THE GENERAL BOARD
United States Forces, European Theater

ORGANIZATION, OPERATION, AND SUPPLY OF THE ARMY EXCHANGE SERVICE

MISSION: Prepare Report and Recommendations on the Organization, Operation, and Supply of Army Exchange Service.

The General Board was established by General Orders 128, Headquarters European Theater of Operations, US Army, dated 17 June 1945, as amended by General Orders 182, dated 7 August 1945 and General Orders 312 dated 20 November 1945, Headquarters United States Forces, European Theater, to prepare a factual analysis of the strategy, tactics, and administration employed by the United States Forces in the European Theater.

File: R 321/12

Study Number 57

Property of
Office of the Chief
Military History
General Reference Branch

THE GENERAL BOARD
UNITED STATES FORCES, EUROPEAN THEATER
APO 408

STUDY OF THE ORGANIZATION AND OPERATION OF ARMY EXCHANGE SERVICE

Prepared by:

Major D. C. Chorpening, O-914096, Chief, Army Exchange Service Section.

Principal consultants:

Colonel R.J.Marshburn, Chief, Army Exchange Service.

Lt Col M. H. Farnsworth, Deputy Chief, Army Exchange Service.

Lt Col Harold G. Schaefers, Deputy Chief, Army Exchange Service.

TABLE OF CONTENTS

SUBJECT	PAGE
CHAPTER I : Mission and Organization of Army Exchange Service	1
Section I Mission of Army Exchange Service	1
Section II - Liquidation and Reactivation of Army Exchange Service	2
Section III- Responsibilities and Organization of Army Exchange Service	3
Section IV - Place Army Exchange Service and Special Services Held in the Special Staff Organization in European Theater Headquarters as compared with the War Department Organization	5
CHAPTER II: Personnel	7
Section I - Administrative Personnel	7
Section II - Operational Personnel	9
CHAPTER III: Supply	12
Section I - Procurement by Quartermaster Service from Zone of Interior for Army Exchange Service	12
Section II - Procurement from Zone of Interior by Army Exchange Service	14
Section III- Local Procurement	15
Section IV - The Supply of Beer and Bottled Soft Drinks	18
Section V - Storage and Distribution	20
Section VI - Gratuitous Distribution of Essential Exchange Items	22
CHAPTER IV: Financing and Fiscal Procedures	23
Section I - Method of Financing and Restrictions on Net Worth	23
Section II - Banking Methods	24
Section III- Insurance	26
Section IV - General Accounting Procedure	27
Section V - Disposition of Funds	30
CHAPTER V: Conclusions and Recommendations	33
Section I - Conclusions	33
Section II - Recommendations	36

SUBJECT PAGE

Appendices:

1. War Department Cable dated 26 Sept 1942 37

2. Letter, War Department, dated 13 Feb 1943, Subject: "Post Exchange Operations" 38

3. Extract of Administrative Circular No.11, Hq SOS, ETOUSA, dated 24 April 1943 40

4. Extract of Administrative Circular No.93, Hq., ETOUSA, dated 6 December 1943 45

5. Extract of Circular No.53, Hq. ETOUSA, dated 17 May 1944 50

6. Circular No.108, Hq. USFET, dated 6 August 1945 55

7. Functional Organization Chart 60

8. Detail plan - Operation of U.S. Army Exchanges in ETO as Co-ordinated Between Army Exchange Service and Quartermaster Service 61

9. Letter, Headquarters, Communications Zone, ETO, file AG 400.13 OpGA, subject: "Purchasing in Neutral Countries" 72

10. Letter, dated 1 June 1944, subject: "Limitation of A.E.S. Profits" 73

11. Letter, Headquarters, ETOUSA, dated 5 April 1945, file AG 331.3/1 OpGA, Subject: "Limitation of Army Exchange Service Profits" 74

12. Letter, Headquarters USFET, dated 18 Aug 1945, file AG 331.3 GAP-ACO Subject: "Limitation of Army Exchange Service Profits" 75

13. Memorandum No.19, Army Exchange Service, dated 27 October 1944 76

14. Extract of Standing Operating Procedure No. 11, Headquarters ETOUSA 79

15. Army Exchange Service Bulletin No.24, dated 30 December 1944 80

16. Memorandum from Army Exchange Service to G-1, dated 29 June 1945 95

17. Digest of Minutes of Conference 97

THE GENERAL BOARD
UNITED STATES FORCES, EUROPEAN THEATER
APO 408

STUDY OF THE ORGANIZATION AND OPERATION OF ARMY EXCHANGE SERVICE

CHAPTER I

MISSION AND ORGANIZATION OF ARMY EXCHANGE SERVICE

SECTION I

MISSION OF ARMY EXCHANGE SERVICE

1. The General Mission of Army Exchange Service. A summation of the mission of Army Exchange Service, European Theater, based on the purposes expressed in AR 210-65 for the establishment of Army Exchanges, follows:

a. To supply persons to whom sales are authorized through exchanges, financed by non-appropriated funds, articles of necessity and convenience, not supplied by the Government; to supervise all revenue producing activities; to make available from profits, subject to established limitations; funds which may be used to afford military personnel additional facilities for comfort, recreation and amusement; and to contribute to activities which will foster and increase the physical and spiritual welfare of military personnel.

2. Phases in Accomplishment of Mission: The broad mission as stated above was accomplished with varying degrees of completeness during the different phases of operation in the Theater. Due to limited available tonnage, during the pre-invasion period and from D-Day until VE-Day, the Army Exchange Service concentrated primarily on the supply of basic articles of necessity, not supplied by the Government. Although there were provided for sale some gift articles and items of souvenir value, as well as limited supplies of soft drinks and beer, such types of merchandise were considered to be of secondary importance. With the advent of VE-Day a much more extensive exchange service was inaugurated. Merchandise of a type not previously sold was provided including gift and novelty items procured from neutral and liberated countries, an extensive program was established for the production and distribution of soft drinks and beer, and more extensive provision was made for soda fountains and sundry services.

SECTION II

LIQUIDATION AND REACTIVATION OF ARMY EXCHANGE SERVICE

3. Temporary Discontinuance of Army Exchange Service.

a. The Army Exchange Service, European Theater, operated from January 1942, the time of its inception, until September 1942 when its mission was transferred to the Quartermaster Corps and Quartermaster Sales Stores were established under authority given the Theater Commander by the War Department. It was ordered that exchange personnel be transferred to the Quartermaster Corps, and that a board of officers be constituted to determine the value of supplies to be turned over by Army Exchange Service. A copy of the cable authorizing the discontinuance of exchange operations is attached as Appendix No.1.

b. Available records do not clearly set forth all of the basic reasons prompting the discontinuance of Army Exchange Service; however, it is indicated that two reasons advanced for the action were:

(1) Personnel available was very inadequate and was only partially trained in depot operation and procedure.

(2) The Army Exchange Service was paying high insurance premiums and this, in conjunction with pilferage factors, necessitated very high mark-ups on goods handled.

4. Liquidation of Army Exchange Service. Army Exchange Service formally discontinued its operations as of 25 October 1942, and liquidation procedures were begun. Under the supervision and control of a board of officers, inventories were taken, valued and sold to Quartermaster, an audit of the accounts was made by a firm of civilian accountants and distributions of funds out of accumulated earnings up to February 1943 were made to units. In making the distribution to units, the supervising board of officers prescribed that only 75% of the accumulated earnings be distributed and that the remainder be retained as working capital for a new Army Exchange Service operation which, based on developments in early February 1943, was clearly to be established. In following this procedure a sum in the approximate amount of $700,000.00 was retained to serve as initial working capital of a new operation.

5. Reactivation of Army Exchange Service. Attached as Appendix No.2 is copy of a letter from the War Department directing the re-establishment of an exchange operation in the European Theater. On 24 April 1943, Administrative Circular No. 11, Hq,SOS, ETOUSA, copy attached as Appendix No. 3, was promulgated directing the reactivation of Army Exchange Service in the European Theater as of 1 May 1943.

SECTION III

RESPONSIBILITIES AND ORGANIZATION OF ARMY EXCHANGE SERVICE

6. Regulations and Directives Fixing Responsibilities.

a. The principal basic regulations and directives defining the responsibilities and broad methods of operation of Army Exchange Service in the European Theater were as follows:

(1) AR 210-65 (Tentative) 1 July 1941; AR 210-65, 19 March 1943; AR 210-65, 1 June 1944; and AR 210-65, 12 June 1945.

(2) Administrative Circular No.11, Hq SOS, ETOUSA, dated 24 April 1943 - Appendix No.3.

(3) Administrative Circular No.93, Hq ETOUSA, dated 6 December 1943, Appendix No.4.

(4) Circular No. 53, Hq ETOUSA, dated 17 May 1944 - Appendix No.5.

(5) Circular No. 108, Hq USFET, dated 6 August 1945, Appendix No. 6.

b. Due to special conditions existing in the European Theater and more clearly to define responsibilities and procedures, the provisions of AR 210-65 were modified and supplemented periodically by the various circulars cited, copies of which are attached hereto as appendices. Of course many other command and technical directives were issued covering the operation of Army Exchange Service but those cited served as the basis for defining responsibilities and broad operational policies.

c. The primary responsibilities of Army Exchange Service were in substance the same throughout the whole period of operation although they were defined with varying degrees of completeness in the several circulars issued. It is believed that Circular No. 108, Hq USFET, dated 6 August 1945, the final directive issued, fully outlines the responsibilities imposed and rather than to enumerate such responsibilities reference is made to a copy of the circular attached as Appendix No. 6.

7. The General Organization of Army Exchange Service. The Chief, Army Exchange Service, as a staff officer of the Commanding General, Theater Service Forces, had jurisdiction over, and provided staff supervision for, the operation of all Army Exchange activities in the Theater. Each area command (army, advance section, base section or other authorized command) had an exchange officer on the special staff who had general supervision over the establishment, operation, management and liquidation of all exchange activities within the area. Exchanges were operated under the supervision of an exchange council and exchange officer appointed by the post, camp, installation and unit commanders. With a few isolated exceptions, no provision was made in unit tables of organization for exchange personnel.

8. Organization of Army Exchange Service, Theater Service Forces. a. Although the primary responsibility of the Theater Exchange Officer was that of providing staff supervision for the operation of all Army Exchange activities in the Theater, experience proved the necessity for centralizing certain operational activities to more successfully accomplish the mission. The principal operational functions performed were:

(1) Maintenance of a central accounting system.
(2) Procurement of gift, novelty and souvenir items.
(3) Operation of photo finishing plants
(4) Operation of a merchandise repair section.

b. The functional organization chart submitted as Appendix No.7 sets forth the organization established to discharge the supervisory and operational functions performed. Although there was some variation in the structure of the organization during the period, due to changing requirements and conditions, basically that shown by the chart was in effect.

9. Organization Within Area Command(Army, District, Section). There did not exist within the area commands any uniformity in the organization set up to perform the duties imposed. It was the responsibility of the exchange officer of each area to so organize his assigned personnel as to discharge the responsibilities with which he was charged. The basic reason for a lack of uniformity in organization was the lack of an established T/O to carry out responsibilities imposed.

10. Organization for Operation of Exchanges. a. Each exchange established, which might consist of mobile units, branches and subordinate activities, was under the executive control of an exchange officer appointed by the post, camp, station, installation or unit commander. To such exchange officer were assigned assistant exchange officers and enlisted men. It was required that there be appointed by the unit commander an Exchange Council to act as a supervisory body in the exchange operation.

b. In the unit exchange operation there was a great lack of uniformity in the size and structure of the organization to carry out the assigned mission, with the result that many times men and officers were responsible for an activity without having the necessary personnel to properly safeguard exchange assets and to maintain proper accountability. This factor was also reflected in the incompleteness of service rendered.

SECTION IV

PLACE ARMY EXCHANGE SERVICE AND SPECIAL SERVICES HELD IN THE SPECIAL STAFF ORGANIZATION IN EUROPEAN THEATER HEADQUARTERS AS COMPARED WITH THE WAR DEPARTMENT ORGANIZATION

11. At War Department Level Army Exchange Service was made a part of Special Services Division, Army Service Forces. It is understood that this action was taken in order to more closely connect the financing of Athletic and Recreation Section of Special Services with the Army Exchange Service as a money making enterprise. It is noteworthy that in the European Theater as well as in certain other overseas theaters it was not deemed advisable to pattern after the War Department organizational set-up.

12. The Possible Advantages and Disadvantages of combining Army Exchange Service and Special Services in the European Theater were given special consideration. Numerous conferences were held by G-1, ETOUSA at which the Chief, Army Exchange Service and the Chief, Special Services were present. Following these conferences it was concluded that no material advantages would accrue from such an amalgamation and that certain disadvantages would result.

a. It would not have been possible to find staff personnel possessing the qualifications required for Special Services activities and Army Exchange operations. For instance, an athletic director might find himself charged with the responsibility of supervising the operation of a multi-million dollar a year business, or vice versa a trained exchange officer might be required to supervise an extensive athletic program without any background whatever in such an activity.

b. Army Exchange Service, being an important morale factor, could operate more efficiently when reporting direct to G-1.

c. Supply is an important factor in the efficient operation of exchanges hence direct dealing with G-4 was desirable.

d. The fact that Army Exchange Service is strictly a business enterprise, coupled with the regulations governing its operation, made it necessary to adhere to sound business principles. Special Services, depending in a large measure upon profits of Army Exchange Service to finance athletic and recreational activities should not be placed in a position where undue influence might be exercised in the handling of Army Exchange Service funds.

13. Joint Supervision of Activities. A great many installations were operated throughout the European Theater under the joint supervision of Special Services and Army Exchange Service. These installations were known as the "GI Joe" (not the roadside facilities provided for food but large installations in cities) or the "GI Garden" type of operation. It was found that the most efficient operation resulted where Army Exchange Service attended to the business side of the operation and Special Services provided the entertainment and recreational part of the operation.

CHAPTER II

PERSONNEL

SECTION I

ADMINISTRATIVE PERSONNEL

14. Communications Zone Headquarters. a. From the inception of Army Exchange Service in the European Theater one of the primary difficulties encountered by the Theater Exchange Officer was that of obtaining sufficient allotments of competent and trained military personnel to discharge properly the supervisory and operational functions for which he was responsible.

b. Military personnel was supplemented by civilian employees to the maximum degree possible, however, there were obvious limitations on the functions which they could perform during a period of operation. While the Headquarters was located in England, British civilians were employed. With the advent of D-Day and the subsequent movement of Headquarters to Paris many of the British civilians employed in England were brought to Paris, French civilians were employed and Civilian Technicians were brought over from the United States. The major portion of the Civilian Technicians employed were utilized in the Fiscal Division although a few were used in other activities.

c. Many times the military personnel assigned had no previous exchange experience nor civilian backgrounds which would qualify them for exchange work. This condition required the devotion of considerable time to training during a period when personnel should have been operative and often resulted in the necessity for making frequent replacements.

d. Due to the inadequacy of trained personnel it was very difficult for the Theater Exchange Officer to discharge fully his responsibilities and to exercise the measure of supervision over exchange activities in the Theater considered desirable. This was particularly evidenced in the following respects:

(1) There was, due to a lack of qualified personnel, insufficient representation in the field, resulting in:

(a) A lack of full knowledge of the operational difficulties being encountered and thus insufficient or no action being taken to effect their correction. As a result, incomplete service was rendered the soldier.

(b) A lack of sufficient coordination between area exchange officers and the Theater Exchange Officer resulting often times in the conduct of operations in a manner contrary to prescribed procedures without corrective action being taken for long periods of time.

(c) Insufficient supervision of personnel in Army Exchange Service warehouses and in unit exchanges on the proper methods and procedures to be followed in preparing accounting documents and reports.

(2) Directives and standard operating procedures for guidance of the field operations were frequently promulgated long after they were actually required.

(3) The program of local procurement of re-sale items did not reach the proportions it could have had qualified buyers been available.

(4) The Fiscal Division was at times delinquent in its functions by three or four months.

15. Base Sections. a. It was the general rule that within Base Sections there was not sufficient personnel assigned to the special staff exchange officer to discharge the supervisory functions for which he was responsible. As a rule, due to non-availability of trained personnel, the personnel assigned to the staff exchange officer had no previous experience in exchange work and was not technically qualified, making necessary a long period of training.

b. This deficiency in personnel resulted many times in:

(1) No inspections being made of unit exchange operations with the result that incomplete and inadequate exchange operations were permitted to exist. In other instances exchanges were allowed to operate in a manner contrary to prescribed procedures.

(2) Failure to disseminate properly to unit exchanges operating policies and procedures established by higher authority.

(3) Failure to exercise proper control over Army Exchange Service distribution points and bulk depots within the Section.

(4) Failure to familiarize properly new unit exchange officers with the procedures for the establishment and operation of their exchanges.

c. In noting the above deficiencies, it is pointed out that the base section exchange officers did, as a general rule, discharge their responsibilities to the greatest degree possible with the limited personnel available to them.

16. Army Headquarters and Divisions. a. There was no provision on the T/O's of Army Headquarters and Divisions for Army Exchange Service administrative personnel. To fill this deficiency it was generally true that the armies, during the period of hostilities, assigned but one officer to perform the Army Exchange Service administrative functions. Provision of but one officer for this purpose proved to be wholly inadequate to cope with the problems presented. With the advent of VE-Day and just prior thereto additional personnel was assigned to the Army Exchange Service Section with the result that a correspondingly improved exchange service was reflected.

b. In the case of divisions, personnel provided for exchange work was for operational purposes only and there were no known instances of provision of strictly administrative personnel.

SECTION II

OPERATIONAL PERSONNEL

17. Unit Exchanges. a. The provision of competent and adequate personnel for the operation of unit exchanges presented one of the major problems of Army Exchange Service. With but few exceptions there was no provision in the unit T/O for exchange personnel. In making the appointment of exchange officers it appears that too often insufficient consideration was given to the qualifications necessary in an officer properly to conduct an exchange operation and to the responsibilities attached to such assignment. A sentiment was expressed by the Theater Exchange Officer, certain of his division chiefs and by several Base Section Exchange Officers that:

(1) The average exchange officer appointed did not possess the necessary background and business qualifications to operate an exchange.

(2) Too frequently exchange officers received the exchange assignment in addition to other duties with the result that the provision of exchange service became a secondary mission and consisted many times of nothing more than a limited distribution of supplies from a truck. Exchanges were not operated in accordance with prescribed procedures due to a lack of time on the part of the exchange officer to familiarize himself with existing directives, and accountability results were too often unsatisfactory.

(3) Exchange officers were too frequently replaced with the result that efficiency and service were adversely affected.

(4) As a rule insufficient enlisted personnel was assigned to unit exchanges to provide adequate service.

b. Where conditions permitted and exchange installations were static, civilian personnel was utilized to augment military personnel in the operation of exchanges.

c. In the few instances where provision was made for exchange personnel in the T/O of units it was found that the exchange service rendered was usually superior to that found in other units. This can doubtless be attributed to the fact that the exchange officer was given full time responsibility for exchange work and sufficient trained enlisted personnel to render complete exchange service.

