comply with DoD Directive 5500.07 and the Joint Ethics Regulation, current edition, published on the DoW Standards of Conduct Office website at https://dodsoco.ogc.osd.mil/.

f. Personal service contracts, as described in Volume 1403 of DoDI 1400.25, are prohibited except as otherwise authorized by specific statutory authority.

g. Morale, welfare, and recreation (MWR) and military exchanges must implement a program that ensures private label and non-branded direct-import merchandise are not produced by child or forced labor as requested by House Report 107-194. Policy and procedures are in accordance with Section 6 of this issuance.

h. DoW favors and promotes the sale of U.S. merchandise goods and services in overseas NAFIs as prescribed in Section 4.

i. DoW NAFIs will procure sustainable goods and services when they represent the best value to the NAFI.

j. In accordance with Section 889(a)(1)(A) of Public Law 115-232, DoW NAFIs are prohibited from procuring or obtaining, including for purposes of resale only, or extending or renewing a contract to procure or obtain any equipment, system, or service that uses covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology as part of any system unless a waiver is granted or an exception or waiver applies.

k. In accordance with Section 889(a)(1)(B) of Public Law 115-232, DoW NAFIs are prohibited from entering into a contract, or extending or renewing a contract, with an entity that uses any equipment, system, or service that uses covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology as part of any system, unless a waiver is granted or an exception applies. This prohibition is based on the entity's use of covered telecommunications equipment or services, regardless of whether that use is pursuant to or in connection with contract performance.

l. These references do not apply to NAF procurements:

(1) The Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, or DoW Component supplements.

(2) Part V of Subtitle A of Title 10, U.S.C., and Section 631 et seq. of Title 15, U.S.C., also known as "the Small Business Act," as amended.

m. These references do not apply to NAF procurements for resale:

(1) Sections 8301 through 8305 of Title 41, U.S.C., also known and referred to in this issuance as the "Buy American Act," and Sections 2501 through 2582 of Title 19, U.S.C., also known and referred to in this issuance as the "Trade Agreements Act of 1979".

(2) Section 4861 of Title 10, U.S.C., and determinations of public interest under Chapter 83 of Title 41, U.S.C.

SECTION 2: RESPONSIBILITIES

2.1. UNDER SECRETARY OF WAR FOR PERSONNEL AND READINESS (USW(P&R))

The USW(P&R) establishes uniform DoW NAF procurement policy.

2.2. ASSISTANT SECRETARY OF WAR FOR MANPOWER AND RESERVE AFFAIRS (ASW(M&RA)).

Under the authority, direction, and control of the USW(P&R), the ASW(M&RA):

a. Develops uniform DoW NAF procurement policy.

b. Reviews and evaluates adherence of the administration and management of NAF procurements and monitors compliance as prescribed in this issuance.

2.3. DOW COMPONENT HEADS.

The DoW Component heads:

a. Establish NAF procurement procedures consistent with this issuance. They may delegate the authority to develop procurement procedures to the heads of the military exchanges.

b. Establish NAF procurement management oversight and internal control systems.

c. May establish procurement advisory groups where NAF procurement personnel and legal counsel supporting NAFIs meet to discuss means of improving procurement actions. Advisory groups consist solely of U.S. Government personnel.

d. Must review and approve before contract award NAF facility leases with an annual cost of $200,000 or greater for the rental cost of leasing the facility.

e. Establish NAF procurement contract claims appeals processes.

f. Ensure records and information established and created in accordance with this issuance are retained in accordance with DoDI 5015.02 and DoW Component records management disposition schedules.

SECTION 3: NAF PROCUREMENT PROCEDURES

3.1. PROCUREMENT METHODS.

a. Existing NAF and APF contracts and agreements will be used to satisfy NAF requirements when such contracts or agreements are available and cost effective and meet the needs of the requiring activity. To encourage cooperative initiatives, DoW NAFIs will authorize other NAFI organizations to place delivery or task orders against their contracts to the maximum extent practical.

b. Procurement methods and procedures that result in firm fixed-price contracts are preferred unless otherwise determined by the contracting officer as being in the best interest of the NAFI.

c. Alternative purchase methods, such as the use of NAF purchasing agreements, master vendor agreements, purchase cards, and emergency procurement procedures, may be authorized. NAFIs will use alternative purchase methods, including but not limited to a NAF purchase card, for the purchase of goods and services procured with NAF when appropriate and cost effective.

d. Pursuant to Section 2492 of Title 10, U.S.C., NAFIs that directly support the operations of military exchanges, military and DoW civilian MWR programs, or lodging programs are authorized to enter into contracts or other agreements with another DoW element or Federal department, agency, or instrumentality to provide or obtain goods and services that are beneficial to the efficient management and operation of the military exchanges, military and DoW civilian MWR systems, or lodging programs. These NAFIs:

(1) May enter into contracts or agreements to provide or obtain those goods and services specifically authorized for:

(a) Military exchanges as described in DoDI 1330.21.

(b) Military MWR activities as described in DoDI 1015.10.

(c) Civilian MWR activities as described in DoDI 1015.08.

(d) DoW lodging activities as described in DoDI 1015.11.

(2) May enter into contracts or agreements to provide or obtain authorized goods or services and provide and obtain authorized food services beneficial to the efficient management and operation of the dining facilities on military installations offering food services to Service members.

