



DEPARTMENT OF THE NAVY  
COMMANDER NAVY INSTALLATIONS COMMAND  
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CNICINST 1710.2A  
N9  
22 Aug 17

CNIC INSTRUCTION 1710.2A

From: Commander, Navy Installations Command

Subj: MORALE, WELFARE AND RECREATION RED FLAG REPORTING SYSTEM

Encl: (1) Sample Plan of Action and Milestones (POA&M)

1. Purpose. To implement policy for monitoring and correcting sustained financial underperformance by Morale, Welfare and Recreation (MWR) Category C activities.
2. Cancellation. CNICINST 1710.2.
3. Scope and Applicability. This instruction applies to CNIC Headquarters and Regions.
4. Background
  - a. The MWR Red Flag reporting system establishes metrics and identifies activities that are suffering from poor financial performance over an extended period of time. Activities identified under Red Flag are operating with serious financial stress, depleting cash and approaching insolvency or are already insolvent.
  - b. The Red Flag reporting system supports management efforts to develop and implement corrective actions that result in improved long-term financial stability and quality programs and services for Sailors and family members.
  - c. Terms of reference for purposes of this instruction:
    - (1) Category C Activity. These highly desirable programs provide recreational activities that contribute to building a sense of community and enjoyment. Activities in this group have the capability of generating sufficient income to cover their operating expenses. Consequently, these activities are authorized limited appropriated fund support.
    - (2) Fact of Life Exemption. The Region Commander may request designation of an installation Category C activity as a "Fact of Life" activity. CNIC will determine if the activity qualifies, based on the following minimum criteria:
      - (a) Activities located within the United States or Territories:

Remote;”

1. Installation is designated by the Department of Defense (DoD) as “Isolated and

2. No equal program(s) exists within the local commuting area (30 minutes);

3. Patron base size is too small to maintain self-sustaining fiscal posture;

4. In the Navy’s best interest to continue providing the service and program.

(b) Overseas:

1. All criteria listed above;

2. Status of Forces Agreement prohibits or restricts reduction-in-force actions of local national employees.

(3) MWR Fund. A Nonappropriated Fund Instrumentality (NAFI) as maintained and reported within the CNIC Fleet and Family Readiness (N9) nonappropriated fund accounting system.

(4) Negative Cash Flow. Negative cash flow is defined as net income plus depreciation netting less than zero. Operating with negative cash flow indicates that the fund or activity is not generating sufficient cash to support its direct operating costs or setting aside funds for recapitalization.

(5) Overdrawn Cash. Overdrawn cash is defined as having the dollar value of checks written exceed available operational cash. Having overdrawn cash indicates a serious liquidity problem that must be addressed immediately.

(6) Red Flag Activity. Red Flag status exists when any of the following conditions are met:

- (a) The MWR fund is operating with an overdrawn cash position.

- (b) The MWR fund has been operating with negative cash flow for six consecutive months, including the current month.

- (c) An installation Category C activity has a rolling negative cash flow of \$50,000 or more for a 12-month period. For example, if an installation’s overall golf program has negative cash flow of \$50,000 or more on a rolling year basis, the installation golf program would be in a Red Flag status.

5. Policy

- a. MWR funds are expected to maintain sufficient cash to ensure a positive balance in their checking account at all times to prevent being in an overdrawn cash position.
- b. MWR funds and their subordinate Category C activities are also expected to maintain a positive cash flow over the course of any 12-month period.

6. Action

a. CNIC N9 will:

(1) Identify MWR funds or MWR Category C activities in a Red Flag status and generate a list of these activities within 45 days of the end of each quarter.

(2) Issue formal Red Flag notification correspondence to the Region Commander, utilizing Department of the Navy (DON) Tracker, requesting a corrective Plan of Action and Milestones (POA&M) within 30 days of the correspondence date for activities identified as being in a Red Flag status.

(3) Initiate immediate notification to the Region Commander with MWR funds in an overdrawn cash position to address emergency corrective action to avoid having checks issued without funds to cover the disbursements.

(4) Track results of POA&M progress to ensure execution.

(5) Provide assistance as requested by the Region Commander or Installation Commanding Officer.

b. Region Commander will:

(1) Review information provided by CNIC N9 and investigate the financial situation at all Red Flag activities.

(2) Provide a POA&M to CNIC, outlining specific corrective actions to be taken. The POA&M will specifically address planned revenue modifications, expense reductions, and requests for CNIC staff assistance and support. Enclosure (1) is provided as a standard template.

(3) Provide assistance to the local installation in executing the POA&M.

(4) Close activities that remain in a Red Flag status for more than 18 months, request an extension for a limited specific time period or seek a Fact of Life exemption.

c. The Installation Commanding Officer will:

(1) Assist the Region Commander in the financial assessment of the underperforming MWR fund or Category C activity and POA&M development.

(2) Execute the corrective POA&M.

(3) Update the Region Commander on status of corrective actions monthly.

(4) Close activities in a Red Flag status, as directed by the Region Commander.

7. Records Management. Records created as a result of this instruction, regardless of media and format, must be managed per Secretary of the Navy Manual 5210.1 of January 2012.

8. Review and Effective Date. Per OPNAVINST 5215.17A, CNIC N9 will review this instruction annually on the anniversary of its effective date to ensure applicability, currency and consistency with Federal, DoD, Secretary of the Navy (SECNAV), Navy policy and statutory authority. This instruction will automatically expire five years after effective date unless reissued or canceled prior to the five-year anniversary date or an extension has been granted.



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Releasability and distribution:

This instruction is cleared for public release and is available electronically only via CNIC Gateway 2.0 web site, <https://gs.cnic.navy.mil/cnichq/pages/default.aspx>

Sample Plan of Action and Milestones (POA&M)

	<i>Expected Financial Benefit</i>	<i>POC for Action</i>	<i>Expected Completion Date</i>	<i>Monthly Progress Report</i>	<i>Date Action Achieved</i>	<i>CNIC Assistance Requested</i>
<b><i>Revenue Modifications</i></b>						
<b>1 – Expected Revenue Modification Action</b>						
<b>2 – Expected Revenue Modification Action</b>						
<b>3 – Expected Revenue Modification Action</b>						
<b><i>Expense Modifications</i></b>						
<b>1 – Expected Expense Modification Action</b>						
<b>2 – Expected Expense Modification Action</b>						
<b>3 – Expected Expense Modification Action</b>						