18. Warehouses. a. Since under the operation in the U.K. unit exchanges drew all of their supplies from Quartermaster bulk depots, no personnel was required by Army Exchange Service to operate warehouses.

b. Under the procedures adopted for the Continental operation however, personnel were required to operate Army Exchange Service distribution points (PX DP's). Army Exchange Service being a non T/O organization was without assigned personnel to operate such installations, therefore, to meet the situation, arrangements were made with the Quartermaster Service whereby two Quartermaster companies were loaned to Army Exchange Service for operation of the PX DP's. These two companies were placed under Army Exchange Service for operational control but administratively remained under control of the Quartermaster, Communications Zone.

c. One of the companies was well trained and quickly absorbed the Army Exchange Service system of operation. In the case of the other company however, it was originally organized as a Railhead Company and was entirely unfamiliar with the operation of Army Exchange Service type installations. It was, therefore, necessary to spend a considerable amount of time in training. Inasmuch as the Railhead Company was assigned in the early stages of the Continental operation it eventually became a well trained group.

d. In the latter stages of the operation on the Continent two additional Quartermaster platoons were added for use in warehousing activities. The platoons had been operating as Army Exchange Service sales platoons in support of the Seventh Army and were acquired by Army Exchange Service for operational control at the time the Southern Line of Communications was merged with the European Theater of Operations.

e. Additional PX DP's were constantly being opened requiring that the personnel of the two Quartermaster companies be broken down to operate the new installations. The fact that the personnel was not under the administrative control of Army Exchange Service often resulted in considerable difficulty in making the necessary transfers.

f. Upon dissolution of Advance Section Communication Zone, the Army Exchange Service Mobile Detachment, which was assigned to that Section and is commented upon in Chapter III, Section V, of this report, was maintained intact and was utilized to operate static Army Exchange Service warehouse installations. For the most part the Detachment was used in the operation of bulk warehouses which were established to handle locally procured items and supplies and equipment procured by Army Exchange Service from the United States. The detachment was assigned to the Seine Section and through the Seine Section Exchange Officer it was possible to exercise desirable administrative control.

g. With the advent of VE-Day and the subsequent redeployment of troops, the lack of qualified and adequately trained personnel constantly endangered the operation. Many times certain installations were in danger of complete closing. This situation could have been avoided in a large measure had the personnel been under the administrative control of Army Exchange Service in that records of individuals would have been available and provision made for changes in advance. Had it not been possible to fill gaps in warehouse personnel by making immediate assignments of personnel from the Army Exchange Service Mobile Detachment, over which Army Exchange Service could exercise administrative control, serious operational difficulties would have existed.

CHAPTER III

SUPPLY

SECTION I

PROCUREMENT BY QUARTERMASTER SERVICE FROM ZONE OF INTERIOR FOR ARMY EXCHANGE SERVICE

19. Directive Establishing Procedure. Under the provisions of War Department Circulars No. 261, 29 August 1945; 285, 8 July 1945; and 245, 7 October 1943 (Circular No. 261 superseded the two latter circulars cited) the principal portion of items deemed essential for exchanges overseas, which were not obtainable locally, were supplied by the Quartermaster General from stocks in the United States. The items thus procured were itemized in the cited circulars.

20. Procedure in U.K. a. During the period of operation in the U.K., Quartermaster headquarters were located in Cheltenham while Army Exchange Service headquarters were in London, 97 miles apart, so that it was necessary for Army Exchange Service to place with the Quartermaster two liaison officers to handle the large number of mutual problems that were constantly arising.

b. Army Exchange Service re-sale supplies as listed in the circulars cited above were requisitioned by the Quartermaster. The requirements were computed by Quartermaster and submitted to Army Exchange Service for concurrence before the actual requisition was written.

c. Because of the detailed information and control being located in one city and the Army Exchange Service headquarters in another, it was not possible for Army Exchange Service officers to have an accurate knowledge of supply levels, dues-in, afloat and on order during a period when such information was highly essential.

d. Lacking any precedent and faced with the necessity of close cooperation, Quartermaster and Army Exchange Service evolved a plan of responsibilities reduced to writing, known as the "Detail Plan", copy attached as Appendix No.8. This plan, with minor alterations based on experience under working conditions, was followed from February 1944 until the focal point of operations was moved from the U.K. to the Continent in August 1944.

21. Procedure on the Continent. a. In order to meet the needs of changing conditions, shortly after operations had been transferred to the Continent a new "Detail Plan" was worked out between Quartermaster and Army Exchange Service but it was not reduced to writing and signed as was the original. Major changes are listed below.

(1) Army Exchange Service actually computed and prepared the requisitions that went forward to the NYPOE over Quartermaster's signature.

(2) Army Exchange Service bid (submitted to G-4) for tonnage of both Army Exchange Service owned supplies and Quartermaster procured items and prepared the priority lists governing the order in which all items were lifted from NYPOE.

(3) Army Exchange Service bid for tonnage allocations for Quartermaster and Army Exchange Service items which were shipped from the U.K. to the Continent.

b. In order for Army Exchange Service to perform the above added functions it was necessary to establish within its Procurement Division a Requirements and Requisitioning Branch and to maintain numerous records, the principal ones of which were as follows:

(1) Monthly inventories of all Quartermaster bulk depots and Army Exchange Service distribution points.

(2) Record of merchandise on order but unshipped, by item.

(3) "Due-in" record showing items afloat (loaded on a ship but not discharged).

(4) Ship situation reports which provided information on the exact location and status of each ship carrying Exchange supplies and equipment.

c. All of the records and information listed above were kept by both Quartermaster and Army Exchange Service. Experience proved the necessity for maintaining such records by Army Exchange Service even though there did exist a duplication of work. After VE-Day, however, when supplies became comparatively plentiful and shipping space was no longer at a premium, Quartermaster assumed the full responsibility for procuring the supplies listed under paragraph 2, Circular No. 261, War Department, 29 August 1945 and Army Exchange Service discontinued the maintenance of records which duplicated records kept by Quartermaster.

22. The Principal Difficulty experienced in connection with the procurement of supplies by Quartermaster for Army Exchange Service was the maintenance of proper stock levels, and more particularly the maintenance of proper stock levels by brands in order to meet consumer demand.

SECTION II

PROCUREMENT FROM ZONE OF INTERIOR BY ARMY EXCHANGE SERVICE

23. Directive Establishing Procedure. The procedures followed by Army Exchange Service in the procurement of supplies from the Zone of Interior were established by the same directives as those establishing the procedures for procurement of Army Exchange Service supplies by Quartermaster, commented upon in the preceding Section. The items procured by Army Exchange Service were those deemed essential for the health, welfare, comfort or morale of overseas personnel but which were not itemized in the pertinent directives for Quartermaster procurement and supply or which were materially different in grade or type from the items supplied by the Quartermaster General.

24. Extent of Procurement By Army Exchange Service from Zone of Interior. During the pre-invasion period and for a short time subsequent thereto, Army Exchange Service requisitioned only a few necessary resale items which were not supplied by Quartermaster and a limited amount of equipment. Lack of available shipping space was the controlling factor. However, as more shipping space became available and the activities of Army Exchange Service were expanded, very substantial quantities of re-sale merchandise and operating equipment were requisitioned by Army Exchange Service, the value thereof running into several millions of dollars.

25. General Procedures Followed. a. Army Exchange Service requisitioned supplies and equipment became the property of Army Exchange Service upon delivery by the vendor to the NYPOE and since Army Exchange Service operated with non-appropriated funds, accountability existed during the period such items were afloat. Army Exchange Service did not operate any depots or warehouses in the U.K.; consequently the items procured were directed to Quartermaster depots and financial settlement was arranged between Army Exchange Service and Quartermaster. With the establishment of Army Exchange Service depots on the Continent, it was the purpose that the supplies be shipped directly thereto; however, much difficulty was encountered in this regard.

b. There were maintained by Army Exchange Service European Theater the necessary records to determine items in transit and the exact status of all items requisitioned. Files, by requisition number, contained the original requisition, the edited copy as provided by the NYPOE, phasing of deliveries as set up by the port, and all cables and correspondence with the port pertaining to that requisition. Additional records were kept indicating what Army Exchange Service items were loaded on each ship, such as manifests and technical service lists, and the port at which the particular ship would unload. Other records

were kept by item so that at all times it was possible to determine the quantity of any item that was on order, afloat or had been discharged.

26. Difficulties encountered at the Ports were manifold. Since there were but few Army Exchange Service operated depots at the major ports on the Continent with adequate personnel for their operation, much confusion existed in the proper delivery of Army Exchange Service procured merchandise and equipment. Although the items were plainly marked in accordance with directives, they were delivered to depots of other services. Shoes were delivered to Quartermaster depots, electric motors and other equipment to Ordnance and Engineer depots, aspirin and alka-seltzer to Medical depots etc. Also, large quantities of Army Exchange Service items were allowed to accumulate at continental ports making it necessary to assign Army Exchange Service representatives to the major ports to safeguard such items and to expedite their movement.

27. Summation of Deficiencies. The principal deficiencies in the procedures followed were:

a. A lack of Army Exchange Service operated depots located at the major ports of discharge with adequate personnel provided to assure prompt and proper delivery of merchandise and equipment from shipside to the depot.

b. The divided responsibilities between Army Exchange Service and Quartermaster incident to the procurement of different types of supplies resulting in much confusion as to ownership. One of the major problems which faced Army Exchange Service was that of Army Exchange Service requisitioned and owned supplies being delivered by ports to Quartermaster depots.

SECTION III

LOCAL PROCUREMENT

28. Local Procurement Prior to D-Day. During the pre-invasion period in England, procurement of re-sale gift merchandise was practically impossible due to restrictions on the manufacture of such items in Britain, efforts of the nation being concentrated on the production of war materials.

29. Local Procurement in Liberated Countries after D-Day. a. With the advent of D-Day and the transfer of troops to the Continent, local procurement was begun in France. The procedures followed were in accordance with SOP's which served as technical guides to Purchasing and Contracting officers approved by Army Exchange Service.

b. With the advance of the Armies, local procurement of re-sale gift items was decentralized down to Section Commands. Army Exchange Service Purchasing and

Contracting Officers in the Sections scoured the neighboring villages and towns for items that would appeal to the troops. In many cases procurement on a small scale had to be transacted with local artisans, and although quantities supplied by individuals were small, the accumulation of artisan ware did represent a sizeable total. Army Exchange Service buyers in all the provinces of France and Belgium encountered similar experiences with small scale procurement. Large scale production on items in which Army Exchange Service was interested was practically non-existant.

c. Procurement in France on a large scale was not possible or practicable until offices were established at Headquarters, Communications Zone (Paris) in September 1944. From that time on local procurement expanded as territories were liberated and the bulk of procurement, centered in Paris, was controlled by the Procurement Division of Army Exchange Service. Practically the entire procurement in Paris consisted of perfume and costume jewelry.

d. France presented the greatest problem from the standpoint of production due to a lack of coal and necessary raw materials. Due to the sizeable demands on the French perfume industry it was necessary for Army Exchange Service to import to France from the United States certain essential oils which were needed by the industry. It was also well known that manufacturers had to procure materials from black-market sources to stay in business. Very substantial purchases were made in Belgium, industry there having recovered more rapidly than in France. Procurement in Holland was on a very small scale inasmuch as Holland was in British territory and production facilities were insufficient to take care of British requirements.

e. The requirements of the procurement program for the normal type of merchandise were processed through governmental agencies of the countries concerned, in conjunction with directives published by the General Purchasing Agent, Headquarters, Communications Zone. The rule that Army Exchange Service would not buy for re-sale any items which adversely affected civilian economy was strictly complied with. Procurement of novelty and souvenir type merchandise was closely supervised and controlled and more effort directed towards the procurement of merchandise having gift value.

f. There were instances where merchandise purchased was not equivalent in value to items of a similar type manufactured in the United States (a contributory factor to this situation was the relative value of the franc to the dollar) but due to heavy demands of the soldier to purchase gift merchandise and souvenir items of local origin, procurement of such items had to be made to satisfy these demands. Actual shopping tests proved that such merchandise, although considered to be high priced, was 40% to 100% lower when sold through an exchange than similar merchandise sold in local shops. Such procurement was, therefore, considered to be justified since it meant a direct saving to the soldier. Realizing the situation,

however, every effort was made to supplement such procurement with items of better value as they became available with improved production facilities.

g. For a considerable period of time, luxury and production taxes were imposed by the French Government on Army Exchange Service purchases in France. It is pointed out, however, that through an agreement between the State Department and the French Government the requirement that taxes be paid was rescinded and that refunds of taxes paid were made aggregating $2,766,177.00. This elimination of taxes of course made possible the sale of gift merchandise purchased in France at lowered prices.

30. Procurement in Neutral Countries. a. Army Exchange Service procurement in neutral countries was made in accordance with the general instructions set forth in letter, Headquarters, Communications Zone, ETO, file AG 400.13 OpGA, subject: "Purchasing in Neutral Countries", copy attached as Appendix No.9, and the conditions of contracts made between the General Purchasing Agent and the United States Commercial Company, the latter being the established clearing house for Army Exchange Service procurement on the same basis as procurement of other services. The procurement office in each of the neutral countries was known as the United States Government Purchasing Mission. No contracts were negotiated without prior clearance through that agency.

b. Authorization was granted by the General Purchasing Agent to carry on a procurement program in the countries of Switzerland, Sweden and Spain.

c. The first contracts placed in neutral countries were in Switzerland in February 1945. Experience proved that Switzerland offered the best market for quantity and variety of re-sale merchandise, one item of particular value being watches.

d. Procurement in Spain on a program basis was authorized in May 1945 but due to a lack of shelf stock and other production difficulties actual deliveries were not made from Spain until in October 1945. The two outstanding items of procurement in Spain were leather goods and dolls which were most exceptional in value as compared with any item from neighboring countries where Army Exchange Service conducted procurement operations.

e. Procurement in Sweden was authorized in August 1945. Up to the time of the writing of this report little merchandise had been procured from that source due primarily to the critical shortage of coal which affected industry. This was particularly true in those industries producing steel products and crystal ware, products in which Army Exchange Service was interested.

31. The Principal Deficiencies considered to exist in connection with the local procurement program were:

a. A lack of experienced and capable personnel to serve as buyers who were specialists in the commodities desired. The procurement of Army Exchange Service resale items on the Continent could have been developed to much larger proportions had such personnel been available.

b. The decentralization of procurement functions to Purchasing and Contracting Officers assigned to Sections thus losing maximum control over their procurement activities. The procedure resulted in differences of prices on like commodities, lack of uniformity in buying procedures and buying programs, and a lack of the necessary supervision to assure that the quality of materials going into the manufacture of products was up to standard. Also, with procurement at Base Section level it was the inclination of the Section Exchange Officer to retain all items procured in his area with the result that equitable distribution over all areas was not always possible. Centralized control of procurement would have eliminated this difficulty.

c. Due to a lack of banking facilities it was necessary for Purchasing and Contracting Officers in the Sections to pay cash for all purchases until such time as a bank account could be established. Payment for locally procured items in cash was not satisfactory due to the necessity for carrying large sums of cash on hand.

SECTION IV

THE SUPPLY OF BEER AND BOTTLED SOFT DRINKS

32. The Supply of Beer. a. Although considerable quantities of beer were initially imported from the United States the principal portion of beer requirements was supplied from sources within the Theater. The procurement of beer in the U.K. was simply a matter of purchasing from local brewers that portion of their production which was determined to be available to U.S. Forces. When operations were moved to the Continent, however, the procedures became more involved.

b. Basically, the procurement of beer in the liberated countries was accomplished through the establishment of agreements between Army Exchange Service and civilian operated breweries providing for the delivery of beer to Army Exchange Service at an agreed cost.

c. At the beginning of operations on the Continent Army Exchange Service agreed to buy the regular beer that the breweries were producing for their civilian trade. Delivery of the available supply of beer to unit exchange was controlled by beer certificates issued by the area or section exchange officers.

d. Breweries did not have available sufficient malt and hops to provide the requirements of Army Exchange Service. To meet this situation, a procedure was adopted

whereby the Army Exchange Service sold to the breweries malt and hops imported from the United States to be used solely for the manufacture of beer for Army Exchange Service. The beer made from these materials was American type beer containing 3.2% alcohol by weight and was an entirely separate operation from that conducted by the breweries for the production of beer for their civilian trade. The brewing processes were under the supervision of U.S.Civilian Technicians who were under contract to the Army Exchange Service.

e. Distribution of the beer to unit exchanges was controlled by an enlisted man stationed at each brewery. In order to draw beer it was necessary to present a beer certificate issued by the area or section exchange officer. Such certificates were issued on the basis of troop strength and the current authorized individual ration.

f. The principal difficulties encountered in connection with the beer program in liberated countries were the lack of cooperation, which curtailed the distribution of beer; the insufficiency, for some time, of technically trained personnel to inspect and supervise the brewery operations and shortages of fuel. These difficulties were overcome as the program progressed, and Army Exchange Service was enabled to make available to troops very substantial quantities of American type 3.2 beer.

33. The Supply of Bottled Soft Drinks. a. The provision of soft drinks through the establishment and operation of bottling plants was not affected until operations were moved to the Continent.

b. War Department Supply Bulletin No. 10-189, January 1945, provided that bottling plant equipment could be imported from the United States as property of the beverage manufacturer, property of a local bottling firm or as property of the Quartermaster Corps. It was the decision in the European Theater to import such additional equipment as was necessary to supplement existing plants as property of the beverage manufacturer. War Department Supply Bulletin No. 10-189 also allowed movement to the Theater of trained personnel for the operation of bottling plants. Accordingly, Technical Observers who were representatives of the beverage manufacturer were brought to the Theater to supervise the bottling activities.

c. At one time as many as twenty-four bottling plants were in operation, that number being reduced as requirements diminished. Of the twenty-four plants operated, equipment for only seven of the plants was imported from the United States, the other seventeen plants having been existing facilities located at strategic supply points and deemed suitable for bottling soft drinks for U.S. Army personnel. The plants utilizing imported equipment were housed in buildings requisitioned by the Army and were operated completely as installations of the beverage manufacturer. The existing local plants were operated under the supervision of Technical Observers, utilizing existing plant organizations.

d. Although the plants were operated under the general supervision of Army Exchange Service, operational problems and responsibilities were assumed by Technical Observers of the beverage manufacturer. Army Exchange Service purchased the finished products from the respective plants at an agreed price.

e. Control of the issue of soft drinks from the plants to unit exchanges was exercised by the area and section exchange officers.

f. As a whole the soft drink program functioned very smoothly, the principal problem being that of transportation of plant supplies and equipment to interior destinations. This problem was materially alleviated after the cessation of hostilities.

SECTION V

STORAGE AND DISTRIBUTION

34. Operation in the U.K. a. Storage, distribution and the maintenance of proper stock levels was the responsibility of the Quartermaster Service. Unit exchanges requisitioned directly on Quartermaster depots for their total requirements. Items procured from the United States by Army Exchange Service and those procured locally were turned over to Quartermaster for distribution along with the normal re-sale items procured by Quartermaster.

b. Distribution of exchange supplies to troops in the marshalling areas required a more direct method of distribution. Accordingly, an Army Exchange Service Mobile Detachment was formed out of elements of the V Corps, consisting of nine officers and one hundred and eighty-six enlisted men (later changed to six officers and one hundred and fifty enlisted men). Transportation equipment was provided for the unit. This organization functioned under the supervision of the Southern Base Section Exchange Officer and its major mission was that of providing exchange re-sale supplies on a bulk basis to units during the period D-75 through D-25. During that period the Detachment was divided into several groups and established supply dumps in strategic areas, drawing bulk supplies from Quartermaster depots.

35. Operations on the Continent. a. In view of the fact that operations on the Continent would require a more fluid plan for storage and distribution as compared with the relatively static operation in the U.K., a new plan of operations was formulated.

b. The Army Exchange Service Mobile Detachment referred to above was assigned to Advance Section under the technical supervision of the Section Exchange Officer and provided exchange service during the initial phase of the operation on the Continent. Its mission on the Continent was to provide service to Advance Section troops and to

operate in support of the First Army originally, and later the Third and Ninth Armies as well. Army Exchange Service dumps were established by the Detachment in forward areas where unit exchanges could draw supplies. Usually three or more such dumps were operated by the Detachment and it used its transportation facilities to supplement normal rail and truck transportation in bringing supplies from the Quartermaster dumps and depots located in the rear areas.

c. Prior to D-Day plans were coordinated between the Quartermaster Service and Army Exchange Service providing for the establishment by Army Exchange Service of distribution points (PX DP's) in the general locality of Quartermaster bulk depots. Under the plan the officer in charge of the PX DP would requisition supplies from Quartermaster bulk depots on the basis of strength served in the area, and unit exchanges would draw all of their supplies direct from the PX DP's. The installations were of a static nature and were set up in the various Base Sections as they were established. They were not established in Army areas until after the cessation of hostilities.

d. In addition to PX DP's, there were established bulk warehouses to store and distribute merchandise and equipment procured locally and from the United States by Army Exchange Service. These warehouses were usually located at ports of entry and, in addition, some were established in Paris. This operation became more extensive with the advent of VE-Day as ever increasing quantities of merchandise and equipment were being received. From these bulk warehouses distribution was made to PX DP's for issue to the unit exchanges.