(3) Will not enter into contracts or agreements with DoW elements or other Federal departments, agencies, or instrumentalities for the provision of goods or services that will result in the loss of jobs created pursuant to Section 107 of Title 20, U.S.C., also known and referred to in this issuance as the "Randolph-Sheppard Act," and Sections 8501 through 8506 of Title 41, U.S.C.

(4) Will not enter into additional contracts or agreements pursuant to Section 2492 of Title 10, U.S.C., with APF-funded DoW elements or with other Federal departments or agencies, except as authorized in Paragraphs 3.1.d.(1) and 3.1.d.(2) of this issuance. Renewal or extension of existing contracts or agreements entered before December 19, 2014, for goods or services not authorized in Paragraphs 3.1.d.(1) and 3.1.d.(2) is permitted.

(5) Will ensure before entering into a contract or other agreement that it will benefit the NAFI pursuant to Section 2492 of Title 10, U.S.C.

3.2. PROCUREMENT AUTHORITY.

a. The DoW Component head concerned will prescribe criteria for determining when central or regional procurement offices will be used to accomplish NAF procurements. Such criteria will specify, as appropriate, separate offices to serve different Military Services, programs, dollar thresholds, etc.

b. The contracting authority will:

(1) Prescribe, in accordance with their DoW Component's procedures, organizational authority, limitations, and levels of approval for solicitation, negotiation, award, administration, and termination of contracts; resolution of ratifications; and resolution of protests, contractor claims, and subsequent appeals in accordance with Paragraph 3.9.

(2) Ensure individual responsibility for properly using NAF resources and preventing waste, loss, or unauthorized use. Procedures regarding individual liability for unauthorized commitments of NAF resources must be specified.

(3) Delegate and oversee NAF procurement authority and limit delegation of NAF procurement authority to Federal or NAFI-employed personnel.

(a) To be designated as a contracting officer, NAF procurement personnel with procurement warrant authority must be designated in writing, either by name, position, or job title. These written designations may be made via a certificate of appointment, a letter of appointment, a regulation or similar issuance, or an equivalent document. These documents will state the scope and limitations of NAF procurement warrant authority and will be posted within public view or made available on request.

(b) Personnel with APF procurement authority are not required to have a separate NAF procurement authority to support installation NAF contracting offices.

3.3. TRAINING.

The contracting authority will establish training requirements, continuing education, and certification requirements for procurement personnel based on the scope and complexity of the NAF procurements to be accomplished.

3.4. SOLICITATION DEVELOPMENT AND CONTRACT FORMATION.

a. Each NAF contract will identify the specific NAFI that is a party to the contract. The NAF contract must state that no APF of the United States will be obligated, due, or payable to a contractor.

b. NAF contracts must include contract clauses required by applicable statutes, regulations, or DoW issuances. Each NAF contract will:

(1) Contain clauses governing changes, examination of records, claims, and terminations.

(2) Apply the Buy American Act and the Trade Agreements Act of 1979 to non-resale procurements.

c. NAFIs will use competitive procurement procedures to the maximum extent practicable.

(1) Offers will be solicited from a reasonable number of sources except when non-competitive procurement is justified.

(2) The DoW Component head concerned must prescribe criteria for non-competitive procurements.

(3) Contracting officers must approve all non-competitive acquisitions in writing.

d. Solicitations and resulting contracts to outsource or privatize NAF activities, or for public-private ventures, will include analysis and approvals to document that the award provides the best value to the NAFI. The procedures in DoDIs 1015.13 and 7700.18 apply to public-private ventures.

e. Supply sources will be selected only from legitimate offerors. In addition to contracts entered directly with commercial suppliers, use of other established U.S. Government and NAFI contracts will be considered. These may include the General Services Administration; UNICOR; blind licensees under the Randolph-Sheppard Act; AbilityOne-authorized nonprofit agencies employing people who are blind or significantly disabled in accordance with Sections 8501 through 8506 of Title 41, U.S.C.; Defense Logistics Agency; Defense Commissary Agency; military exchanges; and DoW MWR NAFIs.

3.5. CONTRACTING OFFICER'S REPRESENTATIVE (COR).

a. The contracting authority will establish standards and procedures for monitoring contractor performance by appointing CORs and alternate CORs (ACORs), as applicable.

b. CORs serve a critical role in assuring contractors meet the performance requirements of contracts. A contracting officer will appoint a COR for more complex contracts, usually services and construction contracts, where the contracting officer cannot readily monitor performance.

c. A COR does not have the authority to make any commitments or changes that affect price, quality, quantity, delivery, or other contract terms and conditions, nor to supervise contractor employees.

d. If applicable to the contract, the contracting officer will appoint the COR and, if needed, an ACOR before commencement of contract performance.

e. The contracting officer will ensure training that the NAFI contracting office specifies is completed by CORs and ACORs before appointment or within 30 calendar days of their appointment and at least every 3 years thereafter.

3.6. CONTRACT AWARD.

a. NAF contracts will be awarded to a responsible offeror presenting the best value to the NAFI. NAF contracting officers will not award, extend, or exercise option years of contracts to contractors on the Excluded Parties List managed by the System for Awards Management, available at https://sam.gov/.

b. NAFIs must ensure offeror financial responsibility is considered in procurement decisions. Payment terms will be set in the contract.

3.7. CONTRACT DOCUMENTATION.

a. The contracting authority will establish standards and procedures to ensure sufficient documentation of procurement actions. NAFI contracts will be documented in either hardcopy or electronic format. Separate documentation standards and procedures may be established for resale items.

b. Except for resale items, procurement documentation at a minimum must contain:

(1) The requirement for the procurement.

