



READINESS AND FORCE  
MANAGEMENT

## OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

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### INFO MEMO

FOR: FREDERICK E. VOLLRATH, PDASD(R&FM), PERFORMING THE DUTIES OF  
THE ASSISTANT SECRETARY OF DEFENSE FOR READINESS AND FORCE  
MANAGEMENT

FROM: Charles E. Milam, Acting Deputy Assistant Secretary of Defense (Military Community  
and Family Policy) *Charles E. Milam 11/7/13*

SUBJECT: Calendar Year 2011 Annual Review of Nonappropriated Fund Treasury  
Management

- Request you accept (on behalf of the Principal Deputy Under Secretary of Defense for Personnel and Readiness) this summary of the results of our annual review of calendar year 2011 nonappropriated fund (NAF) treasury management, as required by DoD Instruction 1015.15 *Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources* (TAB A).
- The DoD Components have primary fiduciary responsibility for NAF investments and each designates an oversight group to review portfolio objectives and results, determine compliance with policy, and address corrective action. Each respective group then submits an annual report of NAF cash and investments, borrowing, and hedging as of December 31. A summary of their most recent reports appears at TAB B. (Full copies of all 2011 reports are available in the SACCP file associated with this action, but are not included here due to their volume and the lack of any significant issues.)
- In this cash and investments balances summary, there appears an obvious anomaly in that Army investment balances show a \$193 million decline, or almost 10%, from the previous year. As explained in response to our inquiry, the Army experienced two logical and predicted cash flow impacts in 2011. One was related to seed funding required for their Army Privatized Lodging initiative. The other caused by construction contract payments for several Army Family Covenant-driven child development and youth center projects that were funded with appropriations but executed as NAF construction via the Uniform Funding and Management process.
- A meeting was held on August 9, 2012, at which representatives from the Office of the Under Secretary of Defense (Personnel and Readiness) and the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer reviewed these annual reports with designated representatives from the DoD Components and Military Service Headquarters,

including their respective treasury managers. TAB C contains that meeting agenda and list of attendees.

- Noteworthy this year is the fact 21 of the 32 attendees participated in this four-hour meeting via video teleconference from five remote locations in Texas and Virginia. This increased emphasis on using technology resulted in considerable savings of travel dollars.
- In advance of this meeting, the Military Community and Family Policy staff conducted a thorough review of detailed report submissions and found no serious policy lapses or issues of non-compliance. Additionally, during 2011 there were no significant occurrences of loss of principal or circumstances where investments produced no yield, either of which would require a report.
- A similar review of calendar year 2010 NAF Treasury Management Reports listed only one instance of non-compliance with policy requiring corrective action. This minor issue was corrected during coordination. Therefore, there were no prior corrective actions pending from 2010.
- Several NAF policy and procedure recommendations made prior to and during the August 9, 2012 meeting are being actively considered for inclusion in a scheduled revision to DoD Instruction 1015.15.

Attachments:

As stated

Prepared by: Mr. Rogers Patrick, Resale Activities and NAF Policy, 703-588-0564