36. Principal Difficulties Encountered. a. The primary difficulty encountered in the U.K. operation was that of maintaining a proper distribution of exchange supplies. This was particularly true in the case of North Ireland where the problem was twofold. First, all supplies coming to the Theater from the United States were unloaded in England and it then became necessary to reship to Northern Ireland. Second, the one Quartermaster bulk depot in Ireland found it difficult to redistribute to the several branch warehouses. As a result there were times when troops in this area were not receiving their normal requirements. This situation was also true in distant areas within England as supplies were unloaded at a few main ports and the problems of transportation were difficult.

b. The problem of distribution on the Continent was even greater than that in the U.K. operation. Exchange items were unloaded on the beaches and at Cherbourg but were in a very low priority for transportation and did not move. The limited facilities of the Army Exchange Service Mobile Detachment could not possibly assist in relieving the problem as a whole, although it is considered that the Detachment did a very satisfactory job of maintaining minimum stocks for Advance Section troops.

c. Even after the Armies had advanced well inland and Quartermaster depots and dumps were established in rear

areas it was difficult to bring up supplies due to continuing low priority on exchange items. As late as D plus 60 this situation continued to exist. Troops in extreme rear areas and those in the Advance Section area were reasonably well supplied but those in the large intervening areas were many times entirely without supplies. The supply dumps back on the beaches could not possibly serve troops in intervening areas and at the same time move supplies up to forward areas. Personnel and warehouse facilities were not adequate even though unit exchange officers often provided their own transportation to distant points.

d. Army Exchange Service was helpless to relieve the situation inasmuch as there was no provision for transportation equipment other than that allowed the Army Exchange Service Mobile Detachment. As rail facilities improved and more trucks became available this condition was partially remedied but was far from satisfactory. It was often impossible to transport supplies from Quartermaster depots and dumps to PX DP's due to a lack of organic transportation.

SECTION VI

GRATUITOUS DISTRIBUTION OF ESSENTIAL EXCHANGE ITEMS

37. In combat areas gratuitous distributions of exchange supplies were made by the Quartermaster Service. Such supplies were packaged in kits known as RAC kits (Ration Accessory Convenience) and consisted of such essential items as soap, chewing tobacco, smoking tobacco, cigarettes, tooth brushes, shaving cream, candy, etc. To the extent possible with the facilities available, Army Exchange Service supplemented supplies so distributed with re-sale items.

38. General Observations. Since the gratuitous distribution of exchange supplies in combat areas was not a responsibility of Army Exchange Service no conclusions are advanced as to the success of the program. However, the following observations are made:

a. That the program filled a need which Army Exchange Service could not have completely filled with facilities made available to it.

b. That the packaging of supplies in kits doubtless resulted in the issue of items not always desirable or acceptable to the troops, thus causing an element of waste which could possibly have been eliminated had supplies been issued from bulk stocks.

c. The fact that minimum essential supplies were provided gratuitously sometimes caused unit commanders to be disinterested in making provision for the establishment of facilities to handle re-sale exchange items. As a result such units did not have gift and film development service nor were items of supply not provided gratuitously made available to the troops.

CHAPTER IV

FINANCING AND FISCAL PROCEDURES

SECTION I

METHOD OF FINANCING AND RESTRICTIONS ON NET WORTH

39. Method of Financing. Army Exchange Service operations are financed by non-appropriated funds. Since in the regulations and directives governing the establishment and operation of Army Exchanges no provision was made for the contribution of capital from any source to serve as initial working capital, the only methods available for the initial financing of an Army Exchange Service operation were:

a. Loans of cash by Army Exchange Service, WD.
b. Extension of credit by Army Exchange Service, WD to cover purchases made in the United States.
c. Extension of credit by other suppliers.

40. Procedures Followed. a. Army Exchange Service, European Theater, resorted to all of the foregoing methods in obtaining the necessary working capital to begin operations. With the establishment of a net worth through the accumulation of profits from operations, it was possible, within a comparatively short period of time, to retire the cash loan obtained from Army Exchange Service, WD, and to begin making timely payments on the accounts of creditors. From its inception until planning began on an expanded service for after VE-Day, Army Exchange Service experienced no particular difficulties in financing its operation.

b. Due to the limitations which had been placed on the amount of net worth which could be accumulated, commented upon in a subsequent paragraph, and the very substantial commitments made for equipment and merchandise of a type not previously sold in order to provide troops with a more extensive exchange service after VE-Day, a new financing program was required in the Spring of 1945. Accordingly, during April 1945 arrangements were made with Army Exchange Service, WD, to extend a line of credit up to $15,000,000.00 for items purchased in the United States through Army Exchange Service, WD, such account to be liquidated by making monthly payments equivalent to 5% of the monthly balance in the account. The interest charges were 2% per annum. Subsequent agreements were made with Army Exchange Service, WD, to make payments on the account in accordance with an agreed schedule which would accelerate materially the liquidation of the account, thus effecting substantial savings in interest.

41. Original Restriction on Profits and Net Worth. a. Up until 1 June 1944, there had been no limitation placed on the maximum net profit which could be earned by the Army Exchange Service, European Theater, nor on the amount of

net worth which could be established through the accumulation of profits. On that date, however, a Theater Directive was issued, copy attached as Appendix No.10, which limited profits to 5% of sales until such time as the net worth and reserves for losses aggregated $7,000,000.00. After that figure was attained, prices were to be adjusted downward in order to maintain the prescribed level in net worth and reserves.

b. Operations under combat conditions limited the tonnage that could be provided for Army Exchange Service, hence the Army Exchange Service was able to provide troops with essential items only. Under those conditions, and until VE-Day, the authorized maximum of $7,000,000.00 in net worth was sufficient to finance the operation, although it did not allow the accumulation of capital inevitably required for an expanded operation after VE-Day.

42. Increase in Authorized Net Worth and Percentage of Net Profit. Recognizing the need for additional capital to carry on an expanded operation after VE-Day, the level of authorized net worth and reserves was on 5 April 1945 increased from $7,000,000.00 to $15,000,000.00 by Theater Directive, see Appendix No. 11. On 18 August 1945 the authorized rate of net profit was increased from 5% to 7% of sales as evidenced by Appendix No.12.

43. Effect of Limiting Net Worth. The effects of originally limiting the net worth of Army Exchange Service to $7,000,000.00 through the control of prices were threefold:

a. The Army Exchange Service was grossly under capitalized when it was confronted with the rapid and great expansion of its activities after VE-Day.

b. Due to such deficiency of capital it was necessary to arrange for borrowed capital and the expenditure of substantial sums for interest.

c. Distributions of profits for welfare activities were retarded. As a result of this retardation in order to finance welfare activities it became necessary for ETOUSA Central Welfare Fund to borrow substantial sums from the Central Welfare Fund, WD, until such time as Army Exchange Service had funds available for distribution.

SECTION II

BANKING METHODS

44. Procedures in the U.K. - Unit Exchange Accounts. a. During the early days of the operation of Army Exchange Service in the U.K. individual unit exchanges did not carry bank accounts. Cash received from sales was transmitted to Army Exchange Service Headquarters in London and deposited to the credit of Army Exchange Service in the Chase National

Bank. This practice was discontinued in the Fall of 1942 and bank accounts were established by each unit exchange, such accounts being carried until the liquidation of Army Exchange Service when its functions were assumed by the Quartermaster Service.

b. With the reactivation of Army Exchange Service in May 1943, the use of bank accounts by individual unit exchanges was continued. The accounts, for security reasons, were carried by numbers rather than by name of the individual unit. Exchange Officers made deposits to their accounts as well as withdrawals whenever it became necessary to make local purchases or local payments of any other type. Periodically balances held in the respective bank accounts were forwarded by check to Army Exchange Service Headquarters in London for deposit and credit to the appropriate unit exchange accounts involved. Although the usual difficulties were encountered where untrained officers were handling the accounts, with the static nature of operations in the U.K. the system of employing British banks proved relatively satisfactory.

c. The largest single problem arose from the receipt of checks at Army Exchange Service Headquarters without proper identification. In order to credit the proper unit exchange for a remittance made, checks were forwarded to Army Exchange Service from the unit exchange by means of a remittance form listing the checks and identifying the unit making the remittance. Failure to use the remittance form brought about the difficulty of proper identification of remittance. At the liquidation of a unit exchange its entire bank balance was required to be transmitted by check to Army Exchange Service Headquarters. In many instances exchange officers failed to close out their accounts. However, the banks in England were circularized and in all instances were most cooperative and at the request of Army Exchange Service forwarded checks closing out any accounts remaining on their books identified with Army Exchange Service.

45. Procedure in the U.K. - Headquarters Accounts. Army Exchange Service Headquarters carried accounts with the Chase National Bank in London, using the account as a regular checking account as well as employing the facilities of the bank for cable transfer of funds to the United States.

46. Procedure on the Continent - Unit Exchanges. a. With the movement of unit exchanges from the U.K. to the Continent, a change in the method of handling cash was necessitated because of the absence of any banking facilities. To meet the conditions encountered the facilities of the Army Finance Department were employed. Attached as Appendices No. 13 and No. 14, are copies of directives which set forth the procedures followed incident to the deposit and transmittal of funds.

b. Although a number of difficulties were encountered in connection with the system adopted, they were all attributable to the failure of exchange officers or finance officers to follow completely the instructions laid down. Basically the procedure followed was sound and

operated in an efficient manner under circumstances where any other method of handling funds was not available.

47. Procedures on the Continent - Headquarters Accounts. a. For the first several months of operations on the Continent no banking facilities whatever were available and all Army Exchange Service funds were deposited with the Central Disbursing Officer. Payments made to the Quartermaster Service and other Army services were made by transfers from the account maintained.

b. In order to make payment to local vendors for resale merchandise purchased on the Continent it was necessary to carry large sums of cash on hand since due to the absence of banking facilities it was impossible to make payment by check. This condition was corrected in February 1945 when permission was granted to carry an account with the Bank of France to be used for making payments by check to local vendors. No balances were carried in excess of funds necessary to clear checks drawn.

c. After moving to the Continent, Army Exchange Service continued to use the facilities of the Chase National Bank in London for the transfer of funds to the United States.

48. In Conclusion it is considered that the banking methods employed by Army Exchange Service under existing circumstances were satisfactory and that all necessary precautions were taken to assure the security of funds.

SECTION III

INSURANCE

49. Prescribed Insurance. a. Army Exchange Service Oversea Bulletin No. 24 dated 30 December 1944, copy attached as Appendix No. 15, prescribed the kinds, plans and forms of insurance to be carried by Army Exchange Service, European Theater. Rather than to enumerate herein the coverages provided and the general plan for payment of premiums, methods for making claims, etc., reference is made to the Appendix(15).

b. Prior to the establishment of the insurance program cited above, substantially the same types of insurance were carried. Some of the coverages were provided by Army Exchange Service, WD, under plans promulgated prior to 30 December 1944, while the other coverages were provided through policies purchased from British companies by Army Exchange Service, European Theater.

50. Adequacy of Insurance Program. It is considered that in general the insurance program established was satisfactory and that adequate protection of the assets of Army Exchange Service was provided. It appears, however, that substantial savings could have been effected in fire insurance premiums had a self-insurance program been adop-

ted as relates to fire protection on inventories of unit exchanges.

51. Self-Insurance Plan. There is attached as Appendix No.16, copy of a communication originated by Army Exchange Service advocating the establishment of a self-insurance plan covering fire insurance on unit exchange inventories. It is believed that such communication clearly presents the problem and that there was much merit to the plan suggested. However, in view of the fact that in a study made by the War Department on the subject of self-insurance for exchanges it was determined that such a program was not practical at the time, no further action was taken.

SECTION IV

GENERAL ACCOUNTING PROCEDURE

52. Original Accounting Procedures. Little information is available on the accounting procedures and records maintained by Army Exchange Service from the date of its inception to October 1942 when its functions were assumed by the Quartermaster Service. Such information as is available, however, indicates that the accounting system then employed was wholly deficient and inadequate.

53. General Accounting Procedures Adopted at the Time Army Exchange Service was Reactivated. a. When the Army Exchange Service was reactivated as of 1 May 1943, the accounting procedures and records established for unit exchanges were predicated on the theory that each unit exchange was a separate entity, and were so designed as to make possible the preparation of financial statements to serve as a guide to operations and a basis for computing the amount of any profits available for distribution to welfare funds in accordance with the provisions of pertinent regulations.

b. Unit exchanges were furnished a complete set of accounting records and forms required in its operation together with an accounting manual which described and illustrated in detail the methods to follow in maintaining the records. All books of original entry and the general ledger were contained in one convenient binder and consisted of the following:

Cash Receipts Journal
Cash Disbursements Journal
Purchase Journal
General Journal
General Ledger

c. The accounting period was the calendar month. At the end of each month the exchange was required to take an inventory of re-sale items and other assets. The books of original entry were closed each month and posted to the

general ledger accounts. A trial balance of the general ledger accounts was then prepared from which a Profit and Loss Statement and Balance Sheet were prepared. In addition, the exchange officer was required to prepare an "Inventory Accountability Statement" each month calculated at retail price. The financial statements were prepared on a printed form and submitted by the unit exchange officers to Army Exchange Service Headquarters.

d. As a further aid to the unit exchange officer in recording accounting data, charts were prepared by Army Exchange Service Headquarters, illustrating the following:

(1) The flow of data from forms and records leading to the preparation of financial statements.

(2) Facsimile forms showing how they were to be recorded in the various records.

(3) Posting procedures.

(4) The closing of general ledger accounts and the preparation of trial balance.

(5) Use of the trial balance work sheet in the final preparation of financial statements.

54. Difficulties and Deficiencies. a. Although the accounting system and procedures were made as simple as possible and were generally considered to be sound, experience proved that it was impractical for unit exchanges to maintain their own books of account. The fact that most unit exchanges did not have assigned personnel qualified to record properly and accurately accounting data constituted the principal difficulty encountered. Even though full instructions and other aids were given, it was observed that in most instances exchange personnel did not have the desire to study such instructions in order to acquire a better understanding of accounting requirements. When financial statements prepared by unit exchange officers were examined it was found that in most instances the statements did not disclose a true financial picture.

b. Under the system of unit exchanges maintaining their own accounting records it was necessary, in order that Army Exchange Service Headquarters have proper financial control, to provide field auditors competent to examine the accounts of exchanges and to lend assistance in accounting problems. It was impossible to obtain such required personnel hence under the system employed the required control was not had.

55. Change to Central Accounting System. a. Because of the difficulties enumerated in the preceding paragraphs it was decided to eliminate the maintenance of accounting records in the unit exchanges and to establish a centralized accounting system at Army Exchange Service Headquarters with the unit exchanges making monthly reports of their financial transactions on simplified reporting forms. This new procedure was adopted as of 1 September 1943.

b. A reporting form known as Form 200, "Report of Financial Operations", was designed which, together with certain required supporting papers, formed the basis for reporting financial transactions by unit exchanges to Army Exchange Service Headquarters. This form was designed primarily to simplify the reporting procedure and still contain the basic data required to maintain accounts with unit exchanges at Army Exchange Service Headquarters. The Fiscal Division of Army Exchange Service Headquarters audited the Forms No.200 submitted, after which posting vouchers were prepared for posting to the individual unit exchanges' ledger accounts.

c. Under this procedure unit exchanges retained their status as separate entities; hence it was necessary that monthly financial statements be prepared for each exchange. Such statements were prepared by the Fiscal Division, Army Exchange Service Headquarters, a copy thereof being furnished the respective unit exchanges. A consolidation of all financial statements was made each month, the resulting consolidated figures representing the status of all unit exchanges in the Theater. Such consolidated figures were combined with the general accounts maintained to obtain financial statements reflecting the over-all financial picture of Army Exchange Service, European Theater.

d. The general accounts maintained provided the necessary record of assets, liabilities and operating transactions not reflected by the records maintained for unit exchange transactions.

56. Basic Changes to Central Accounting System. a. With the establishment of the ETOUSA Central Welfare Fund and the procedure of providing therefrom the financial requirements of unit welfare funds, the former practice of making appropriations of funds based on the financial condition of the individual unit exchange was discontinued. This being true it was no longer necessary that the unit exchanges be treated as separate entities. Rather, it became possible to treat them as operating branches and to handle the accounting accordingly. On this basis all unit exchanges became branches of Army Exchange Service Headquarters, comparable to a chain store operation.

b. Adoption of the branch basis of accounting, which became effective 1 April 1945, relieved Army Exchange Service Headquarters of a great volume of work and simplified procedures immeasurably. It was possible to eliminate many records and the necessity for preparing a complete set of financial statements covering the operation of each exchange no longer existed.

57. Advantages of Centralized Accounting System. Although difficulties were encountered in maintaining a centralized system of accounting, experience proved that it was basically the most desirable procedure under the circumstances with which Army Exchange Service was confronted, the principal advantages being:

a. Elimination of the necessity for unit exchanges to maintain complete accounting records when trained and

competent personnel was not available for that purpose.

b. Conservation of accounting machines and personnel.

c. Uniformity of accounting policies and procedures.

d. The Army Exchange Service operation is comparable to that of modern retail chain store operations which, as a whole, employ a central accounting system for purposes of increased control efficiency and accuracy. Other methods have been tried and found to be inadequate.

58. The Principal Difficulties Encountered in maintaining the centralized system of accounting were:

a. The long lapse of time between the date of dispatch by unit exchanges and warehouses of monthly accounting reports and the date received at Army Exchange Service Headquarters.

b. Incomplete and erroneous reports and accounting forms prepared by unit exchanges and warehouses. This condition was attributable to unqualified personnel.

c. The above factors coupled with a gross insufficiency of qualified personnel in the Fiscal Division, Army Exchange Service Headquarters, resulting in such a back-log of work that reports from unit exchanges were not subjected to audit until as many as three or four months had elapsed. This condition not only resulted in late financial statements but created a great deal of difficulty in the field in connection with the required investigation of excessive inventory accountability discrepancies developed as a result of audit.

d. A lack of competent field representatives to orient personnel in Army Exchange Service warehouses and in unit exchanges on the proper methods and procedures to be followed in preparing accounting documents and reports.

SECTION V

DISPOSITION OF FUNDS

59. Original Distribution of Funds. The first distribution of funds to units by Army Exchange Service, European Theater, was made in the early part of 1943 during the period that Army Exchange Service was in liquidation after its functions had been assumed by the Quartermaster Service as commented upon in Chapter I. The distribution made was in effect a liquidating dividend. The amount payable to the respective units was determined by applying against the amount of surplus available for distribution, the ratio of merchandise purchases made by each unit to total purchases. A circular letter was sent to all units

requesting that they claim a dividend. This was done to verify the designation and address of the unit. A number of units did not claim the dividend to which they were entitled due to the fact that the North African Campaign commenced in October 1942 and a number of units had lost their original identity before the letter reached them. Approximately $1,096,801.00 was distributed by the foregoing method.