(2) Statement of funds availability for non-revenue-generating contracts.

(3) Evidence of competition or justification for non-competitive procurement.

(4) Record of negotiations.

(5) Required approvals.

(6) Contract award determination.

(7) Abstracts or summaries of proposals.

(8) Determination of responsibility.

(9) Record of contract performance.

(10) Any applicable contract modifications, changes, or termination actions.

3.8. CONTRACT ADMINISTRATION.

a. The DoW Components will establish standards and procedures to promote the effective administration of procurement actions, including monitoring contractor performance and delivery, and receipt of or acceptance of items, services, property, and facilities and legal review.

(1) At a minimum, a legal review will be required for protests, claims, novations, ratifications, and terminations.

(2) Legal services may be provided by or through lawyers in the offices of the judge advocates general, lawyers in the offices of the DoW Components' general counsel, or legal staff within the NAFI organization.

b. The DoW Components will prescribe criteria for audit review of NAF contracts. As provided in DoDI 7600.06, the Defense Contract Audit Agency may provide audit services to evaluate price proposals and review contracts.

3.9. RESOLUTION OF CLAIMS, PROTESTS, AND APPEALS.

a. Contracting officers will make reasonable efforts to resolve claims and protests. Contracting officer decisions on claims and protests will be provided in writing and are final unless appealed.

b. Claims against military exchanges may be subject to the authority of Sections 7101 through 7109 of Title 41, U.S.C. The contracting officer's final decision may be appealed to the Armed Services Board of Contract Appeals or the U.S. Court of Federal Claims.

c. For claims where Sections 7101 through 7109 of Title 41, U.S.C., do not apply, the contracting officer's final decision of a claim as a dispute resolution in NAF procurements may be appealed to a level above the contracting officer who issued the decision or other designated authority.

d. Protest appeals of final decisions made by the contracting officer may be filed in accordance with each Military Service or exchange established in the NAFI's appeals procedures.

e. The protestor has the right to elevate the appeal to a final authority assigned within the DoW Component concerned for resolution.

3.10. FACILITY LEASES.

a. NAF facility leases with an annual cost of $200,000 or greater for the lease (rent) of the facility must be reviewed and approved by the DoW Component concerned before contract award.

b. NAF facility leases with an annual cost (rent) of $1,000,000 or greater must be approved by the ASW(M&RA) before contract award.

c. NAF facility proposals for the acquisition of 1,000 or more acres of land, or land with an estimated purchase price or annual lease price more than $1,000,000, must also be approved by the Under Secretary of War for Acquisition and Sustainment pursuant to DoDI 4165.71. Acquisition in fee of real property by NAFIs must be expressly authorized.

d. NAFIs are not authorized to lease general purpose office space in urban areas belonging to or controlled by a town or city for themselves unless the General Services Administration delegates such authority to them.

e. NAF leases will be completed pursuant to DoDI 4165.70 as applicable.

3.11. MWR TELEPHONE SERVICES.

a. Pursuant to Chapter 147, Subchapter III, of Title 10, U.S.C., the procedures in Paragraph 3.11. of this issuance apply to any proposed new contracts, renewals, or extensions of existing contracts for, or including, MWR telephone services (as defined in the Glossary) for Service members serving in combat zones. These procedures do not apply to other for-fee telephone services, internet, or television services available through personal information services.

b. MWR telephone services within combat zones must be procured from commercial providers using competitive procedures.

c. Before soliciting bids or proposals for new contracts or exercising renewal options on existing contracts for MWR telephone services in combat zones, the Military Department will obtain an ASW(M&RA) determination for whether it is in the best interest of the Military Department to require bids or proposals, or adjustments for the purpose of extending a contract, to include options that minimize user costs while providing flexibility to use phone cards from other than the prospective or current vendor.

(1) The Military Department will submit the request for determination to the ASW(M&RA) at least 270 calendar days before contract expiration.

(2) Determination requests will include documentation that the proposed contract action is in the best interest of DoW.

(3) The NAFI will not solicit for a new contract or renew or extend an existing contract until the ASW(M&RA) has informed the Military Department of its determination.

(4) If the ASW(M&RA) imposes the requirement to include these options in the new contract solicitation, renewal, or extension and the submitted bids either prove to be cost prohibitive to the military exchanges or there are no reasonable responses to the solicitation, the Military Department may request that the ASW(M&RA) reconsider the original determination.

(a) To avoid interruption of telephone service, the Military Department must submit reconsideration requests to the ASW(M&RA) at least 120 calendar days before contract expiration.

(b) The ASW(M&RA) will make the reconsideration determination based on the best interest of the DoW.

3.12. DOW NAF PROCUREMENT WORKING GROUP.

a. The DoW NAF Procurement Working Group will convene at least twice a calendar year, and more frequently as necessary, to review NAF procurement matters and address opportunities for cooperation, joint procurement initiatives, and contract standardization.

b. The DoW NAF Procurement Working Group will consist of NAF procurement representatives of at least:

(1) The OSW MWR and Resale Policy Office.

(2) The military exchanges.

(3) The military and civilian MWR programs of the Military Services.

(4) The lodging programs of the Military Services.

(5) Other supplemental mission programs in accordance with DoDI 1015.15.

c. A representative of the General Counsel of the Department of War will attend the DoW NAF Procurement Working Group when appropriate.