60. Subsequent Procedures in Making Distributions of Funds. a. Subsequent to 1 May 1943, the date upon which Army Exchange Service was again established in the European Theater, and up until the early part of June 1945, distributions and appropriations to units were based on two factors, i.e., the financial condition of the unit exchange as reflected by the records maintained in the central accounting office of Army Exchange Service, and approval by the Theater Exchange Officer of the request for an appropriation.

b. The financial position requirements of a unit exchange before being eligible for an appropriation of funds varied during the period from 1 May 1943 to June 1945. During the period from 1 May 1943 until the latter part of 1944, the basis for computing the amount of funds available was predicated on paragraph 14 b, AR 210-65, 19 March 1943. The amount considered available for distribution represented the amount by which cash and other liquid assets, except inventories, exceeded current liabilities. No consideration was accorded the profit element. Upon the promulgation of AR 210-65, 1 June 1944, a change was made in the method of computing the amount of funds available for distribution to a unit in that the profit element was introduced. In other words, the amount available for distribution represented the amount by which cash and other liquid assets, except inventories, exceeded current liabilities, limited by the undistributed portion of net profits earned during the 3 months prior to the month in which the declaration of a distribution was made.

c. No appropriations or distributions were made without the submission to the Theater Exchange Officer of a request recommended by the Exchange Council and approved by the unit Commanding Officer. Upon approval of the request by the Theater Exchange Officer, appropriations were made in the amount requested limited by the financial condition of the unit exchange, as commented upon in the preceding paragraph. Reference is made to paragraph 13 of Appendix No. 5. The general plan established for the approval of appropriations is set forth in Appendix No. 17.

d. As of 1 June 1945, the Army Exchange Service discontinued making direct appropriations to the welfare funds of units. This action was occasioned by the creation of the ETOUSA Central Welfare Fund (later redesignated USFET Welfare Fund) under the authority of AR 210-50, 20 January 1945. With the establishment of the ETOUSA Central Welfare Fund the requirements of unit welfare funds were provided through the Central Welfare Fund, the Army

Exchange Service paying into the Central Welfare Fund such funds as might be available, computed under the provisions of AR 210-65, 12 June 1945.

61. Inequalities Considered to Exist. It is considered that the method followed in making distributions and appropriations during the period from 1 May 1943 until the establishment of the ETOUSA Central Welfare Fund was not entirely equitable. Oftentimes personnel patronizing a unit exchange and who, through their purchases, assisted in bringing the financial position of the exchange to a point where funds were available for distribution, were transferred to new assignments and did not share in the welfare activities of those units to which they were formerly assigned and which were financed by profits generated through their purchases. It is considered, however, that the procedures adopted with the creation of the ETOUSA Central Welfare Fund provided means for the rectification of this inequity.

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

SECTION I

CONCLUSIONS

62. Place Army Exchange Service Held In The Special Staff Organization. It is concluded that Army Exchange Service, European Theater, was able to function more satisfactorily through having special staff representation and being able to report direct to G-1 than would have been true had the War Department organizational set-up been followed of making Army Exchange Service a part of Special Services.

63. Adequacy and Training of Personnel. It is concluded that:

a. One of the primary factors contributing to the difficulties of Army Exchange Service, and which resulted in failure to render the maximum degree of service to troops was the extreme lack of trained personnel in all echelons.

b. The Theater Exchange Officer was unable to discharge fully his responsibilities and to exercise the desired measure of supervision over exchange activities as evidenced by:

(1) An almost complete lack of field representation resulting in a lack of knowledge of field operational difficulties and no action being taken to effect their correction; a lack of coordination between area exchange officers and the Theater Exchange Officer; and insufficient orientation of personnel in Army Exchange Service warehouses and unit exchanges on proper methods and procedures to be followed in preparing accounting documents and reports.

(2) Frequent failure to prepare until long after required, directives and standard operating procedures for guidance of field operations.

(3) Failure to expand to desired proportions the program of local procurement of re-sale items due to a lack of qualified buyers.

(4) Delinquency in accounting and auditing functions.

c. The Section Exchange Officers, due to a lack of qualified personnel, were unable to:

(1) Make the necessary inspections of unit exchange operations to assure that complete service was being rendered and to determine that they were

operating in accordance with prescribed procedures.

(2) Properly disseminate to unit exchanges operating policies and procedures established by higher authority.

(3) Exercise proper control over Army Exchange Service distribution points and bulk warehouses.

(4) Properly familiarize new unit exchange officers with the procedures for the establishment and operation of their exchanges.

d. Failure to provide, during the period of hostilities, Army Exchange Service administrative personnel in Army Headquarters and Divisions resulted in a deficient exchange service.

e. Unit exchange officers were too frequently unqualified or hampered in their work due to:

(1) Insufficient consideration being given at the time of appointment to the qualifications necessary in an officer to properly conduct an exchange operation.

(2) Assignment of exchange duties in addition to other duties with the result that the provision of exchange service became a secondary mission.

(3) Frequent replacements.

(4) Insufficient enlisted personnel being assigned to assist the exchange officer in the exchange operation.

f. In the few instances where provision was made for exchange personnel in the T/O of units it was found that the exchange service rendered was usually superior to that found in other units.

g. The operation of Army Exchange Service distribution points and bulk warehouses was made difficult because:

(1) The major portion of personnel used in the operation was on a loan basis from the Quartermaster Service, operational control being with Army Exchange Service but administrative control remaining with the Quartermaster Service.

(2) The personnel available was not always adequately trained in Army Exchange Service procedures nor cognizant of the strict accountability basis established by regulations in the handling of Army Exchange Service merchandise.

64. Supply. With regard to the supply program it is concluded that:

a. With the divided responsibilities between Army Exchange Service and the Quartermaster Service incident to the procurement and storage of different types of supplies procured from the United States there resulted:

(1) A duplication of records and functions.

(2) Confusion as to ownership of supplies.

(3) Difficulty in the maintenance of proper stock levels, and more particularly the maintenance of proper stock levels by brands in order to meet consumer demand.

b. The decentralization of local procurement activities by Sections was not satisfactory because of:

(1) Differences in prices on like commodities.

(2) Lack of uniformity in buying procedures and buying programs.

(3) Lack of necessary supervision to assure that the quality of materials going into the manufacture of products was up to standard.

c. Difficulties in the storage and distribution of exchange supplies may be attributed to:

(1) Divided responsibility between the Quartermaster Service and Army Exchange Service for the storage and movement of exchange supplies.

(2) The very limited transportation facilities made available to Army Exchange Service. During the period of hostilities, that fact plus the fact that Quartermaster Service, having responsibility for the movement and storage of all classes of supplies could not possibly provide prompt service on low priority class items, such as exchange supplies, resulted in a deficient distribution. After VE-Day the lack of transportation facilities continued to be a major problem.

65. Financing and Fiscal Procedures. With regard to the financing and fiscal procedures followed it is concluded that:

a. Due in part to the original limitations placed on the amount of net worth which could be accumulated by Army Exchange Service it was necessary to borrow large sums to finance an expanded operation after VE-Day resulting in the expenditure of substantial sums for interest. Also, that such procedure retarded the distribution of funds to finance welfare activities.

b. The banking methods employed by Army Exchange Service under existing circumstances were satisfactory and that all necessary precautions were taken to assure the security of funds.

c. The insurance program followed adequately protected the assets of Army Exchange Service but that based on loss experience in the Theater, a self-insurance plan as relates to fire coverage on inventories of unit exchanges would have resulted in substantial savings in fire insurance premiums.

d. The centralized system of accounting, although it possessed certain deficiencies, was the most practical procedure under the circumstances with which Army Exchange Service was confronted.

e. The procedure of making distributions of funds by Army Exchange Service to the ETOUSA Central Welfare Fund (later designated USFET Central Welfare Fund) and meeting therefrom the requirements of unit welfare funds constituted a more equitable basis than that of making direct distributions to unit welfare funds as was the practice prior to the establishment of the ETOUSA Central Welfare Fund.

66. In Summation, it is concluded that the three principal factors contributing to the difficulties encountered by Army Exchange Service, European Theater, in fully discharging its responsibilities and accomplishing its mission were:

a. A lack of personnel with the necessary background and training.

b. The divided responsibilities in matters of procurement, storage and distribution.

c. The extreme lack of transportation facilities.

SECTION II

RECOMMENDATIONS

67. General Organization. In order that the Army Exchange Service may accomplish its mission in future operations with a desirable degree of efficiency and completeness, it is recommended that consideration be given to the establishment of Army Exchange Service as a Corps comparable to other services of the Army Service Forces, with complete responsibility for the procurement, storage, distribution and retailing of all exchange supplies; and that appropriate T/O's and T/E's be established to discharge such responsibilities.

Received: 2315, 26 September 1942
From : AGWAR
To : USSOS

No. S-396

(Routine: Restricted)

For Lee, Re Rad 1150 September 8, 1942. First you are authorized to discontinue exchange 813 and 887 and their branch and mobile units within the ETO and transfer personnel thereof to QM Corps and establish and operate Quartermaster Sales Stores. These stores will be open for business to suit convenience and needs of troops. Second you are authorized to stock on such stores and units appropriate items including those listed in Circular 330 Office Quartermaster General August 12 with allowance margin 3% for operating losses. Third you are authorized to fix retail prices at such sale stores with no prospect for profit. Fourth the assumption by United States of all cost and transportation distribution handling and selling at such sale store branches and mobile units is authorized. Fifth you are authorized to appoint a board of officers to ascertain and determine the fair value of the supplies to said Exchanges delivered to UK or en route. Boards will give due consideration to such items as initial cost interest insurance transportation reasonable losses due to pilferage breakage and other causes and other proper expense incident to the delivery of such supplies to UK. Re - capitulated findings of board have just been concurred in by Chief of Army Exchange Service; you are further authorized to purchase on inventory as of September 30th, such supplies at prices determined by such boards and pay the fiscal officer of said exchanges therefor. Representation on board from G-4 Finance Officer and General Purchasing Agent suggested supplies for sales stores will be shipped on requisition basis only

SOMERVELL.

WAR DEPARTMENT
The Adjutant General's Office
WASHINGTON

AG 331.3 (1-19-43) OB-S-E-M MNE/em - 2B-939 Pentagon

February 13, 1943

VIA AIR MAIL

SUBJECT: Post Exchange Operations.

TO : European Theater of Operations.

* * * * * * * * * * * * * * * * *

1. By radiogram, February 12, 1943, AG 331.1. (1-19-43) OB-S, paraphrase copy of which is inclosed, you were advised that maximum exchange service, consistent with the conditions of their employment, be extended to all units and personnel of your command, with minimum requirement in overhead personnel for the operation of such installations.

2. In order to effect this, there will be set up on your special staff, an exchange officer who will supervise the establishment, operations, and activities of all exchanges in your command. The name of this officer will be reported to the Chief, Army Exchange Service, by the most expeditious means of communications without delay.

3. Under AR 210-65, the Chief of Army Exchange Service is charged with supervision of exchange operation for the Army. The closest co-ordination between your office and the Chief of Army Exchange Service is essential to satisfactory operation.

4. Personnel for the operation of main and branch exchanges should be secured, when possible, from the following sources:

a. Under the Exchange Officer of your staff, Essential officer and enlisted personnel to operate warehousings, distribution and maintenance of accounts for all post exchange branches under his supervision.

b. Civilian personnel, to the extent available, to operate all exchanges.

c. Enlisted personnel on full-time duty, when necessary to augment b. above for the operating of exchanges which appropriately are operative on a full-time basis.

d. Enlisted personnel on a part-time basis to operate small branch exchanges, which can afford reasonably adequate service by functioning on a part-time basis.

5. Full consideration should be given to the operation of company, battery, and battalion exchanges, under the supervision of your Exchange Officer and using enlisted personnel of the unit concerned for their operation.

By order of the Secretary of War:

(signed) J. A. ULIO
Major General
The Adjutant General

EXTRACT HQ SOS ETO USA EXTRACT

Adm. Cir No.11 24 April 1943

* *

Re-establishment of Post Exchanges - - - - - - - - - - - - - - -II

* *

II - RE-ESTABLISHMENT OF POST EXCHANGES. 1. Establishment. Pursuant to the provisions of 3rd Indorsement, Hq ETOUSA, 14 Mar 1943, file AG 331.3 MGA, to letter, this headquarters, 25 Jan 1943, file AG 331.3, subject: "Re-establishment of Army Exchange Service in ETO", of GO 16; Hq ETOUSA 21 Mar 1943; and of letter, Hq ETOUSA, 21 Mar 1943, file AG 371 MX, subject: "Letter of Instructions". Post Exchanges are re-established in the ETOUSA, effective as of the close of business on 30 April 1943.

2. Operation. a. The Theater Exchange Officer on the staff of the CG, SOS, ETOUSA, is charged with supervising the establishment and operation of all Exchanges through the medium of a central Exchange, at APO 887, to be known as Central Exchange 887. The Exchanges will be operated under the provisions of AR 210-65; 19 Mar 1943, and Circular No.233, WD, 1942, modified to suit the conditions existing in the theater; under the provisions hereof; and under such directives as may hereafter from time to time be issued by this headquarters.

b. The business of the Exchanges will, in general, be similar to that heretofore conducted by the Sales Stores in the Theater, except insofar as the business of the latter pertained to the sale of officers' uniforms, accessories and other clothing. The Quartermaster Service will continue to control the operation of Special Sales Stores and Mobile Sales Units for the sale of Officers' uniforms, accessories and other clothing.

3. Activation of Exchanges.

a. Commanding officers of posts, camps and stations may establish unit Exchanges for the sale of Post Exchange items. Limited Exchange facilities in Officers' Clubs, and sub-Exchanges, to be operated under the control of a main Exchange, are authorized.

b. Exchanges to be operated by NAAFI in lieu of unit Exchanges are authorized. Applications for the institution and discontinuance of NAAFI service will be submitted to the Theater Exchange Officer.

c. The Red Cross may operate in posts, camps and stations upon such terms, and under such conditions, as may be prescribed by this headquarters.

4. Personnel. The personnel required to operate each Exchange will be furnished by the organization concerned.

5. Supplies. a. The Quartermaster service will procure, store, and issue all Post Exchange sales items.

b. Unit Exchanges will draw supplies, using their own transportation from depots designated by their respective Base Section Commanders. A new unit Exchange, upon being activated, may draw not to exceed 28 days' supply, based on authorized allowances for troops served. On subsequent requisitions, supplies will be drawn for periods not to exceed 14 days.

c. Because of the need to conserve shipping space, this headquarters will prescribe allowances based on the availability of supplies. Tables of such allowances will be made available to unit Exchanges by the issuing depots. The depots will also provide individual allowance cards which may be used in controlling the sale of specific items. Nurses items will, in all cases, be restricted for sale to Nurses, WAACs, or other authorized female personnel.

d. Payment for supplies drawn from depots will be made by unit Exchanges to Central Exchange 887, as specified below.

6. Requisitions. a. All requisitions by Exchange Officers will be submitted to the issuing depot in duplicate on QMC Form 400 and will bear the signature of the Exchange Officer.

b. In preparing requisitions, the Exchange Officer will take into consideration the troop strength his Exchange is servicing, and apply thereto the authorized allowance figures. Strength figures will not be indicated on requisitions, but the following certificate will be incorporated therein: "I certify that the quantities of items indicated on this requisition, added to the quantities on hand, do not exceed the authorized allowances for the strength served."

c. The indication on requisitions of brands desired will be used as a guide only, and requisitions will be filled according to the supplies available.

d. Requisitions will be forwarded in time to reach the issuing depot not less than 48 hours before call for delivery.

7. Drawing of Supplies. a. Each newly-appointed Exchange Officer will, prior to submitting his initial requisition, submit to the issuing depot two official copies of the Special Orders appointing him as such. He also will identify himself to the depot officers by means of his AGO identification card and complete an Account Application Form, to be obtained from the issuing depot.

b. Exchange Officers may call in person for supplies or designate in writing another officer or non-commissioned officer as a substitute.

8. Prices. a. The Quartermaster Service will establish

cost prices on Post Exchange items and will invoice Central Exchange 887 for supplies delivered to unit Exchanges by depots.

b. Exchanges will resell supplies procured in the US at prices to conform with WD Cir 233, 1942 (copy attached), and, in the case of supplies procured in the UK, at prices established in accordance with aggreements between the British and US authorities. Price lists covering UK items and indicating the established retail prices will be furnished to Exchange Officers by the issuing depots.

c. Unit Exchanges will remit to Central Exchange 887 for supplies received from depots. Remittances will be based on invoice (tally-out) prices, plus 2 1/2 per cent. This latter will be used to pay the operating expenses of Central Exchange 887, to meet the cost of bonds and insurance and to establish a fund for contingencies.

8. Sales, to whom made. All sales to individuals By Exchanges will be for cash and to the following only:

a. Commissioned and enlisted personnel of the US armed forces.

b. Commissioned and enlisted personnel of allied armed forces when on duty with, or attached to, a US organization.

c. American Red Cross workers who are US citizens.

d. Accredited and recognized war correspondents who are US citizens.

e. Properly authenticated US citizens employed in the US Embassies or their agencies.

f. US civilians employed by the US Army or Navy.

10. Accounting.

a. Supplies drawn by unit Exchanges from depots will be accounted for as follows:

(1) The tally-out by the depot to the unit Exchange will become the invoice, payable by the unit Exchange to Central Exchange 887.

(2) Central Exchange 887 will remit direct to each depot for all supplies delivered to unit Exchanges.

(3) Settlement by unit Exchanges to Central Exchange 887 may be to the Army Exchange Fiscal Officer located at each Base Section Headquarters or direct to the Exchange Officer, Central Exchange 887. Checks will be drawn to the order of "England Base Exchange."

b. Payment by unit Exchanges will not be made by personal check.

c. In establishing bank accounts or accepting checks from patrons, Exchange Officers, will be guided by letter, WD, AGO 3 Jan 1943, file AG 311.1 (12-27-42) OB-S-B-M, subject: "Safeguarding Military Information" (copy attached).

d. Simplified accounting and auditing procedures will be furnished by Central Exchange 887 to unit Exchanges in a separate publication entitled "Simplified Accounting for Exchanges in ETO".

11. Inventories. Inventories will be taken as of the close of business on the last day of each month. Commanding Officers will appoint disinterested officers to inventory and audit the monthly accounts of Exchanges.

12. Control. Commanding officers will forward a certified and audited copy of each Exchange's monthly financial statement to the Theater Exchange Officer, APO 887, to arrive not later than the 15th of the month following.

13. Miscellaneous.

a. Post Exchange facilities on troop transports will be operated on a sales Store basis in accordance with the provisions of AR 35-6580.

b. Exchange Officers may delegate authority with respect to the handling of funds and supplies, but will retain the responsibility and accountability therefor.

c. Under the restrictions of WD Cir 233, 1942, profits on sale of supplies procured from the Quartermaster Service cannot be accumulated for any other purpose than to meet operating obligations, which are defined as follows:

(1) To defray salaries of enlisted or civilian employees. Enlisted Employees may be paid at a rate not to exceed one-half of their base pay exclusive of allowances or other increase (Paragraph 21 c, AR 210-25, 19 Mar 1943).

(2) To accomplish ownership of the supplies in Exchanges by applying portions of income accruing from sales. The ownership of inventory in Exchanges will be accomplished with the least practicable delay.

(3) To defray legitimate current operating expenses.

d. No furniture, fixtures or equipment of any kind will be obtained by Exchange Officers by direct purchase from exchange funds. Requests for furniture, fixtures or equipment desired will be submitted to the Theater Exchange Officer,

APO 887, with a view to procurement through Reciprocal Aid.

By order of the Theater Commander:

WILLIAM G. WEAVER
Colonel, G.S.C.
Chief of Staff

OFFICIAL:

/s/ C.R. LANDON
/t/ C.R. LANDON
Colonel, A.G.D.,
Adjutant General

DISTRIBUTION: "C" plus

Eighth Air Force	50
VIII Air Support Command	25
VIII Bomber Command	600
VIII Fighter Command	50
VIII Air Force Service Command	60
VIII Air Force Composite Command	10
Air Transport Command	20
Hq ETOUSA	25
V Corps	50
29th Infantry Division	100

APPENDIX 3 concluded

EXTRACT RESTRICTED EXTRACT
HQ ETOUSA

Adm Cir 93 6 Dec 1943

Post Exchange I

* *

I. - POST EXCHANGES: 1. General: A. Post Exchanges were re - established in the ETOUSA as of the close of business on 30 Apr 1943.

b. The Theater Exchange Officer on the staff of the CG, SOS, ETOUSA, is charged with supervising the establishment of all exchanges in the theater, operating through the medium of Central Exchange 887.

c. The Exchange Service, in general, will be operated under the provisions of AR 210-65, 19 Mar 1943, as amended and as modified by reason of special conditions existing in the theater; under the provisions hereof; and under such technical directives as may hereafter be issued by the Theater Exchange Officer.

d. The Quartermaster Service will continue to operate special sales stores and mobile sales units for the sale of officers' uniforms, accessories, clothing and other items of equipment.

2. Establishment. a. Commanding officers of posts, camps and stations are authorized to establish unit exchanges designed primarily for the use of local personnel. Limited exchange facilities for officers' clubs, and subexchanges to be operated under the control of a main exchange, are authorized.

b. Upon request of the major subordinate commander concerned, the Base Section Commanders are authorized to establish and operate exchanges for units of the Field Forces.

c. Exchanges may be operated by NAAFI at posts, camps and stations under such regulations as may be prescribed by the Theater Exchange Officer.

d. (1) The personnel to operate each exchange will be furnished by local commander.

(2) Where post exchanges are established by Base Section Commanders for units of the Field Forces, key personnel will be furnished by the Base Section Commander.

e. The Exchange Council, as provided in AR 210-65, will be designated.

3. Procurement: a. Local exchanges will draw supplies from the Quartermaster depots designated by the Base Section Commander. Prior to the submission of his initial requisition,

each exchange Officer will furnish the depot commander copies of the special order appointing him as such. Requisitions will be forwarded in time to reach the issuing depot not less than 48 hours before the desired delivery.

b. Unit exchanges will not draw in excess of 28 days' supply, based on the authorized allowance for the total personnel served.

c. The Central Exchange 887 will prescribe allowances based upon the availability of merchandise.

d. Strength figures will not be indicated, but requisitions will contain the following certificate: "I certify that the quantities indicated on this requisition, added to those on hand, do not exceed the authorized allowances for the personnel served."

e. Requisitions will indicate the preference of the local exchange officer as to brands, size, quantities and qualities. Such preferences will be honored in the order of their receipt by the supply agency concerned, insofar as available stocks permit.

f. Local exchange officers will submit, as of the 10th and 25th of each month, to the Base Section Commander, a list of unfilled items requisitioned, together with pertinent data as to substitution and alterations.

4. Prices: Retail selling prices will be fixed by Central Exchange 887 and will be published to exchange officers in the form of price lists. In the case of supplies procured in the UK, resale will normally be in accordance with the agreements between the respective British and US agencies. Beer will be resold at the established retail price as ascertained from the distributor.

5. Sales: All sales to individuals will be for cash and will be made only to:

a. Personnel of the US armed forces.

b. Personnel of allied armed forces when certified by the US commanding officer as on duty with, or attached to a US organization.

c. American Red Cross and USO workers who are US citizens.

d. Accredited and recognized war correspondents who are US citizens.

e. Properly identified US citizens employed in US Embassies or their agencies.

f. US civilians employed by the US Army or Navy.

6. Special Orders: The Theater Exchange Officer is authorized to purchase special order items.

7. Accounting: a. Merchandise drawn by local exchanges from depots will be accounted for as follows:

(1) The tally-out by the depot to the exchange will become the invoice payable by the unit to Central Exchange 887.

(2) Central Exchange 887 will remit direct to each depot for all merchandise delivered to unit exchanges.

(3) Settlements by unit exchanges will be direct to the exchange officer, Central Exchange 887, with checks drawn to the order of "England Base Exchange".

b. A central accounting system will be established, maintaining unit exchange accounts in accordance with fiscal procedures and instructions from the Theater Exchange Officer.

c. Bank balances will be kept at a minimum at all times by unit exchanges officers. This includes all funds accumulated since 1 May 1943. Unit exchanges are authorized to retain only sufficient cash for use as change, to pay cash for local purchases, and to meet operation expenses.

d. Local commanders will forward a certified copy of each exchange report of financial operations (AES Form 200) so as to arrive at Central Exchange 887 not later than the 5th of each month.

e. The Quartermaster Service will invoice Central Exchange 887 for merchandise delivered to unit exchanges at cost. Items of US manufacture will be invoiced on a separate sheet at cost, in sterling.

f. The use of cash sales slips for recording of sales is authorized.

8. Rationing: a. A uniform ration card as prescribed by Central Exchange 887 will be adopted by all exchanges.

b. The issuance of ration cards is the responsibility of the commanding officer concerned, who will procure and issue such cards to the personnel of his organization.

c. Duplicate ration cards will be issued only with the approval of the immediate commanding officer of the individual concerned.

d. The sale of merchandise intended for feminine personnel, such as nurses, WAC's, etc., will be restricted to such personnel.

e. When necessary, local exchange officers are authorized so to ration the sale of un-rationed items as to effect equitable distribution to all personnel.

f. Except as authorized by the local commander, purchases from unit exchanges of ration allowances for advance periods in excess of one week are not authorized.

g. Personnel are not authorized to purchase the unused portion of a previous ration period.

h. The resale, barter or exchange of any item purchased in any exchange is prohibited, and offenders will be punished by courts-martial. Notice to such effect will be clearly displayed in each exchange.

9. Profits: Net profits accruing from exchange operations in the theater will be accumulated in the form of a contingency reserve in Central Exchange 887. Losses sustained through enemy or other action incident to exchange operations may be charged against this fund. After complete liquidation any residue will be disposed of as may hereafter be prescribed by the Theater Commander.

10. Inventories: Inventories will be taken as of the close of business on the last day of each month at retail or selling price only. A certified copy of each inventory will be forwarded to Central Exchange 887.

11. Control: a. Detailed procedure in the operation of inventory accountability and the use of Report of Financial Operation (AES Form 200) has been established by the Theater Exchange Officer to provide a uniform system of accounts. Local Exchange officers are not authorized to deviate from such procedure and must account in money or merchandise for all goods charged against their exchanges.

b. The procedure outlined by the Theater Exchange Officer in the audit program will serve as a guide for the auditing of all local exchanges, but auditing officers are not limited by the procedure outlined therein, and any matter pertaining to the operation of unit exchanges may be investigated and reported upon, together with approximate recommendations.

c. Unit exchanges will be insured by Central Exchange 887 against loss by fire. Exchange officers and employees will be bonded by Central Exchange 887 as directed by the Theater Exchange Officer. Claims for recovery on such policies will be submitted in duplicate with one copy forwarded direct to the appropriate Base Section Commander and one copy to the Theater Exchange Officer.

12. Use of Funds: Army Exchange Funds will not be expended for the purchase of buildings or the modification thereof, or for the purchase of utilities, furniture or equipment, except as directed by the Theater Exchange Officer.

13. Liquidations: In addition to Paragraph 7, AR 210-65, liquidation of unit exchanges will be as follows:

a. All merchandise remaining will be returned to the issuing depot for credit.

b. All cash remaining will be remitted to Central Exchange 887 for credit to the account of the unit exchange not later than 48 hours after the return of merchandise to issuing depot for credit.

c. Fixtures will be inventoried in accordance with instructions issued in each instance by the Theater Exchange Officer.

d. Form 200 will be completed as of the day of liquidation and all records will be forwarded not later than 10 days after liquidation to Central Exchange 887.

14. Rescissions: The following Administrative Circulars, this Headquarters, are rescinded:

Section II, No. 11, 24 Apr 1943
Section II, No.19, 7 May 1943
Section IV, No. 34, 18 Jun 1943
No. 60, 29 Aug 1943
Section IV, No. 67, 15 Sep 1943

(AG 331.3)

* *

EXTRACT R E S T R I C T E D EXTRACT

Cir.
No. 53 Hq. ETOUSA 17 May 1944

Army Exchanges -I

* *

I - ARMY EXCHANGES. 1. Sec I, Adm Cir 93, Hq SOS, ETOUSA, 6 Dec 1943, and Sec III, Cir 42, Hq ETOUSA, 17 Apr 1944, are rescinded.

2. General. a. The Army Exchange Service will be operated under the provisions of AR 210-65, 19 Mar 1943, as amended, and as modified by reason of special conditions existing in the theater; under the provisions hereof; and under such technical directives as may hereafter be issued by the Theater Exchange Officer.

b. The Theater Exchange Officer on the staff of the CG, SOS, ETOUSA, will supervise the establishment, operation and activities of the Army Exchange Service within the Theater. Each area command (army, advance section or base section) will have an exchange officer on the special staff.

c. The commanding officers of posts, camps and stations are authorized to establish unit exchanges for local personnel. The personnel to operate each such exchange will be furnished by the unit commander concerned.

d. Exchanges within the confines of prisoner of war inclosures will be operated as provided herein and in letter, Hq SOS, ETOUSA, 14 Jul 1943, file AG 225 (14 Jul 1943)PGA subject: "Canteens for Enemy Alien and Prisoner of War Enclosures".

e. Exchanges may be operated by NAAFI at posts, camps and stations under such regulations as may be prescribed by the Theater Exchange Officer.

f. The operation of activities under military control, except through the Army Exchange Service, by which money will accrue through the sale of merchandise ordinarily supplied by an Army Exchange is not authorized.

g. An Exchange Council, as provided by Pars 16d and 17a (1), AR 210-65, 19 Mar 1943, will be designated for each exchange. A committee of non-commissioned officers (Par 19, AR 210-65) is not required.

3. Supply. a. The Army Exchange Service will purchase from the Chief Quartermaster, ETOUSA, resale articles included in Pars 3b and c, Cir 245, WD, 1943, and, in areas outside the UK, such additional articles as are authorized by Pars 3a (2) and (3) Cir 245, WD, 1943.

R E S T R I C T E D

(Cir 53, ETOUSA, 17 May 1944, Contd)

b. Unit exchanges will draw supplies from depots designated by the area commander.
c. Local purchase of items for resale, other than the procurement of beer in the UK, and of postage stamps, is not authorized without prior authorization of the Theater Exchange Officer.
d. A list of allowances, indicating the maximum quantity of each item which may be drawn per 1000 men, will be published by the Theater Exchange Officer. (Such allowances will in no case exceed the amounts used by the Chief Quartermaster, ETOUSA, in computing requisitions). Unit exchanges are authorized to carry 30 days' requirements, based on the allowances for total personnel served.
e. Prior to submission of his initial requisition, the Exchange Officer will furnish the depot commander copies of the special order appointing him as such. Requisitions will be forwarded in time to reach the issuing depot not less than 48 hours before the desired delivery.
f. Requisitions will indicate the preference of the local Exchange Officer as to brands, sizes and quantities. Such requisitions will be honored by the depot insofar as available stocks permit.
g. Requisitions will contain the following certificate: "I certify that the quantities indicated on this requisition, added to those on hand, do not exceed the authorized allowances for the personnel served". Strength figures will not be indicated.
h. Depots will accept for full credit supplies returned by an exchange, if such supplies were originally received by the exchange in an unsaleable or unsatisfactory condition.

4. Prices. Retail prices will be fixed and published from time to time by the Theater Exchange officer. Resale of supplies procured in the UK will normally be in accordance with the agreements between the respective British and US agencies.

5. Sales. a. Sales to individuals will be for cash and will be made only to:
(1) Military personnel of the US armed forces.
(2) Military personnel of allied armed forces when certified by the US commanding officer as on duty with, or attached to, a US organization.
(3) American Red Cross and USO workers who are US citizens.
(4) Accredited and recognized war correspondents who are US citizens.
(5) Properly identified US citizens employed in US embassies or their agencies.
(6) US civilians employed by the US Army or Navy or War Shipping Administration.
(7) Prisoners of war, in the quantities and manner prescribed by the Theater Exchange Officer.

(Cir 53, ETOUSA, 17 May 1944, Contd)

b. Except at prisoner of war enclosures, the use of coupons is not authorized.

6. Special Items. a. The Theater Exchange Officer is authorized to purchase special order items.
b. Unit exchanges are authorized to sell postage stamps and stamped envelopes. Such items will be purchased from a post office, employing the same accounting procedure as that followed with other items not obtained from the Quartermaster service.
c. Unit exchanges will, wherever practicable, actively cooperate with local War Bond Officers in the sale of War Bonds.

7. Rationing. a. The maximum ration allowance shall be determined and published by Theater Exchange Officer.
b. The supervision of the ration procedure and the issuance of ration cards is the responsibility of the commanding officer concerned.
c. Duplicate ration cards will be issued only with the approval of the immediate commanding officer of the individual concerned.
d. Purchases from unit exchanges of ration allowances for advance periods in excess of one week are not authorized. Purchases of unused ration allowances for the week immediately preceding the current week are authorized.
e. The classification of supplies, as determined by the Theater Exchange Officer, to be made available for sale to female personnel, such as nurses, WAC's etc. will be restricted to such personnel.
f. Exchange officers are authorized to ration the sale of any exchange item in order to effect an equitable distribution to personnel served. Such ration will not exceed the maximum established by the Theater Exchange Officer.
g. The resale, barter or exchange of any item purchased in an exchange is prohibited; notice to such effect will be clearly displayed in each exchange.

8. Accounting. a. A central accounting system will be established, maintaining unit exchange accounts in accordance with fiscal procedures and instructions from the Theater Exchange Officer.

b. A monthly report of financial operation (AES Form 200), properly completed and certified by the exchange officer, will be forwarded to the Army Exchange Service, SOS, ETO, so as to arrive by the 8th of the following month.
c. Cash receipts derived from all exchange activities, less payments for operating expenses and authorized local purchases of supplies, supported by proper vouchers, will be remitted to the Army Exchange Service, SOS, ETO, not later than the 8th

(Cir 53, ETOUSA, 17 May 1944, Contd.)

and 23rd of each month. Only sufficient cash for change purposes or to maintain a minimum bank balance will be retained.
d. The Quartermaster Service will invoice, at cost, the Army Exchange Service, SOS, ETO, for merchandise delivered to unit exchanges. Items of US and UK manufacture will both be invoiced at decimal cost. The Army Exchange Service will remit direct to each depot for all merchandise delivered to unit exchanges.

9. Inventory. An officer will be appointed by the Commanding Officer to take the monthly inventory as of the close of business on the last day of each month and to audit AES Form 200 and supporting vouchers. Detailed inventory and audit procedure will be as prescribed by the Theater Exchange Officer. The inventorying and auditing officers' report will be submitted to the Exchange Council and necessary action taken on any discrepancies noted therein before the AES Form 200 is forwarded. A copy of the report, and of the council action taken, thereon, will be attached to the AES Form 200 and forwarded to the Theater Exchange Officer.

10. Insurance. Any insurance that may be required will be provided by the Theater exchange officer. Exchange officers and employees will be bonded by Army Exchange Service, APO 887. Claims for recovery on such policies will be forwarded to the Theater Exchange Officer, through the area commander.

11. Expenditure of Exchange Funds. a. Upon the recommendation of the Exchange Council and the approval of the commanding officer, expenditures of exchange funds may be made for:

(1) Salaries.
(2) Minor items of materials, supplies or services incident to exchange operation in an amount not to exceed £ 15 per month, or 1% of the previous month's sales, whichever sum is the less.
b. Other expenditures will be made only upon the approval of the Theater Exchange Officer.

12. Profits. Net profits accruing from exchange operation in the theater will be:
a. Accumulated in the form of a contingency reserve in the Army Exchange Service, SOS, ETO. Losses sustained through enemy action or circumstances incident to exchange operations will be charged against this fund. After complete liquidation, any residue will be disposed of as may hereafter be prescribed by the Theater Commander.
b. Appropriated to special or morale services or to the chaplain's fund as provided in Par 13, below.

R E S T R I C T E D

(Cir 53, ETOUSA, 17 May 1944, Contd)

13. Appropriations. a. Appropriations, recommended by the Exchange Council and approved by the Commanding officer and the Theater Exchange Officer, may be made to special service activities and the chaplain's fund for the benefit of the entire garrison.
b. Appropriations will not be approved by the Theater Exchange Officer unless Exhibit "E" to the monthly financial statement indicates that such an amount is available for distribution.
c. Appropriations will not be made from exchange funds on hand at unit exchanges. Such appropriations will be disbursed by the Theater Exchange Officer.

14. Liquidation. The area commander will have supervision over the liquidation of exchanges, accomplished in accordance with technical directives issued by the Theater Exchange Officer.

(AG 331.3PubGA)

* *

By command of General EISENHOWER:

OFFICIAL:
R.B.LOVETT
Brigadier General, USA, Adjutant General

R.B.LORD
Brigadier General, GSC,
Deputy Chief of Staff.

R E S T R I C T E D

EXTRACT RESTRICTED EXTRACT

HEADQUARTERS
U.S.FORCES, EUROPEAN THEATER

Cir 108 6 Aug 1945

Army Exchange Service - I

* *

I - ARMY EXCHANGE SERVICE. 1. Sec. I, Cir 53, 17 May 1944, is rescinded.

2. General The Army Exchange Service will be operated under the provisions of AR 210-65, 1 Jun 1944, as amended, except as modified by directives published by this headquarters, and under such technical directives as may be issued by the Chief, Army Exchange Service.

3. Army Exchange Service, European Theater. a. The Chief, Army Exchange Service, as a staff officer of the Commanding General, Theater Service Forces, has jurisdiction over, and will provide staff supervision for, the operation of all Army Exchange activities in the theater. The Army Exchange Service (hereinafter sometimes referred to as the "Service") will consist of such officers, enlisted personnel, and civilian personnel as are necessary.

b. The Service will have jurisdiction over, and will be extended to, all exchange activities in the theater, through appropriate personnel on the staffs of commanders having area command and of the commanding officers of posts, camps, stations, installations and units at whose direction exchange activities have been established.

c. The Service is charged with:

(1) Developing policies, plans and procedures for, and supervising the installation and operation of:

a) A uniform and coordinated system of operating procedures and merchandising methods, including the determination of permitted types of merchandise, pricing policies, and procedures for the safeguarding of the exchange funds and property.

b) Personnel policies and procedures, including insurance plans, service training programs, and the training of exchange officers.

c) The determination of financial policies, including minimum and maximum percentages of gross profit, operating expenses, net profit, regulations governing dividends, and similar matters pertaining thereto, subject to directives from higher authority.

d) The determination of the types of equipment and fixtures to be used by exchanges.

e) The determination of policies in connection with the procurement of food and drink supplies, and the management and operation of food and drink installations as principal, or as

(Cir 108, 6 Aug 1945, contd)

agent for the respective principals, in accordance with directives from higher authority, and after coordination with the Chief Quartermaster.
f) Accounting and auditing methods and procedures.
g) The determination of policies governing the resale of exchange supplies to personnel other than the US Army, in accordance with the availability of supply and directives from higher authority and after coordination with the Office of Chief Quartermaster.
h) The determination of policies and procedures governing the operation of NAAFI at posts, camps, stations and areas serving US military personnel.
(2) Performing these functions:
(a) Establish and operate an accounting system, maintaining accounts for exchanges.
(b) Establish and control the administration of the Army Exchange Fund,
(c) Provide insurance and bond coverage for all exchange activities and personnel.
(d) Publish uniform selling price lists in order to control the gross and net profits of the exchanges within the minimum and maximum allowable, as prescribed by current directives.
(e) Remit direct to the Chief Quartermaster for all merchandise delivered and invoiced to the Service.
(f) Accumulate, in the form of a contingency reserve, an amount, as determined by the Theater Commander, to cover losses through enemy action or circumstances incidental to exchange operations or liquidation.
(g) In accordance with current theater policies, approve all dividends from exchange funds.
(h) Make appropriate disposition of all exchange records and council books upon liquidation of exchanges.
(i) Procure exchange resale supplies for all troops by submitting requirements to the Chief Quartermaster, who will prepare the necessary requisitions to be forwarded to the New York Port of Embarkation for all supplies listed in Par 2 a. Cir 285, WD, 8 Jul 1944, as amended.
(j) Requisition directly on the New York Port of Embarkation for all other items deemed necessary, under the authority of Par 1 c. Cir 285, WD, 8 Jul 1944, as amended.
(k) Bid for tonnage allocation for the movement of all exchange supplies and equipment requisitioned by the Chief Quartermaster and for all items and equipment requisitioned by the Service.
(l) For resale purposes, be the sole procurement agency for all gift and souvenir items in France, allied or neutral countries, subject to the policies established by higher authority.
(m) Establish and publish a list of allowances, indicating the maximum quantity which may be sold to authorized customers, after coordination with the Chief Quartermaster.