SECTION 4: NAF RESALE ACTIVITIES, FOREIGN PROCUREMENT, AND INTERNATIONAL BALANCE OF PAYMENTS PROGRAM PROCEDURES

4.1. PROCUREMENT AND STOCKING.

a. General.

Overseas military exchange officers and heads of other overseas procuring NAF activities will, within the limits of sound business practice, stock U.S. merchandise in preference to equivalent merchandise from foreign sources and will take the following steps to maximize the sale of U.S. merchandise by NAF resale activities:

(1) Label and segregate foreign merchandise displays.

(2) Display U.S. merchandise prominently.

(3) Avoid inferior foreign imitations and substitutes of U.S. merchandise.

(4) Respond rapidly to consumer preference for U.S. merchandise through established military exchange service procurement channels.

(5) Cooperate with potential U.S. suppliers in meeting foreign competition where customer demand in overseas military exchanges indicates a shift in preference to foreign products.

b. Foreign Goods for Resale.

Procurement of locally available foreign goods by DoW personnel in overseas areas will have a more favorable effect on the U.S. balance of payments if purchased through U.S. operated NAF resale activities rather than directly from the local economy or other foreign outlets.

(1) Restrictions.

Overseas NAF resale activities may procure foreign goods available in the local market for resale to authorized personnel, subject to the same restrictions that apply to the military exchanges contained in DoDI 1330.21 and under these conditions:

(a) The price of foreign goods sold in NAF activities will be based on a markup percentage that is no less than that applied to similar categories of U.S. merchandise. Other provisions notwithstanding, the resale price of an item will not exceed the local price.

(b) Only foreign goods available on the local market will be sold by NAFIs, except under these conditions:

1. Foreign goods purchased with excess foreign currencies may be stocked and sold.

2. In remote geographic areas where DoW personnel are isolated and where a local market does not exist, the Combatant Commander may authorize foreign goods to be stocked to the extent dictated by morale and welfare considerations.

(c) Transshipment of foreign goods between NAFIs in different market areas is authorized where the resale price of the transshipped items, including markup and transshipment transportation costs, results in significant savings to the authorized patrons compared to purchase of the items from local importers at the resale area. No APFs will be used in this transshipment of merchandise, except when commercial transportation is not available or in contingency operations.

(2) Exceptions to Restrictions.

The following categories of foreign goods procured by overseas NAF resale activities are not subject to the conditions stated in Paragraph 4.1.b.(1):

(a) Perishable subsistence items, beverages, and similar items purchased for consumption on the premises of NAF activities engaged in serving foods and beverages. However, these purchases should be reviewed continuously with the view to change to U.S. sources if feasible and financially advantageous.

(b) Items for which there are no acceptable substitutes of U.S. manufacture, and which are required to operate or maintain customer-owned equipment, such as 220 volt/110 volt transformers; bulbs, sockets, and accessories; and repair parts for watches, radios, electronic equipment, and household appliances.

(c) Distinctive unit insignia.

(d) Printed matter such as maps, postcards, magazines, guides, newspapers, travel books, greeting cards, and paper, newsprint, and ink for printing of *Stars and Stripes* news and information products.

(e) Soft drinks.

(f) Items of supply and materials for use in connection with hobby craft shop and craft programs of the Military Departments.

(g) Purchases made or required pursuant to treaty or executive agreement.

(h) Emergency purchases.

(i) High-octane gasoline, kerosene, and heating and cooking fuels that are not otherwise available from APF stocks.

(j) Automotive supplies for U.S.-made cars where supplies of U.S. manufacture are not available from either bonded warehouses or foreign distributors and where existing facilities prevent these supplies from otherwise being made available for the upkeep of privately owned vehicles.

c. Foreign Goods Not for Resale.

(1) Overseas NAFIs are authorized to buy but not to sell foreign goods if procurement is:

(a) Made or required pursuant to treaty or executive agreements.

(b) Estimated not to exceed $100,000 in foreign currency.

(c) Obtainable from foreign sources only and for which it is not feasible to forego filling the requirements or to provide a U.S.-made substitute for them.

(2) Procurement of other not-for-sale items, except as provided in Paragraph 4.3., must prefer domestic end products for supplies acquired for use in the United States. In accordance with Section 1907 of Title 41, U.S.C., the domestic content test of the Buy American Act is waived for a product that is a commercially available off-the-shelf item except for commercially available off-the-shelf items that are made predominantly of iron or steel or a combination of both.

4.2. CONSTRUCTION, SUSTAINMENT, RESTORATION, AND MODERNIZATION OF REAL PROPERTY OUTSIDE THE UNITED STATES.

NAF construction, sustainment, restoration, and modernization projects on real property outside the United States will be accomplished in accordance with the policy and procedures in DoDI 7700.18.

4.3. EXCEPTIONS.

a. Canada, the Republic of Korea, and the United Mexican States.

NAF activities located in these countries are authorized to purchase and sell items produced or manufactured in the respective countries notwithstanding Paragraphs 4.1.b. and 4.1.c.

b. Greenland.

NAF activities located in Greenland are authorized to purchase and sell items produced or manufactured in the Kingdom of Denmark without application of the pricing provisions of Paragraphs 4.1.b. and 4.1.c.

c. Excess Foreign Currencies.

NAF activities are authorized to purchase, with excess foreign currencies acquired from the U.S. disbursing officer, items produced or manufactured in countries in which the U.S. Department of the Treasury holds an excess supply of the currency of the country concerned. Payments for such procurements may also be made in both local currency and dollars if the dollar portion is limited to the supplier’s validated direct-dollar costs of the portion of the procurement that was exported from the United States. Purchase and sale of such items and services are not subject to the other provisions of this issuance.

SECTION 5: TECHNOLOGY REQUIREMENTS

5.1. NAF information technology procurements will be in accordance with DoDI 1015.16.

5.2. NAF procurement offices must implement automated procurement systems to support improved reporting, tracking, and benchmarking for procurement evaluation and monitoring via spend analysis and other methods. Automation supports the agency sustainability and paperless goals of the NAFIs.

5.3. NAF procurement offices must consider enterprise-level indefinite delivery indefinite quantity contracts for information technology procurements and include the sister clause that provides the ability for other services to utilize where possible to leverage buying power.

5.4. Department of Defense Activity Address Codes (DoDAACs) are used to identify uniquely DoW organizations, including requiring, procuring, funding, and receiving organizations involved in contract issuance and management. DoDAACs are used in Federal or DoW procure-to-pay enterprise systems such as the System for Award Management or the Procurement Integrated Enterprise Environment. DoDAACs are established by central service points and are centrally kept in the DoW Activity Address Database. NAF organizations that do not already have DoDAACs will need to create new ones when they are using enterprise procurement systems.

SECTION 6: COMBATING TRAFFICKING IN PERSONS (CTIP)

6.1. FORCED AND CHILD LABOR.

a. This section establishes overarching policy and consistent processes to prevent the procurement of goods produced by forced or child labor. Unless otherwise indicated, the policy and processes in this section apply to the NAF procurement of all types of goods (e.g., branded products, private label products, and direct-import goods) whether for resale or internal operational use. The requirements of this section do not apply to micro-purchases using the NAF Purchase Card.

b. Exceptions or deviations from the policy and processes in this section require the approval of the Director of MWR and Resale Policy in the Office of the Deputy Assistant Secretary of War for Military Community and Family Policy (DASW(MC&FP)).

6.2. TRAINING.

The military resale entities and other parent organizations must continue their emphasis on preventing the purchase of goods produced by forced or child labor, to include training all military resale entity and other parent organization employees on CTIP. Acquisitions and procurement personnel must take the specialized CTIP training every 2 years.

6.3. PROCUREMENT.

a. Each military resale entity and other NAFIs must have measures in place to provide reasonable assurance that forced, or child labor was not used in the production of the goods they purchase. Those measures must include incorporating standard terms and conditions of the NAF common CTIP clause into the solicitations, agreements, and contracts whereby the signature of a contractor, vendor, or supplier acknowledges receipt and commits to comply. Examples of such agreements include the Army and Air Force Exchange Service Business Terms Agreement, the Navy Exchange Service Command Trading Partner Agreement, and the Marine Corps Exchange Vendor Standards Guide.

b. The NAF clause listing contains the CTIP clause available at https://dodmwrandresalepolicy.defense.gov/Nonappropriated-Fund-Policy/NAF-Procurement. The standard terms and conditions of the NAF CTIP clause:

(1) Communicate the organization's fundamental expectations about the prohibition of forced and child labor.

(2) Include flow-down language that holds each supplier responsible for cascading those requirements down to its subcontractors and their facilities throughout the product supply chain.

(3) Notify suppliers that they have access to the CTIP Website (https://ctip.defense.gov/) where they can view the accumulated information from Federal agencies and other sources about emerging areas of forced or child labor concern.

(4) Identify potential remedial actions to address alleged violations.

(5) Provide contact information for the contracting officer and appropriate inspector general to facilitate the filing of required reports.

6.4. ADDITIONAL REQUIREMENTS FOR PRIVATE LABEL AND DIRECT-IMPORT GOODS.

a. Private label merchandise, commonly referred to as "store brands," includes products carrying the military resale entity or other parent organization's own name or a name created exclusively for one or more of the military resale entities or other parent organizations. Such private label products are alternatives to branded products.

b. Direct-import goods are products that a military resale entity or other NAFI in the United States purchases directly from a supplier or manufacturer in another country. The military resale entity or other NAFI in the United States becomes the importer of record for those products and must comply with all associated import requirements.

c. Military resale or other NAFI entity procurement of private label or direct-import merchandise from countries other than the United States must be evaluated based on the area of manufacture. Countries receive a risk rating from Tier 1 to Tier 3 on the U.S. Department of State's latest trafficking in persons report, available at https://www.state.gov/trafficking-in-persons-report/. Suppliers whose production facilities are in countries that did not receive a Tier 1 or basic Tier 2 rating, or are on the Tier 2 rating watch list in the U.S. Department of State's most recent report, must provide the procurement team with:

(1) The complete identity and location of all supplier and subcontractor facilities used in the production of that private label or direct-import merchandise.

(2) The supplier's evidence of compliance with the prohibition of forced or child labor that meets or exceeds one of these conditions:

(a) An acceptable forced and child labor audit performed within the last 2 years by other retailers or brands at each production facility.

(b) An acceptable forced and child labor audit performed within the last 2 years at each production facility by a reputable, independent social responsibility certifying organization.

(c) An acceptable forced and child labor audit performed within the last 2 years on each production facility by a reputable, independent social responsibility audit provider.

(d) A supplier's self-audit or self-attestation based on a standard questionnaire for the type of product, the responses to which demonstrate the supplier's knowledge of and compliance with the prohibitions of forced and child labor. The self-attestation must be completed within the last 2 years.