(Cir 108, 6 Aug 1945, contd)

(n) Obtain and distribute such items as accounting forms and ration cards.
(3) Transmitting to exchange officers and personnel, in an appropriate manner, necessary information as to all activities within the scope of the foregoing duties and functions.
(4) Exercising an advisory and policy making function for the Theater Commander in all other matters within the scope of the foregoing duties and functions.

4. Quartermaster Service. The Quartermaster Service will perform the following functions relative to exchange supplies.
a. Procure, in the United States or locally, all items of exchange resale supplies listed in Par 2 a, Cir 285, WD, 8 Jul 1944, as amended, in accordance with the requirements prepared by the Army Exchange Service.
b. Maintain sufficient stocks in Quartermaster bulk depots to meet theater level requirements for the number of troops to be served in each locality.
c. Make sale of Quartermaster procured exchange supplies to Army Exchange Service distribution points in bulk for distribution to units, except that in the United Kingdom supplies will be sold by the Quartermaster Service direct to unit exchanges for the account of the Army Exchange Service.

5. Area Commander. Through appropriate personnel on his staff, the area commander (i.e., an army, district, section or any other authorized command that may be established) will:
a. Have general supervision over the establishment, operation, management and liquidation of all exchange activities.
b. Insure that post, camp, station, installation and unit commanders provide complete exchange service for their respective commands. Exchanges will include such number of branches, departments and subordinate activities as may be necessary to serve authorized customers.
c. Insure that the exchanges are operating in accordance with existing directives.
d. Insure that the operation of all activities by which money will accrue through the sale of merchandise or services ordinarily supplied by an Army Exchange are operated under its jurisdiction.
e. Establish Army Exchange Service distribution and bulk depots and insure that such depots are adequate, are operating under existing directives, are adequately staffed, and are inventoried monthly by a disinterested officer.
f. Provide for proper distribution of ration cards, accounting forms and technical directives relative to exchanges.
g. Insure that all exchanges adhere to the established ration system, to supply levels based on authorized allowances, and to establish selling prices.

(Cir 108, 6 Aug 1945, contd)

h. In accordance with policies established by higher authority, take appropriate action on all contracts entered into by exchanges which extend beyond a period of one year.
i. Take action on all contracts that involve the use of government property not under the control of the exchange.
j. Provide qualified officers as field representatives to inspect exchange records and assets.
k. Take appropriate action on all proceedings and recommendations of boards of officers investigating exchange matters.
l. Procure, in accordance with the policies set forth by higher authority, special items which will be made available, through exchanges, to authorized customers in the area of the command, as gift and souvenir merchandise.
m. On all correspondence, when an expression of higher authority is mandatory or is desired prior to the taking of appropriate action, forward the matter, together with his recommendations, to the Theater Commander for appropriate action.
n. Designate the TX DP from which the exchanges within his area will draw supplies.
o. In a locality where two or more units are stationed, designate a commander to provide complete exchange service to all authorized customers therein. In designating such commander, the locality to be served will be defined and the operating personnel to be drawn from the respective units will be determined. Only one exchange will be established in the defined locality. However, it will include such number of branches, departments and subordinate activities as may be necessary to render maximum service.

6. Post, Camp, Station, Installation and Unit Commanders. Each post, camp, station, installation and unit commander will:

a. Establish and maintain an exchange, to include such mobile units, branches, departments and subordinate activities as may be required to provide complete service to all personnel of the command.
b. Be responsible for the conduct of the exchange pertaining to his command.
c. Publish the necessary orders appointing the exchange council, the exchange officer, and the assistant exchange officers, and detail such enlisted men as may be necessary to conduct the exchange's business, as prescribed in Pars 18b, c and k, AR 210-65, 1 Jun 1944.
d. Appoint an inventorying and inspecting officer who will, in accordance with instructions published by higher authority, inventory exchange assets and test exchange accounts and records as of the last day of each month as prescribed in ETO-SOP No. 25, 15 Jun 1944, as amended.

e. Subject to required approvals by higher authority, approve all contracts involving services, equipment and concessionaires (Par 35, AR 210-65, 1 Jun 1944).
f. Provide the necessary buildings or tents required in the operation of the exchange (Par 9 a (1), AR 210-65).
g. Provide fuel, water and electrical service in sufficient quantities to satisfy normal needs for lighting, space, heating, drinking and sanitation, including suitable apparatus therefor (Par 9 a (3), AR 210-65).
h. Insure that maximum use is made of available civilian personnel in the operation of the exchange, consistent with military security and the protection of the exchange assets.
i. Be responsible for the maintenance of ration procedure and the issuance of ration cards.

(AG 331.3 GAT-AGO)

* * * *

CHIEF, ARMY EXCHANGE SERVICE
DEPUTY CHIEF, ARMY EXCHANGE SERVICE
EXECUTIVE, ARMY EXCHANGE SERVICE

ADMINISTRATION DIVISION	PLANNING AND OPERATION DIVISION	PROCUREMENT DIVISION	FISCAL DIVISION	MANUFACTURING DIV.
1.Replies to routine correspondence relative to personnel or administration. 2.Establishes office procedures. 3.Maintains personnel records. 4.Supervises distribution of office supplies & equipment. 5.Receives, records & distributes all incoming and outgoing communications. 6.Allocates and arranges for office space. 7.Publishes and distributes technical directives. 8.Develops personnel policies.	1.Develope uniform operating procedures and merchandising methods. 2.Determines types of equipment and fixtures used by exchanges. 3.Supervises exchange & warehouse operations. 4.Establishes a uniform ration program. 5.Develops and coordinates plans for future operations. 6.Develops policies & makes allocations of critical supplies & equipment. 7.Develops procedures for liquidation. 8.Develops expense control procedures & policies.	1.Establishes policies governing local procurement of novelty & souvenir merchandise. 2.Procures gift, novelty & souvenir items from other than liberated territory. 3.Determines policies for computing requirement of supplies from ZI. 4.Determines policies for correcting unbalaced stock conditions. 5.Maintain liaison with Army,Civilian & governmental agencies relating to procurement policies.	1. Develops uniform accounting & auditing procedures. 2.Establishes gross profit limitations. 3.Maintain central accounting system. 4.Advises relative to the establishment & administration of the AE Fund. 5.Develops financial policies, including the regulation of dividends. 6.Develops policies for insurance and bond coverage.	1.Establishes policies to accomplish the conversion of AES owned raw materials into finished products. 2.Develops formulae to insure maximum return on raw material. 3.Maintains necessary liaison with army, civilian or governmental agencies relating to manufacturing policies. 4.Determines policies & procedures for operation of breweries, soft drinks bottling plants, and photo finishing plants.

APPENDIX 8

DETAIL PLAN

OPERATION OF U.S. ARMY EXCHANGES IN E.T.O. AS CO-ORDINATED BETWEEN ARMY EXCHANGE SERVICE AND QUARTERMASTER SERVICE

1. MISSION:

a. QMS Responsibilities:

To act as wholesaler and procure, receive, store, distribute and issue Army Exchange supplies for the account of the Army Exchange Service, to assist the Army Exchange Service in the performance of its mission.

b. AES Responsibilities:

To establish policies and finance the establishment of Army Exchanges. To otherwise aid Exchanges in the performance of their missions, to supply personal articles of comfort and convenience which are not provided by the Government. To assist the QM service in the performance of its mission.

2. LIAISON:

a. QMS Responsibilities:

To lend all necessary facilities and furnish all desired information to AES Liaison Officers detailed to OCQM, APO 871, in order that the QMS and AES will be in full accord and understanding at all times.

b. AES Responsibilites:

To detail Liaison Officers to OCQM, APO 871. These Liaison Officers to assist by coordinating the program of procurement and distribution of Army Exchange Supplies with the OCQM. To advise the OCQM as to the desires of the AES and to keep OCQM currently posted on AES matters which affects OCQM. To advise promptly responsible heads on problems affecting either Service.

3. PROCUREMENT:

a. A firm as possible list of Army Exchange items to be carried. This list to be reviewed constantly and this chart will be reprinted each quarter, if necessary.

(1) The Army Exchange re-sale items listed in this plan will be considered a definite and firm listing of items for re-sale purposes through Army Exchanges in this Theater.

QMS Responsibilities:

FROM U.S.

1. Astringent, Face.
2. Bag, Douche
3. Batteries, F.L.
4. Belts, Sanitary
5. Belts, Money
6. Blades, Razor, D.E.Gillette
7. Blades, Razor, S.E.Gem
8. Blades, Razor, Schick
9. Blades, Razor, D.E.Gem.
10. Boxes, Soap, Plastic
11. Brushes, Hair
12. Brushes, Hand, Fibre
13. Brushes, Shaving
14. Brushes, Shoe,
15. Buttons, Khaki
16. Buttons, White
17. Candy, Chocolate, Bar types Plain and Nut filled
18. Candy Bars, 5¢ Choc Coated and Filled Types
19. Candy Bars, 5¢ Uncoated, Filled Types
20. Candy Roll, 5¢ Fruit Drops & Mints (Life Saver Type)
21. Cards, Playing,Standard
22. Cards, Playing,Pinochle
23. Cases, Cigarette,Plastic
24. Cigars
25. Cigarettes (20's)
26. Clips, Nail
27. Cloths, Metal, Polishing
28. Cloths, Shoe
29. Compacts, Powder
30. Cough Drops
31. Creams, Cleansing
32. Deodorants
33. Dice
34. Envelopes
35. Files, Nail
36. Filters, Pipe
37. Flashlights
38. FlashlightBulbs
39. Flints, Lighter, & Wicks
40. Fluid, Cleaning
41. Gum, Chewing (Stick)
42. Handkerchiefs, Women's
43. Hair Oil
44. Ink, Parker 51
45. Juices, Fruit

FROM U.S.

46. Kit, Sewing
47. Knives, Pocket
48. Lighter, Cigarette Flame /type
49. Lipstick
50. Lotion, Shave
51. Lotion, Skin
52. Mirrors, Trench
53. Napkins, Sanitary 12's
54. Notebooks, Pocket
55. Padlocks
56. Papers, Cigarette
57. Paste, Tooth
58. Pencils, Lead
59. Pencils, Mechanical
60. Pencils, Styptic
61. Pens,Fountain, PopularPrice
62. Pens,Fountain,better grade
63. Pins,Hair, Bobby
64. Pipes
65. Polish, Nail
66. Polish, Nail Remover
67. Portfolio, Writing
68. Powder, Antiseptic
69. Powder, Face
70. Powder, Foot
71. Prophylactic,Rubber,Thins3'
72. Prophylactic, Chemical
73. Puffs, Powder
74. Razors, D.E.
75. Rouge, Face
76. Scissors, Small
77. Solvent, Gun
78. Shampoo
79. Snuff
80. Soap, Shave Stick
81. Solution, Antiseptic
82. Tablets, Writing
83. Tissue, Cleansing
84. Tobacco, Plug
85. Tobacco, Scrap
86. Tobacco, Smoking,Cigarette
87. Tobacco, Smoking,Pipe
88. Toothbrush
89. Tubes, ToothbrushPlastic
90. Tweezers

QMS Responsibilities:

FROM U.K.

1. Beer
2. Billfolds
3. Blueing
4. Boards
5. Cleaners, Pipe
6. Cola Drinks
7. Cola Syrup
8. Combs, Men's
9. Combs, Rattail
10. Cookies
11. Cotton, Absorbent
12. Cream, Sheaving, Brushless
13. Cream, Shaving, Lather
14. Curlers, Hair
15. Fluid, Lighter, Flame
16. Fluid, Lighter, Flameless
17. Glue
18. Hangers, Coat, w/bar
19. Ink, Blue/Black
20. Matches, Safety Box
21. Matches, Safety Book
22. Nets, Hair

FROM U.K.

23. Nibs, Pen
24. Oil, Gun
25. Paste, Button, Polishing
26. Penholders
27. Pins, Common
28. Pins, Hair
29. Pins, Safety
30. Polish, Shoe, Paste
31. Pouches, Tobacco
32. Powder, Talcum
33. Powder, Tooth
34. Set Wave
35. Shields, Dress
36. Shoe Laces, 27", 40"
37. Soap, Flake type
38. Soap, Saddle
39. Soap, grit type
40. Soap, Toilet
41. Soap, Laundry
42. Starch
43. Straps, Wrist Watch
44. Thread, Khaki, and White
45. Vaseline

NOTE:
Shaving Cream, Tooth Powder, Talcum Powder, and Ink, indicated as coming from the U.K. will be shifted to U.S. procurement if quality and container troubles cannot be eliminated.

AES Responsibilities:

FROM U.S. *
1. Alka Seltzer, 60¢
2. Brooms, Whisk
3. Clocks, Alarm
4. Daubers, Shoe
5. Handkerchiefs, Men's
6. Kit, Inspection
7. Peanuts
8. Watches
9. Candy Box 1 lb.

FROM U.S. **
1. Mix, Ice Cream
2. Milk, Powdered
3. Syrup, Chocolate
4. Office Equipment
5. Furniture & Fixtures
6. Machinery

FROM U.S. ***
1. Special Orders as required

* Items in this Column will be shipped to this theater as A.E.S. property to be purchased by OCQM, for storage and distribution by Depots and resale to Unit Exchanges.

** Items in this column are for AES requirements not considered as normal exchange resale items. These items will be warehoused by QMS and will remain the property of AES. They will be distributed as requested by AES.

*** Special Orders, as required, will be shipped to AES, ETO. OCQM will not procure, store or issue such special orders.

Requisitions for normal resale items not listed in WD Cir 245, as Quartermaster procurement, will be submitted by AES, after coordination with OCQM, to Pembark, in accordance with provisions of par 6 (c) WD Cir 245. Information copies of all such requisitions will be furnished OCQM, ETO.

NOTE: The objective of AES and OCQM is to confine Army Exchange procurement to those items enumerated in Subject 3, Column 2 and 3. To dispose of, through Unit Exchanges or otherwise, all other items now in depots. Steps have been taken to this end.

b. Changes and additions to WD Cir 245, dated 7 October 1943, for procurement purposes.

QMS Responsibilities: The OCQM will coordinate with the AES in any changes and/or additions in WD Cir 245, dated 7 October 1943, as proposed by AES for this theater.

AES Responsibilities: AES will, after coordination with the OCQM, recommend to the Theater Commander, such changes and/or additions in Army Exchange normal resale items in WD Cir 245, dated 7 October 1943, as are necessary to this Theater.

c. Office equipment, furniture and machinery procured from UK sources.

QMS Responsibilities: AES will submit requisitions for office equipment, furniture and machinery required for operation of exchanges, for possible local procurement. AES will furnish information as to local source when possible. Such items procured locally will be sold through Depot G - 30.

AES Responsibilities: Requisitions for office equipment, furniture and machinery, required by exchanges will be submitted to OCQM by AES for local procurement, with information as to possible source of local supply. Requisitions for office equipment, furniture and machinery not procurable in the UK, will be placed on the US by AES, after coordination with OCQM.

4. Receipt.

a. Normal items in WD Cir 245 procured by Quartermaster service and stocked in all depots having Army Exchange supplies. Also items procured locally by QMS either in WD Cir. 245 or in addition thereto.

QMS Responsibilities: (From U.S. and U.K.)
Received in Depots and picked up on stock record cards without reference to the AES.

AES Responsibilities:

None

b. Items not in WD Cir 245 for QMS procurement, but are normal items to be procured by AES, purchased by the QMS, and stacked in depots for sale to exchanges.

QMS Responsibilities: (From U.S.)

Items of this type are extracted from manifests prior to arrival of ship. Advice is furnished AES and receiving depots. Depots will hold these shipments in-tact until representatives of AES tally-in supplies concurrently with a depot officer. Purchasing and Contracting Officer of the depot initiates payment to AES for such supplies after receiving authorization from OCQM, APO 871. Supplies are then released for distribution to unit exchanges.

AES Responsibilities:

AES will invoice supplies to OCQM on a pre-determined percentage above landed costs in order to insure AES against loss by pilferage and damage. The Theater Exchange Officer will establish this percentage, which will be changed from time to time as conditions warrant. OCQM will be advised of the percentage currently used.

c. Items not normal Army Exchange items and not included in WD Cir 245, and nor normally sold in Army Exchanges.

QMS Responsibilities: (From U.S. and U.K.)

These are such items as ice cream mix, machinery of all kinds, office supplies and equipment. These supplies will be held for the account and disposition of the AES. Supplies will be tallied-in, but not paid for by the QMS. The depot will issue a memorandum receipt to theAES for such supplies.

AES Responsibilities:

In order to ascertain the amount of space in depots to be occupied by this type of supply, the AES will furnish the OCQM, APO 871, with estimated tonnages, copies of requisitions, code markings and shipping information.

QMS Responsibilities:

OCQM will receive into depots, furniture, fixtures, and equipment from alerted units for temporary storage, and will advise AES Hq as to such receipt. A memorandum receipt will be issued by the receiving depot to the exchange unit turning in such items. OCQM will receive shipping instructions from AES Hq.

AES Responsibilities:

The AES will advise OCQM as to disposition instructions for such items as furniture, fixtures and equipment received from alerted units.

d. Special Orders.

QMS Responsibilities:

None

AES Responsibilities:

These items will ordinarily be shipped to this theater by parcel post and will be received and stored in Army Exchange store rooms only.

5. DISTRIBUTION:

a. Receipt into Bulk Depots and distribution to Class I depots handling Army Exchange supplies.

QMS Responsibilities:

All Army Exchange supplies received from U.S. and U.K. will first be received into Bulk Depots. Distribution Depots will requisition from Bulk Depots in accordance with strengths estimated for 30 days from date of requisition. Distribution of supplies by Distribution Depots will be made in accordance with par 3 e. Adm Cir 93 Hq. SOS 6 Jan 1943, in so far as possible. Items in short supply will be distributed equitably between depots according to strength currently being served. Depots may edit requisitions from unit exchanges downward when supplies are short. Like items of U.K. and U.S. manufacture, when present in the theater or depots, will be distributed in such a manner that each unit exchange receives its proper proportion of each.

AES Responsibilities:
One Liaison Officer of the Army Exchange Service detailed to OCQM, APO 871, will supervise the distribution of Army Exchange supplies in order that AES may be currently informed as to the supply position of each depot handling exchange items.

b. Depot inventories.

QMS Responsibilities:

OCQM will provide AES Hq with copies of all depot inventories,

AES Responsibilities:

AES will make available to OCQM information as to stock levels compiled from depot inventories.

6. STORAGE:

c. Army Exchange items and Army Exchange Property.