6.5. SHARING AND USING AVAILABLE INFORMATION.

a. DoW has designated the CTIP Program Management Office (PMO) as the focal point for:

(1) Collecting information related to forced or child labor goods from other Federal agencies and non-governmental organizations. This information includes but is not limited to:

(a) Department of Homeland Security withhold release orders.

(b) Department of Labor annual list of goods and products produced with forced or child labor and the annual list of products produced by forced or indentured child labor.

(c) U.S. Department of State annual trafficking in persons report.

(2) Providing that information to the military resale entities and other NAFIs through CTIP task force meetings, direct e-mails to their CTIP task force representatives, and posting that information on the CTIP Forced Labor Information Resources Website at https://ctip.defense.gov, where the military resale entities, other NAFIs, and their suppliers may access it.

b. Each military resale entity and other NAFI parent organization must:

(1) Participate on the CTIP task force to stay abreast of information that can facilitate their efforts to provide reasonable assurance that their merchandise is not produced by forced or child labor.

(2) Use information available from the CTIP PMO, other Federal agencies, and non-governmental organizations to identify, assess, and respond to risks of forced or child labor in the production of all types of goods.

(a) Identify the risks. Take notice of products and source companies, countries, or regions that have a greater risk of contamination from the use of forced or child labor in the production of their merchandise.

(b) Assess the risks. Evaluate the identified risks and the potential impact based on the products that the military resale entity or other NAFI purchases.

(c) Respond to the risks. Determine and take appropriate action to mitigate the impact of the assessed risks on the military resale entity or other NAFI procurement departments.

6.6. INTERNAL OVERSIGHT AND SURVEILLANCE.

a. Each military resale entity's or other parent organization's oversight and surveillance functions must provide adequate coverage of compliance with this section. The organization's oversight and surveillance functions include but are not limited to its inspector general; its internal and external audits; and its managers' internal control programs.

b. Upon completion of any forced and child labor compliance oversight and surveillance engagement such as a general inspection, audit, or internal control review, the organization must provide a copy of the results to the MWR and Resale Policy Directorate in the Office of the DASW(MC&FP).

c. Results of the oversight and surveillance requirements in Paragraph 6.6.a. will be included in the military resale entity or other NAFI's annual statement of assurance as to the adequacy of internal controls.

d. A summary of the results of the oversight and surveillance will be provided in the organization's annual briefing to the DASW(MC&FP) in accordance with DoDI 1015.10 and a briefing not less than once a year to the Defense Executive Resale Board established by DoDI 1330.21.

6.7. MANAGING REPORTS OF POTENTIAL NONCOMPLIANCE OR VIOLATIONS.

a. Upon receipt of a supplier's report of credible information on noncompliance with respect to forced or child labor, the military resale entity or other NAFI contracting officer:

(1) Must promptly refer the matter to the appropriate inspector general for investigation.

(2) Must report the matter to the CTIP PMO for their action as specified in Paragraph 6.5.a.(2).

(3) May also direct the contractor to take specific remedial actions identified in the contract terms and conditions to address the alleged violation.

b. Upon receipt of credible information from the CTIP PMO or any other source concerning goods produced by forced or child labor, the military resale entity or other NAFI must assess the situation and, if warranted, advise relevant suppliers about the newfound risks and remind them of their commitment not to provide such goods to the military resale entity or other NAFI.

SECTION 7: PROHIBITIONS AND SPECIAL REQUIREMENTS

7.1. TELECOMMUNICATIONS AND VIDEO SURVEILLANCE SERVICES OR EQUIPMENT.

a. Before executing a NAF contract, agreement, or modification to extend the period of performance on an existing contract or agreement, and before issuing a delivery or task order, NAF contracting officers must verify the offeror's compliance regarding the provisions of covered telecommunications equipment in connection with the pending award as well as its use of covered telecommunications equipment pursuant to Section 889 of Public Law 115-232, as amended. All references to Section 889 and its subparagraphs in this section are from Public Law 115-232, as amended.

b. If the offeror states that it will provide covered telecommunications equipment or services, or that it uses covered telecommunications equipment or services, the contracting officer must obtain additional information as needed to determine if the covered telecommunications equipment or services at issue are being used as a substantial or essential component of any system or as critical technology as part of any system, or if an exception applies.

c. The contracting officer must not award a contract or agreement, or execute a modification to extend the period of performance on an existing contract or agreement, or issue a task or delivery order to an offeror that provides covered telecommunications equipment or services in accordance with Section 889(a)(1)(A) or uses covered telecommunication equipment or services in accordance with Section 889(a)(1)(B), unless the contracting officer, in consultation with the program office or requiring activity, determines that:

(1) The offeror is not using the covered telecommunications equipment or services as a substantial or essential component of any system or as critical technology as of part of any system; or

(2) An exception applies.

d. If the contracting officer is unable to make the determination described in Paragraph 7.1.c., then award must not be made to that offeror unless a waiver is granted.

e. Contracting officers must include appropriate provisions and clauses in NAFI solicitations and contracts to implement the requirements in Section 889.

f. The Section 889 prohibitions:

(1) Do not prohibit a NAFI from procuring with an entity to provide a service that connects to the facilities of a third party, such as backhaul, roaming, or interconnection arrangements.

(2) Do not cover telecommunications equipment that cannot route or redirect user data traffic or permit visibility into any user data or packets such equipment transmits or otherwise handles.

g. Contracting officers must include appropriate provisions and clauses in NAFI solicitations and contracts to implement the requirements in Section 889.

h. Section 889(d)(2) permits the Director of National Intelligence to provide a waiver of Section 889 requirements if they determine the waiver is in the national security interests of the United States.

7.2. LIST OF APPLICABLE LAWS.

A summary of the laws and regulations applicable to or not applicable to NAF procurements is located at https://dodmwrandresalepolicy.defense.gov/Nonappropriated-Fund-Policy/NAF-Procurement/.

GLOSSARY

G.1. ACRONYMS.

ACRONYM	MEANING
ACOR	alternate contracting officer's representative
APF	appropriated fund
ASW(M&RA)	Assistant Secretary of War for Manpower and Reserve Affairs
COR	contracting officer's representative
CTIP	combating trafficking in persons
DASW(MC&FP)	Deputy Assistant Secretary of War for Military Community and Family Policy
DoDAAC	Department of Defense Activity Address Code
DoDI	DoD instruction
DoW	Department of War
MWR	morale, welfare, and recreation
NAF	nonappropriated fund
NAFI	nonappropriated fund instrumentality
OSW	Office of the Secretary of War
PMO	program management office
U.S.C.	United States Code
USW(P&R)	Under Secretary of War for Personnel and Readiness

G.2. DEFINITIONS.

Unless otherwise noted, these terms and their definitions are for the purpose of this issuance.

TERM	DEFINITION
appeal	A process by which a protest related to a dispute with the contracting officer's final decision is raised to the next higher level for review and decision.

TERM	DEFINITION
backhaul	Intermediate links between the core network, or backbone network, and the small subnetworks at the edge of the network (e.g., connecting cell phones and cell phone towers to the core telephone network). Backhaul can be wireless (e.g., microwave) or wired (e.g., fiber optic, coaxial cable, Ethernet.
best value	The expected outcome of a procurement that, in the NAFI's estimation, provides the greatest overall benefit in response to the requirement.
branded products	Products with nationally recognized brand names.
claim	A written demand or written assertion by one of the contracting parties seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of contract terms, or other relief arising under or relating to a contract. A voucher, invoice, or other routine request for payment that is not in dispute when submitted is not a claim. The process for resolving a claim is commonly referred to as "dispute resolution."
combat zone	Defined in DoDI 1340.25.
construction	An installation or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; or the relocation of a facility from one installation to another.
contract	An agreement that creates a legal obligation. The elements of a contract are a mutual agreement between competent parties for a legal purpose involving the exchange of legal consideration and creating a mutuality of obligation to perform between the parties. The term includes without limitation formal bilateral contracts, purchase orders, consignment sales agreements, amendments, and modifications thereto, as well as other agreements entered into by an authorized contracting officer acting within their authority.
contracting authority	The position(s) prescribed by the DoW Component's procedures (or military exchange's procedures if delegated in accordance with Paragraph 3.2.b.(3)) as responsible for the procurement authority of the NAFI(s).
contracting officer	An individual delegated the authority to legally bind the NAFI by entering into, modifying, administering, and terminating contracts.

TERM	DEFINITION
COR	An individual authorized in writing by a contracting officer to monitor contractor performance and assist with administration on a contract. This definition applies to the contracting officer's technical representative and ACORs.
covered foreign country	The People's Republic of China.
covered telecommunications equipment or services	Telecommunication equipment produced by the Huawei Technologies Company or Zhongxing Telecommunications Equipment Corporation or any subsidiary or affiliate of such entities; For public safety, security of government facilities, physical security surveillance of critical infrastructure, and other national security purposes, video surveillance and telecommunications equipment produced by the Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, or Dahua Technology Company (or any subsidiary or affiliate of such entities); Telecommunications or video surveillance services provided by such entities or using such equipment; or Telecommunications or video surveillance equipment or services produced or provided by an entity that the Secretary of War, in coordination with the Director of National Intelligence or the Director of the Federal Bureau of Investigation, reasonably believes to be an entity owned or controlled by, or otherwise connected to, the government of a covered foreign country.
critical technology	A component that is or contains information and communications technology, including hardware, software, and firmware, whether custom, commercial, or otherwise developed, and that delivers or protects mission critical functionality of a system or, because of the system's design, may introduce vulnerability to the mission critical functions of an applicable system.
determination of responsibility	The contracting officer's judgment that a prospective contractor has adequate financial and technical resources or the capability to get the resources and a satisfactory record of performance demonstrating its capacity to perform the contract.

TERM	DEFINITION
direct-import goods	Products that a retailer in the United States purchases directly from a supplier or manufacturer in another country. The retailer in the United States becomes the importer of record for those products.
equipment	A device or separate item of supply that is identifiable to a single producer (e.g., covered telecommunications equipment). Equipment may be a component of a system, but a single item of equipment is not a system for the purpose of this issuance.
excess foreign currencies	The currencies of countries held by the U.S. Department of Treasury in excess supply for all U.S. Government needs and periodically declared to the Office of Management and Budget by the U.S. Department of Treasury as excess. The lists of countries are transmitted to the DoW Components from time to time by appropriate DoW issuances.
final decision	A contracting officer's written determination in response to a protest or claim.
foreign goods	Items produced or manufactured in a foreign country and physically located outside the United States, the District of Columbia, and the territories and possessions of the United States, including items located in bonded warehouses or foreign trade zones within the aforementioned areas. This term does not include foreign-made or -produced military exchange-type retail merchandise purchased from sources within the United States.
interconnection arrangement	An arrangement governing the physical connection of two or more networks to allow the use of another's network to hand off traffic where it is ultimately delivered (e.g., connection of a customer of telephone provider A to a customer of telephone company B) or sharing data and other information resources.
items	All property (including articles, goods, materials, supplies, equipment, software, and parts) except facilities, land, or interests in land. Also known as goods.
legitimate	In accordance with law or established legal forms and requirements and conforming to recognized business principles and accepted business rules and standards. Being exactly as purposed: neither fake nor counterfeit.