QMS Responsibilities:

Army Exchange items and Army Exchange property may be stored and issued from any of the following depots:

BULK DEPOTS	DISTRIB.DEPOTS	DISTRIB.DEP.	DISTRIB.DEP.
London	London	EastHarling	Hilsea
Thatcham	Thatcham	Boughton	Weyhill
Taunton	Taunton	Wem	Ashchurch
Lydney	Lydney	Burton-on-Trent	Bristol
Liverpool	Liverpool	Glasgow	Coypool
Histon	Histon	Moreton-on-Lug	Exeter
	Gt.Dunmow	Honeybourne	SheptonMallet
	Stowmarket	Barry	North.Ireland
	BungayDitchingham	Westbury	(Reqns.to be
	Kettering	Lockerly Hall	submitted to
			OCQM APO 871)

AES ResponsibilitiesOCQM will allot from their space such space as may be required by AES for storage of items other than unit exchange items for resale purposes.AES will advise OCQM as to storage space requirements.

7. LEVELS:

a.Depots

QMS Responsibilities:

No levels are established for Bulk Depots. All distribution depots will maintain Army Exchange supplies on a 30 day level based on the strength to be served 30 days in advance. Exception to this is a distribution depot in Northern Ireland which will be stocked on the basis of 150,000 men for 60 day period.

AES Responsibilities: None

b. Army Exchanges.

QMS Responsibilities: None

AES Responsibilities:

Army Exchanges may have on hand, not to exceed 30 days supply, of Army Exchange resale items. Supplies may be re-

quisitioned not toexceed 30 days supply of stock on hand and on requisition. Nominated Units will be directed by AES Hq. to reduce their inventories by sales to a 14 day level, prior to being alerted. Alerted units will retain one weeks inventory and return the balance of the inventory to the depot for credit. Fixtures and equipment will be turned in to the depot for temporary storage for the account of AES Hq. AES will advise OCQM as to the disposition of such fixtures and equipment.

8. ALLOWANCES:

a. Requisitions on U.S. and U.K.

QMS Responsibilities:

Allowances to be used in the computations of requisitions will be those indicated in WD Cir. 245, with amendments with respect to supplies procured in the U.S. Supplies procured in the U.K. will be in accordance with factors established by the AES after co-ordination with the OCQM, or in accordance with the allowances established as a result of agreement between U.K. and U.S. authorities. In no case will allowances be used by Army Exchanges in requisitioning supplies which are in excess of allowances used in requisitions placed on supply sources. Pending a list of allowances to be compiled by the AES for Army Exchanges to use in requisitioning, depots will be provided with a list of maximum allowances permitted. This list of allowances will be furnished by OCQM to the AES, who will, in turn, publish the unit exchanges such allowances as they deem proper, but in no case to exceed the amounts used in computing requisitions on the U.S. and U.K.

AES Responsibilities:

AES will periodically review consumption factors, with a view to recommending necessary change in the factors to be used in the computations of requisitions on supply sources and also with the further view to recommending changes in WD Cir 245, for this theater. The allowance list received from OCQM will be revised and published to Army Exchanges for guidance and requisitioning on depots. OCQM will not publish an allowance list, ration list, or price list to unit exchanges.

b. Requisitions on Depots.

QMS Responsibilities:

Depots will issue supplies based on requisitions presented by unit exchanges. Alterations and substitutions will not be made in requisitions if such supplies are available in the depot. Unit exchange requisitions will include a certi-

ficate that the quantities requisitioned, plus those on hand, do not exceed authorized allowances as published by AES. Troop strengths will not be indicated on requisitions because of security reasons. Every effort will be made, by means of comparison or otherwise, to insure that unit exchanges observe ration regulations and allowances as published by AES. Any apparent over-requisitioning will be brought to the attention of the AES.

AES Responsibilities:

The AES will provide the OCQM APO 871, with list of allowances prepared for use by unit exchanges in submitting their requisitions to the depots. The OCQM will insure that depots issue in accordance with these allowances, but it will be the responsibility of the AES to make spot checks of unit exchanges to insure that allowances are being observed.

9. PRICES:

a. QM Cost Prices.

QMS Responsibilities:

Quartermaster Service will use the following media for establishing cost prices of Army Exchange items in the order named:

U.S. ITEMS	UK ITEMS
(1) Pombark Price List	(1) Procurement Division
(2) Shipping Tickets from the U.S.	OCQM APO 887
(3) Purchase Orders	
(4) Army Exchange Board Prices	
(5) Estimates to be coordinated with AES	

Quartermaster Service will publish to depots and to the AES Hq. only a complete cost price list to include all brands and sizes on hand in depots. This cost price list will be studied constantly with a view to reducing the size of the publication. In no case will this cost price list be furnished to unit exchanges.

A short list indicating items likely to be present in all depots will be supplied to AES Hq for re-publication. This list will be a guide only as to types of items.

AES Responsibilities:

The OCQM will furnish AES Hq only with a cost price list of all exchange items present in depots. This will be a complete cost price list and will not indicate that all items on the list are present in every depot. Such a listing of items is necessary, even though the number of items

carried is much less. Under present conditions it is not possible to obtain, either from U.S. or U.K., sufficient supplies in desired brands to make full distribution for strengths served by depots. The AES will furnish a complete list to unit exchanges, with selling prices indicated. A list compiled by OCQM will indicate items present in most depots. This abbreviated list will be furnished by AES to unit exchanges, together with the allowances, and will serve as a guide in the preparation of requisitions by unit exchanges.

10. ACCOUNTING:

a. QMS to Treasurer of U.S.

QMS Responsibilities:

All supplies which are the property of the United States Government, either by shipment from the U.S. and U.K. as QM property, will be accounted for by the QMS to the Fiscal Director, ETO. Supplies delivered to unit exchanges will be for the account of AES Hq, APO 887. Proper tally-outs, with signatures, will be forwarded to AES Hq. APO 887, by the issuing depots. All supplies delivered by a given depot to unit exchanges during a given month, will be payable not later than the 20th of the month following by the AES Hq. to the depot concerned. Depots will maintain a sales section in accordance with D.O.M. 50 and will make remittances of funds received from the AES Hq. to the local finance officer. Unit exchanges will have no financial transactions with the depots.

AES Responsibilities:

Supplies delivered to unit exchanges by a given depot will be accepted by AES Hq. as an obligation. The AES will prepare a single check for all supplies delivered to unit exchanges by a given depot during a given month and forwarded to the depot concerned not later than the 20th of the following month.

b. Unit Exchanges to AES Hq.

QMS Responsibilities: None

AES Responsibilities:
Unit Exchanges receiving supplies from depots will account to the AES Hq. APO 887, in accordance with procedure prescribed from time to time by technical directives, issued by the Theater Exchange Officer. In no case will unit exchanges have financial transactions with depots.

11. REQUISITIONS: a. On U.S. and U.K.

QMS Responsibilities:

Requisitions for exchange supplies both from the U.K. and U.S. will be prepared by AES based upon factors furnished by AES, after co-ordination with OCQM, for the requisitioning periods prescribed by higher authorities. OCQM will assist in the computation of requirements and tonnages and will retain final editing power to insure that all troops will be supplied.

AES Responsibilities:
The AES Liaison Officers, on duty with OCQM, APO 871, acting upon instructions from the Chief of Procurement, AES, APO 887, will compute requisitions for exchanges supplies to be carried in depots. Factors will be furnished by AES, after coordination with OCQM. Requisitions will be prepared as theater requirements for requisitioning periods as prescribed by higher authority. Requisitions for supplies not procurable by OCQM will be computed by the AES after coordination with OCQM. Requisitions for supplies required for purposes, other than normal unit exchange consumption or use, and which will be received by the QMS and stored in depots for the AES, will be prepared by the AES, after coordination with the OCQM. Information copies, with tonnages computed thereon, will be furnished to OCQM. Requisitions for special orders will not be referred to OCQM.

12. RETURN OF UNSATISFACTORY SUPPLIES:

QMS Responsibilities:

Depots will accept for full credit, exchange supplies returned by unit exchanges if such supplies were originally received by the unit exchange in an unsaleable or unsatisfactory condition. Shop worn and damaged supplies, which were originally received in good condition by the unit exchanges, cannot be returned to the depot by the unit exchange for credit.

AES Responsibilities:

The decision as to what constitutes unsaleable and unsatisfactory supplies will rest with AES in cooperation with OCQM. AES will retain final right of determination on such supplies.

13. CONCURRENCES IN THIS PLAN:
QMS Responsibilities: OCQM concurs in the plan as presented herein.

AES Responsibilities: AES concurs in the plan as presented herein. AES has had the list of army exchange resale items included in this plan for this theater presented to and concurred in by US Army Air Forces and US Army Ground Forces.

APPROVED: /s/ROBERT J.LITTLEJOHN Date 4 February 1944
Major General,USA,Chief Quartermaster,ETO.
/s/E.E.FARMAN Date 14 February 1944
Colonel,Cavalry,Chief Army Exchange Service

APPENDIX 9

HEADQUARTERS
COMMUNICATIONS ZONE
EUROPEAN THEATER OF OPERATIONS

APO 887
27 December 1944.

AG 400.13 OpGA

MEMORANDUM TO: Chiefs of Supply Services
Chief, Army Exchange Service.

SUBJECT : Purchasing in Neutral Countries.

1. Purchasing in neutral countries is the responsibility of the General Purchasing Agent as Chairman of the General Purchasing Board.

2. Surveys or reconnaissance to determine availability of products will be made on application to and in conjunction with the General Purchasing Agent. After availability has been determined, application will be made to AC of S, G-4, for the authority to make the purchases and AC of S G-4, will determine the relative priority of the request, if approved. The General Purchasing Agent as Chairman of the General Purchasing Board, will arrange the necessary clearance with the State Department and other United States or foreign governmental departments concerned.

By command of Lieutenant General LEE:

RICHARD P. FISK
Lt.Colonel, AGD
Assistant Adjutant General

DISTRIBUTION: "C" plus
G-1 (1)
C/AES (2)

C O N F I D E N T I A L

APO 887
1 June 1944

SUBJECT : Limitation of AES Profits

TO : Theater Army Exchange Service Officer

1. In order to reduce profits to only those required for a conservative operation of the AES, I under the general powers conferred on me as Deputy Commander, authorize and direct you to sell AES supplies procured in the US at such mark-up as will produce net profit of not to exceed 5%, until such time as:

a. The working capital owned solely by the AES is $ 6,000,000.oo.

b. The cash reserve to meet possible losses, such as those caused by enemy action, is $ 1,000.000.oo

To accomplish the above you are authorized and directed to sell US procured supplies below cost, as necessary.

2. When the above ends are about to be accomplished you will make pertinent recommendations to this headquarters for such reduction in mark-up as will maintain AES finances at the above prescribed level.

t/JOHN C.H.LEE
Lieutenant General, U.S.Army
Deputy Theater Commander.

APPENDIX 11

C O N F I D E N T I A L

HEADQUARTERS
EUROPEAN THEATER OF OPERATIONS
UNITED STATES ARMY

AG 331.3/1 OpGA REL/GHS/hwm

SUBJECT: Limitation of Army Exchange Service Profits. APO 887 5 April 1945

T O : Chief, Army Exchange Service, European Theater of Operations.

1. Letter, this headquarters, subject: "Limitation of AES Profits", dated 1 June, 1944, is rescinded.

2. In order to accumulate profits only to the extent as required for the efficient operation of the Army Exchange Service, consistent with AR 210-50, 20 January 1945 and Section I, GO 39, this headquarters, 18 March 1945, you are authorized and directed to sell Army Exchange Service supplies procured in the US at such mark-up as will produce net profit of not to exceed 5%, until such time as:

a. The working capital owned solely by the Army Exchange Service is $ 14,000,000.00.

b. Cash reserve to meet possible losses, such as those caused by enemy action is $ 1,000,000.00.

c. Insurance in net worth will not exceed $ 1,000,000.00 per calender month.

3. To accomplish the above, you are authorized and directed to sell US procured supplies for below cost, as is necessary.

4. When your net worth has reached the amounts herein prescribed, such reductions in mark-up will be made by you so as to maintain Army Exchange Service finances at the prescribed level.

BY COMMAND OF GENERAL EISENHOWER:

/t/ R.B. LOVETT
Brigadier General, USA
Adjutant General.

C O N F I D E N T I A L

APPENDIX 12

HEADQUARTERS
U.S. FORCES, EUROPEAN THEATER

AG/OGH/pkb

(Main) APO 757
18 August 1945

AG.331.3 GAP-.600

SUBJECT: Limitation of Army Exchange Service Profits.

TO : Chief, Army Exchange Service, Theater Service Forces, European Theater.

1. Letter, Headquarters, European Theater of Operations, file AG 331.3/1 OpGA, subject as above, dated 5 April 1945, is rescinded.

2. In order to accumulate profits to the extent required for the efficient operation of Army Exchange Service and at the same time provide such funds as may be required by USFET Central Welfare Fund, consistent with AR 210-50, dated 20 January 1945, you are authorized and directed to sell Army Exchange Service supplies and services at such mark-up as will produce an overall net profit of not to exceed 7% of gross sales until such time as:

a. The working capital owned solely by the Army Exchange Service is $ 14,000,000.00.

b. Cash reserve to meet possible losses incident to operation and liquidation of exchanges is $ 1,000,000.00.

c. Sufficient profits have been distributed to USFET Central Welfare Fund to finance authorized welfare projects in the theater.

3. To accomplish the above, you are authorized and directed to sell individual items below cost, if dictated by good merchandising practice. Maximum price on any article, however, will not exceed the usual price for similar articles in exchanges in the United States, unless higher prices are required under existing agreements with local governments.

4. When your net worth has reached the amounts prescribed herein, reductions in mark-up will be made by you so as to maintain Army Exchange Service finances at the prescribed level.

BY COMMAND OF GENERAL EISENHOWER:

/s/ R.B. LOVETT
/t/ R.B. LOVETT
Brigadier General, USA
Adjutant General

HEADQUARTERS
COMMUNICATIONS ZONE
EUROPEAN THEATER OF OPERATIONS
U.S. ARMY

Army Exchange Service

APO 887 27 October 1944

MEMORANDUM No. 19

SUBJECT: TRANSMITTAL OF FUNDS TO ARMY EXCHANGE SERVICE--
--(Finance Form 1044)

T O : All Unit Exchange Officers on the Continent.

1. Cash received from ALL Unit Exchange activities, in excess of operating funds, as authorized by the Unit Exchange Council, AES, SOP No. 25, ETO, Par 12 f, will be deposited daily, or as frequently as possible, with the local Finance Officer.

2. Finance Officers function in the same capacity as bank cashiers. When money is deposited with Finance Officer, Finance Form No. 1044, in duplicate, will be issued to the Unit Exchange Officer. The following detail on Form 1044 must be completely filled in:

a. Date.

b. D. O. Symbol No.

c. Collection Voucher No.

d. Signature of Finance Officer.

3. Computations of foreign currencies into dollars must be carefully checked by Exchange Officer.

4. The original copy of Forms No. 1044 will be forwarded to Army Exchange Service, APO 887, and duplicates will be retained by the Unit Exchange Officer.

5. When the original copies of Forms 1044 are sent to AES, Hqs, COMZ ETO, APO 887, they will be summarized on Form 115a, Unit Remittance Form. Care must be taken in completing Form 115a. Transmittal Forms 115a must be forwarded to AES, APO 887 at least twice monthly.

6. Each deposit of funds made with Finance Officer will be recorded in Column # 12, "Bank Deposits", AES Form 200, and on line corresponding to date of deposit.

7. When Forms 1044 are summarized on Transmittal Form 115a, and sent to AES APO 687, they will be entered on Form 200 under "Checks Issued" item #4. One line will be used to record individual deposits (1044's) appearing on each Form 115a - total to be extended over to Column No.12 as exhibited below.

Checks Issued.:

Check No.	Day	Paid to: (List 1044's)	for	Column 12
Form 115a	8	9000 - 7500 - 800		24,500

For the CHIEF, ARMY EXCHANGE SERVICE, CZ, ETO:

/s/ H.G. SCHAEFERS
/t/ H.G. SCHAEFERS
Major AUS
Executive Officer.

DISTRIBUTION "B"

Sample Form: 1044

Form 1044 Schedule No.....
SCHEDULE OF COLLECTIONS Sheet No. .....

War
(Department or Establishment)

FINANCE
(Bureau or Office)

Received by (Name of Finance Officer, Rank & ND No.)..at
(Name) (Title)

(APO) _ _ _ Period_ _(Month Collections Made)_ _ _D.O.Symbol
(Station)

No. (From Finance Office)_ _ _ _ _ _ _ _

Date Receipt Rec'd Number (1)	Name of Remitter Funds Received at (2) _____	Detailed Description, etc. (3)
Amount	Fund to be Credited	(1) Date Collections were made (2) Name of Unit Depot Account No. APO
In Francs In Dollars	TF 218,916	

Sample Form 1044, continued:

(3) Army Exchange Service
Funds.

(NAME OF OFFICER
DEPOSITING)
(RANK, BRANCH, ASN)
(ORGANIZATION)

Exchange Officer.

(NAME, GRADE, BRANCH)
(No. - - - - - - - -)
Finance Officer

RESTRICTED

HEADQUARTERS
EUROPEAN THEATER OF OPERATIONS
UNITED STATES ARMY

STANDING OPERATING PROCEDURE

No. 11*

FISCAL PROCEDURES

* *

II - CONTINENTAL OPERATIONS

3. c. Army Exchange Funds. (1) Deposit with Disbursing Officer. Army Exchange Officers will deposit receipts from sales at Army Exchange with Finance Officers. Finance Officers will make the maximum use of these funds as a source of currency resupply. Army Exchange deposits will be made on Standard Form 1044 (Schedule of Collections), in quintuplicate, and taken up by the Finance Officer in TF 218912.002. The original and one copy of the Form 1044 will be furnished the Army Exchange Officer making the deposit, after assignment of a collection voucher number, and he will, in turn, forward the original to the Theater Exchange Officer. One copy will be mailed to Accounts Branch, Office of the Fiscal Director, APO 513, and the other two copies will be retained by the Finance Officer.

(2) Refund to Army Exchange: Refund of Army Exchange deposits will be made to the Theater Exchange Officer, on his request to any Finance Officer. Refund will be made on Standard Form 1034, which must be accompanied by supporting original Standard Forms 1044 furnished by the Theater Exchange Officer, indicating proper voucher collection references.

(3) Abstract to be Prepared by Disbursing Officer: "Abstract of Repayment of Internal Transmissions" will be prepared as prescribed in Par 2 c (1) (b), above. In lieu of preparing the abstract, extra copies of the repayment vouchers may be prepared and forwarded to the Accounts Branch.

(4) Procedure for Securing Duplicate Copy of Collection Vouchers: See Par 2 c (1) (c), above.

* *

BY COMMAND OF GENERAL EISENHOWER:

/s/ R.B. LOVETT
/t/ R.B. LOVETT
Brigadier General, USA
Adjutant General

HEADQUARTERS ARMY SERVICE FORCES
Army Exchange Service
25 West 43rd Street
New York 18, N.Y.

FRK

In Reply refer to SPSPI 019. (30 Dec 44)

30 December 1944.

ARMY EXCHANGE SERVICE
OVERSEA BULLETIN No.24

SUBJECT: Insurance and Claim Procedure.

TO : All Oversea Exchange Officers.

SECTION I

AUTHORITY

1. This bulletin is issued under authority of AR 210-65, 1 June 1944, as amended, Paragraph 33, and prescribes the kinds, plans, and forms of insurance which shall be carried by oversea exchanges (exchanges located outside the continental limits of the United States, meaning the forty-eight states and the District of Columbia).

2. Army Exchange Service Oversea Bulletins No.35, 17 June 1943, No. 15, 18 May 1944, and No.22, 10 November 1944, are hereby rescinded.

SECTION II

DESCRIPTION OF PRESCRIBED INSURANCE COVERAGE

1. POLICY CP-37897, ATLANTIC MUTUAL INSURANCE COMPANY
Open policy of marine insurance covering property of oversea exchanges.

a. PERIOD OF COVERAGE. Property purchased by this office for oversea exchanges is covered while in the ordinary course of transit from time of leaving vendor's warehouse or store until discharged from oversea vessel at final port of destination. Thereafter the insurance continues while property is in transit, or awaiting transit, until delivered to destined exchange warehouse, subject to the following limitations:

(1) Where exchange warehouse is located within port limits, coverage ceases unless delivery is effected within fifteen (15) days.
(2) Where exchange warehouse is located outside of port limits, coverage ceases unless delivery is effected within thirty (30) days.

b. RISKS COVERED.