TERM	DEFINITION
local market	The area surrounding a NAFI that provides services to U.S. personnel who are served by such NAF activity, as defined by the Combatant Commander concerned. Combatant Commanders will include only the area in which there is effective competition with the NAF activity.
military exchanges	The Army and Air Force Exchange Service, the Navy Exchange Service, and the Marine Corps Exchange.
military resale entities	The Army and Air Force Exchange Service, the Navy Exchange Service, the Marine Corps Exchange, and the Defense Commissary Agency.
MWR telephone services	Unofficial telephone calling center services supporting calling centers provided by a military exchange or any other DoW NAFI, which are conducted for the comfort, pleasure, contentment, or physical or mental improvement of Service members.
NAF	Defined in Volume 13, DoD 7000.14.
NAFI	Defined in DoDI 1015.15.
negotiation	The method of procurement that permits oral and written responses to a solicitation and subsequent negotiation of prices, terms, or conditions of the proposed contract to achieve the best value for the NAFI. This method of procurement allows the contracting officer the widest latitude in arriving at a fair and reasonable price and mutually agreed-upon terms.
novation	The act of transferring a contract from one legal entity to another legal entity who is the successor in interest or substituting a new contract for an existing one by mutual agreement between the parties. Transfer of a government contract is illegal without the government's consent and the government's recognition of the transfer of the contract from the original contracting party to the new contracting party. The original party to the contract who is replaced with the new contracting party gives up any rights that it has against the original party to the contract.
overseas	Outside the United States and its territories.

TERM	DEFINITION
personal information services	Internet, telephone, and television access via any delivery method such as wired or wireless mode purchased and available for personal use.
private label merchandise	Alternatives to—that are generally less expensive than—branded products. Includes products carrying the military exchange's own name or a name created exclusively for one or more military exchanges and the Defense Commissary Agency. Commonly referred to as "store brands."
procurement	Includes purchasing or renting of real or personal property; services for construction (including third-party financed projects), renovation, repair and alteration of real property; professional architect or engineer services; and obtaining items and services for either direct use of the NAFI or for resale to its authorized patrons. Also includes all functions that pertain to the selection and solicitation of sources, preparation and award of contracts, and all phases of contract administration. Does not include the determination of requirements, which is the identification of items, services, or property including quality or performance standards, quantity, and delivery schedule or the certification of available funds.
procurement action	Written contracts and purchase orders, delivery orders, task orders, contract modifications, blanket purchase agreements, orders placed electronically, agreements, and purchases made using purchase cards.
procurement personnel	All personnel assigned to a NAF procurement office, including buyers, contracting officers, contract specialists, procurement analysts, contract administrators, purchasing agents, and contracts and procurement clerks. Also includes purchase card holders.
protest	A written objection by an interested party to a solicitation or other request for offerors for a contract, cancellation of a solicitation or other request, an award or proposed award of a contract, and a termination or cancellation of an award of the contract if the written objection contains an allegation that the termination or cancellation is based in whole or in part on improprieties concerning the award of the contract.

TERM	DEFINITION
purchase cards	NAF purchase cards, government commercial purchase cards, debit cards, single-use cards, and other government or commercial purchase cards authorized for use by the contracting authority.
ratification	The act of validating an unauthorized commitment by an official who has the authority to do so for the purpose of paying for the supplies or services provided to the government because of the unauthorized commitment.
real property	Defined in the DoD Dictionary of Military and Associated Terms.
resale	Defined in DoDI 1015.15.
responsible offeror	An offeror that has or is able to obtain the technical capability to perform contract requirements and adequate financial resources; has a satisfactory performance record; and is otherwise qualified and eligible to receive an award under applicable laws and regulations.
roaming	Cellular communications services (e.g., voice, video, and data) received from a visited network when unable to connect to the facilities of the home network either because signal coverage is too weak or because traffic is too high.
substantial or essential component	Any covered telecommunications equipment necessary for the proper function or performance of a piece of equipment, system, or service.
system	A service or a group of connected equipment and services such as a telecommunications network or equipment connected to a telecommunications network that can route or redirect user data traffic or permit visibility into user data or packets.
termination	The cessation or cancellation, in whole or in part, of work under a prime contract for the convenience of or at the option of the government when it is in the government's interests, by mutual agreement at no cost or liability to either party, or due to failure of the contractor to perform in accordance with the terms of the contract (i.e., default).
terms and conditions	Binding contract or agreement terms and conditions to obtain goods and services.

TERM	DEFINITION
trafficking in persons	A crime whereby traffickers exploit and profit by compelling people to engage in forced or child labor or commercial sex. Also referred to as "human trafficking."
unauthorized commitment	An agreement that is not binding solely because the government representative who made it lacked the authority to enter into a contract on behalf of the government.
UNICOR	The Federal Prison Industries program, established by Executive Order 6917. It is a federally owned corporation.
U.S. merchandise	Items produced or manufactured in the United States, the District of Columbia, and the territories and possessions of the United States. Also known as "U.S. goods."

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