(1) While property is in transit from vendor's warehouse to ports of loading and while stored at ports in ordinary course of transit, insurance covers against loss

or damage from named external causes, such as fire, collision, derailment, cyclone, hurricane, flood (meaning the rising of navigable waters); or by accident to conveyance; or by collapse or subsidence of docks; burglary (meaning forcible entry into inclosures or premises where property is stored; of which entry there shall remain marks indicating the use of force), and theft or non-delivery of an entire shipping package. The coverage, after unloading at port of discharge and while in transit or awaiting transit to destined exchange warehouse, is the same as provided to and at port of loading, as limited by paragraph 1a above.

(2) While property is laden aboard oversea vessels, propelled solely by mechanical power (craft and lighter risk incident to voyage included) this insurance covers against loss or damage resulting from the peril of the sea, such as stranding, sinking, burning, or collision; Acts of God, such as high winds or heavy weather; and theft or non-delivery of an entire shipping package.

c. RISKS EXCLUDED. Loss of or damage to property which cannot be properly construed to have been caused by perils of the sea or Acts of God, except as provided in b (1) and (2) above, is excluded from coverage under this policy. Coverage for losses resulting from negligence on part of vessel operators, from fresh water, pilferage, poor packing, rough handling, concealed shortages or acts of war is excluded.

d. INSURABLE VALUES. Oversea exchanges are insured for full value of property, including transportation charges and incidental expenses required to place goods in condition for shipment but excluding AES fee and marine and war risk insurance premiums.

e. LIMITS. Policy limits are as follows:

(1) In the ordinary course of transit in the United States or Canada	$1,000,000
(2) While aboard any one oversea vessel of iron or steel construction propelled solely by mechanical power	500,000
Included in above limit, cargo on deck is insured for not exceeding	2,500
(3) After discharge from oversea vessel, in the ordinary course of transit or awaiting transit to destined exchange warehouse	1,000,000
(4) While aboard any one oversea vessel of wooden construction propelled solely by mechanical power	30,000
Included in the above limit, cargo on deck is insured for not exceeding	2,500
(5) While aboard any one air conveyance	25,000

f. PREMIUM. Premium is based on total purchases paid for as shown on Fiscal Officer Statement at the end of each accounting period. Rates vary depending upon location of exchanges.

g. REPORTS. Exchanges are not required to submit reports of initial shipments from United States or Canadian ports as information required to effect insurance is available to Insurance Section, Finance Branch of this office.

h. TRANS-SHIPMENTS. Normal and customary trans-shipments incidental to a voyage, as well as trans-shipments which are the result of forced discharge of cargo where the shipper exercises no control over the movement or route of the vessel, are covered while property is stored at the trans-shipment point. While so stored, cargo should be inventoried and properly guarded to prevent losses. The insurance is in effect at trans-shipment point until shipped on the next connecting vessel. Coverage ceases to exist at trans-shipment point if property is not forwarded on next connecting vessel, but, in such event, insurance is again in force after loading on subsequent vessel or vessels. Manifests, bills of lading, or similar shipping documents are required for cargoes loading on connecting vessels, in order to assist in proving claim in event of loss.

i. RE-SHIPMENTS. This ocean marine policy may be extended to cover property re-shipped from bases to exchanges and from one port to another port, subject to the following conditions:

(1) Provided that request for such insurance is forwarded by exchange to the Insurance Section, Finance Branch, AES, New York, and such request reaches this office prior to date of sailing. If cargo is to be forwarded aboard ocean vessel of iron or steel construction, propelled solely by mechanical power, requests shall so state and include information as outlined in (a) to (e) below. If cargo is to be forwarded aboard ocean vessel of wooden construction, requests shall so state and include information as outlined in (a) to (i) below.

(a) Name or code number of vessel.
(b) Probable date of sailing.
(c) Port of origin and final port of destination.
(d) Value of property shipped, less discount, plus transportation charges and incidental expenses.
(e) Number or code name of exchange to which insurance premiums are to be charged.
(f) Vessel's gross and net tonnage.
(g) Year vessel built and name of builder, if available.
(h) Length, width, and depth of vessel.
(i) Number, kind, and horsepower of engines.

(2) Where numerous re-shipments are contemplated, upon receipt of request, special arrangements may be made by Insurance Section, Finance Branch, AES, New York, providing for monthly reports of shipments made during preceding month. Where such arrangements are made, exchange or theater headquarters must guarantee that all shipments will be reported and that records providing information referred to in Paragraph 1.i.(1) above and Section III, Paragraph i.e. are maintained.

j. SHIPMENTS TO UNITED STATES OR CANADA. This ocean marine policy may be extended to cover property in transit to distribution centers, warehouses or vendors in the United States or Canada. To secure coverage under the terms of this ocean marine policy, requests and reports must be made as outlined in either Paragraph 1.i.(1) or 1.i.(2) above.

k. AIR-BORNE SHIPMENTS.

(1) Cargo forwarded from places in the United States or Canada for shipment via commercial or military air conveyance is covered under this marine policy from time of leaving vendor's warehouse, in the ordinary course of transit, until delivered to destined exchange warehouse. Risks covered are similar and rates applying are the same as for shipments made on ocean vessels of iron or steel construction propelled solely by mechanical power.

(2) This marine policy may be extended to cover air shipments of property re-shipped from one exchange or theater to another, or return shipments to the United States or Canada, provided requests for such insurance are made by exchange, prior to shipment, to Insurance Section, Finance Branch, AES, New York. Arrangements may be made for insurance in connection with single or frequent trips depending on the needs of exchange.

2. POLICY #083-87, WAR SHIPPING ADMINISTRATION.
Open policy of war risk insurance covering ocean shipments for oversea exchanges.

a. PERIOD OF COVERAGE. Coverage is provided from time property is loaded aboard oversea vessel, of iron or steel construction, propelled solely by mechanical power, in ports of United States or Canada, until such time as unloaded at ports of destination, craft and lighter risks incident to voyage included.

b. RISKS COVERED. The insurance covers against loss of or damage to property which is the direct or indirect result of acts of war.

c. RISKS EXCLUDED. Because of the many ramifications and borderline coverages provided by the marine and war risks policies, it would be difficult, if not impossible, to include in this bulletin what, if any exclusions are to be made without first examining the cause and responsibility for each loss under the policy.

d. INSURABLE VALUES, LIMITS, PREMIUM, AND REPORTS

(1) Oversea exchanges are insured for full value of property, including transportation charges and expenses required to place goods in condition for shipments, but excluding AES fee and marine and war risk insurance premiums. Policy contains no limit of insurance applicable to any one vessel or group of vessels.

(2) Premium is based on total purchases paid for as shown on Fiscal Officer Statement at the end of each accounting period. Rates vary depending upon the location of exchanges.

(3) Exchanges are not required to submit reports of initial shipments from United States or Canadian ports, as information required to effect insurance is available to Insurance Section, Finance Branch of this office.

e. TRANS-SHIPMENTS. Normal and customary trans-shipments incident to a voyage, as well as trans-shipments which are the result of forced discharge of cargo where the shipper exercises no control over the movement or route of the vessel, are covered while property is stored at the trans-shipment point for a period of fifteen (15) days. While so stored, cargo should be inventoried and properly guarded to prevent losses. If stored longer than fifteen (15) days, insurance at trans-shipment point ceases. In such event, insurance is again in force when cargo is loaded on connecting vessel. Manifests, bills of lading, or similar shipping documents are required for cargoes loaded on connecting vessels, in order to assist in proving claim in event of loss.

f. RE-SHIPMENTS AND SHIPMENTS TO UNITED STATES OR CANADA. This war risk policy may be extended to cover property re-shipped from bases to exchanges and from one port to another port, or from an oversea port to the United States or Canada, subject to conditions outlined in Paragraph 1.i.(1) or 1.i.(2) above.

g. WOODEN VESSELS, OCEAN BARGES AND TUGS. Arrangements may be made, subject to notification of Insurance Section, Finance Branch, AES, New York, for insurance covering shipments moving on wooden vessels, ocean barges or tugs. It is not necessary to survey the vessel, and the rate is 50% above current rates charged for vessels of iron or steel construction, propelled solely by mechanical power. Because of the inter-relationship of the marine and war risk policies, it is not considered in the best interest of the exchange to place war risk insurance unless marine insurance is also carried.

h. AIR-BORNE SHIPMENTS.

(1) Property forwarded by commercial or military air conveyance is not covered under this policy.

(2) It is the opinion of this office, based on claim experience, that war risk insurance on shipments from the United States and Canada to oversea exchanges via commercial or military air conveyance is not warranted. If exchange desires coverage for war risk perils on re-shipments, this may be arranged upon making specific request to Insurance Section, Finance Branch, AES, New York, before insurance is to become effective.

3. POLICY SK-3678, FIREMEN'S INSURANCE COMPANY.

a. This is a blanket, monthly reporting contract effective upon appointment of AES as Fiscal Agent by exchange. It covers property of every kind or description incidental to exchange activities while such property is owned in whole or in part by, or designated for an exchange listed with the insurance company by AES, including an exchange's interest in improvements and betterments, and including property of others for which an exchange may be liable, located or in transit anywhere in the world outside the continental limits of the United States, meaning the forty-eight states and the District of Columbia.

b. This policy insures against all risks of loss or damages from any external cause whatsoever. except:

(1) Loss of or damage to property described while on any ocean or coastwise vessel or while on any barge, lighter or other craft in connection with the loading of or discharge from ocean or coastwise vessels.

(2) Loss, damage, or expense caused by or consequent upon delay, wet, or dampness, or by being spotted, discolored, moldy, rusted, frosted, rotted, soured, steamed or changed in flavor, unless the same is the direct result of fire, lightning, windstorm, earthquake, flood or rising water, burglary as defined in Paragraph 3.c. below, subsidence or collapse of docks, piers or other structures, collision, derailment, overturning of vehicle, or collapse of bridges while in transit, or elsewhere on land, or unless the direct result of stranding, sinking, burning or collision while waterborne on inland or river craft.

(3) Loss, damage, or expense arising from or caused by mysterious disappearance, theft, robbery, or by war, invasion, acts of foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection or military or usurped power, seizure or destruction under quarantine or customs regulations, confiscations, contraband or illegal transportation or trade.

(4) Loss of or damage to accounts, bills, currency, deeds, evidences of debt, money, notes, or securities.

(5) Property while otherwise covered by Policy CP-37897, Atlantic Mutual Insurance Company.

c. Motor vehicles are included in the term "property of every kind or description", although the coverage on such equipment is modified as follows:

(1) Theft of tires, accessories or parts is not covered unless the vehicle is stolen at the same time.

(2) Damage to vehicle by collision is covered only for the excess over $100 due to one collision.

d. Shipments of insured property moving between one exchange and another or between exchanges and branches are covered without additional premium subject to policy conditions with the below limitations as to length of trip:

(1) On land, aboard any type of conveyance, no limitation.

(2) On ocean, aboard any type of vessel or conveyance (inter-island) not exceeding 25 miles.

(3) Aboard air conveyance over land, no limitation.

(4) Aboard air conveyance over ocean, not exceeding 300 miles.

e. The liability of the Company is limited to Five Hundred Thousand Dollars ($500,000) at any one location, and not exceeding One Million Five Hundred Thousand Dollars ($1,500,000) in any one disaster involving three or more locations. The term "location" is defined to mean the site on which the property insured is located and the adjoining area within a radius of one hundred (100) feet thereof.

f. Burglary, as referred to herein, shall mean the forcible entry into exchange premises of which entry there shall remain visible marks indicating the use of force.

g. The rate for this insurance is $0.09 per month per $100 of reported value at risk. In order to calculate the earned premium, it is required that exchanges make regular monthly reports to the Insurance Section, Finance Branch, AES, New York, showing:

(1) Value of all merchandise and supplies on hand at cost.

(2) Depreciated value of all furniture, fixtures and equipment as carried on the books of the exchange.

(3) Depreciated value of all buildings owned by the exchange.

(4) Depreciated value of all improvements and betterments owned by the exchange.

h. Upon receipt of required monthly report, earned premium will be calculated, paid to the Company, and charged to exchange's Fiscal Officer account.

4. FIDELITY BONDS.

a. The bonding of all exchange officers and employees of exchanges is prescribed.

b. Requests for a fideltiy bond covering all positions occupied in the operation of the exchange will be initiated by the exchange officer promptly upon activation of exchange.

c. Such requests will be accompanied by a list showing:

(1) Number and title of all positions. (Names of persons not desired).

(2) Amount of bond required on each type of position.

d. The Insurance Section, Finance Branch, AES, New York, will procure the type of bond best suited to exchange's requirements. The premium will be paid, charged to the exchange's Fiscal Officer account, and a copy of the bond forwarded for exchange's file. The original bond will be kept in the files of the Insurance Section, Finance Branch, AES, New York, to facilitate the settlement of any claims.

5. SAFE BURGLARY AND ROBBERY INSURANCE.

a. While not prescribed, this coverage is available to exchanges where and when the need exists to cover loss or damage by safe burglary as well as interior and messenger robbery.

b. Rates and premium vary depending upon the type of safes used and the amount of insurance desired.

c. Inquiry regarding coverage and cost should be directed to the Insurance Section, Finance Branch, AES, New York, accompanied by the following:

(1) List giving number, make, model, and type of safes used, and whether combination locked or key locked.

(2) List giving number of locations at which safe burglary insurance is desired, and the amount of insurance desired at main location and each branch.

6. AUTOMOBILE INSURANCE.

a. While not prescribed, bodily injury and property damage liability insurance is available to exchanges owning or operating automotive equipment in connection with exchange activities.

b. Since material damage, i.e., fire, theft, etc., and $100 deductible collision insurance on exchange owned vehicles is now included as a part of the coverage afforded by policy SK-3678, Firemen's Insurance Company, this coverage will not be purchased separately. Any existing coverage so purchased will be cancelled.

7. GENERAL.

a. Any policies held by exchanges containing subrogation clauses will be amended by rider as follows:

"The Company hereby waives its rights of subrogation against the Government of the United States of America or any department thereof."

b. All policies of liability insurance will contain the following rider:

"The Company agrees that the fact that the insured is a Government instrumentality will not be interposed as a defense in any lawsuit in which the company's liability under this policy is in any way concerned, unless so requested, in writing, by the insured."

c. The center of the insurance market is located in the same city as this headquarters, and well qualified AES technicians are in daily contact with underwriters.

d. Thoroughly aware of the need for providing the best protection available, the staff of the Insurance Section, Finance Branch, AES, New York, is ever alert for opportunities to improve coverage and reduce the cost of necessary insurance.

e. In most theaters of operation, it is still necessary to maintain secrecy as regards geographical locations and APO numbers, and this is best handled by arranging for needed insurance protection through AES.

f. When deemed necessary, AES insurance technicians are available to exchanges for the purpose of making surveys for insurance purposes and otherwise assisting in the solving of insurance problems. Requests for such assistance should be directed to this headquarters.

g. For the further guidance of the exchange officer, attention is invited to War Department Memorandum No. W-210-3-43, dated 13 March 1943, captioned "Commercial and Financial Transactions of Exchanges Operating outside of the United States". If, in the opinion of the exchange officer, insurance coverage provided is not adequate for exchange's needs, a communication outlining requirements should be forwarded to this office. Under no circumstances will exchanges negotiate for or purchase insurance through other sources, without first securing the approval of this office.

SECTION III

CLAIM PROCEDURE

1. POLICY CP-37897, ATLANTIC MUTUAL INSURANCE COMPANY.

a. IN TRANSIT IN THE UNITED STATES. Claims resulting from loss of or damage to property of the exchange, in transit from vendor's warehouses to ports of embarkation or to piers for commercial forwarding, and while at ports or piers, will rarely, if ever, come to the attention of the exchange. The Insurance Section, Finance Branch, AES, New York, will file and process claims against Insurance Company covering losses as they are brought to its attention by ports or embarkation and other sources.

b. IN TRANSIT ON OVERSEA VESSELS.

(1) Claims resulting from loss of or damage to property from the time cargo is laden aboard oversea vessel and until such time as cargo is discharged at port of destination (craft and lighter risk incident to the voyage, included) fall into the following two groups:

(a) Total losses due to perils of the sea or Acts of God.

(b) Partial losses of or damage to cargo which are the result of perils of the sea or Acts of God.

(2) The Transportation Corps, ASF, notifies this office of sinkings or total losses of vessels due to perils of the sea or Acts of God. Claims, falling within group (a) above, are then filed with Insurance Company on behalf of the exchange for total loss of cargo. If exchange is advised of such losses, it is requested that all information obtainable be given this office as promptly as possible. This will provide for a duplicate check, expediting the filing and processing of claims.

(3) Partial losses of or damage to cargo under this policy will be paid provided it can be proven to the satisfaction of the Insurance Company that the loss is attributable to a peril of the sea or an Act of God. The master of the vessel is required to keep a log which should indicate the atmospheric conditions encountered during each voyage, as well as any happening which might endanger the ship or its cargo. An extract from the log giving all facts and stating the peril of the sea or Act of God causing the loss must be obtained from the master of the vessel or through the Transportation Corps, and submitted with claim form to properly substantiate loss.

(4) When exchange is notified that a vessel has sustained damage requiring discharge of exchange cargo at a port of distress other than its destination, arrangements should be made immediately to survey the loss. Such survey report will indicate the amount of cargo salvaged and salvage value, if any. Reports rendered by competent surveyors are usually accepted without question by insurance companies.

(5) Copies of this Bulletin have been distributed to all theater marine casualty officers (AR 55-500, 3 July 1943). These officers should be requested to assist in the preparation of reports on distressed exchange cargo and render every possible assistance to exchange officers in the preparation of claims. If marine casualty officers are not available to survey distressed cargo, it is suggested that the Insurance Section, Finance Branch, AES, New York, be advised by radio and arrangements, if possible, will be made to secure surveyors from the Board of Underwriters of New York or through the War shipping Administration.

(6) Claims which are the result of salt water damage are recoverable under the terms of policy, provided that Insurance Company is satisfied that the cause of damage can be attributed to a peril of the sea or Act of God. To satisfy the Insurance Company, substantiation must be submitted in form of a certified statement either from the master of the vessel or the Transportation Corps that the tempestuous action of waves or wind caused the vessel to be buffeted and battered, resulting in leaking seams, torn hatch covers, or other damage to vessel, allowing salt water to seep into cargo. When filing claims for salt water damage, it is necessary that exchange make available as much information as possible which will assist this office in presenting claim to Insurance Company. Consideration should be given to substantiating such claims with report of survey. Negligence on part of vessel operators is not considered a risk covered under this policy; therefore, claims resulting therefrom cannot be prosecuted against the Insurance Company.

c. THEFT OR NON-DELIVERY OF ENTIRE SHIPPING PACKAGE.

(1) The fact that claims arising because of theft or non-delivery of entire shipping packages can now be established, based on non-receipt at destined exchange warehouse, does not relieve the exchange of the responsibility of investigation and tracing non-delivery of property. Every

effort shall be made to determine if cargo was discharged at other ports, delivered to other exchanges receiving merchandise through the same port of unloading, or mis-delivered to other branches of the Armed Forces using similar property. It is to the best interest of exchange to take every opportunity to bring to the attention of responsible organizations and authority the necessity of applying proper precautions and controls in handling exchange property. Continued unfavorable loss experience may result in higher premium rates or cancellation of this insurance. If after check has been made, the whereabouts of the missing property is still unknown, the exchange will file claim with this office and furnish a written statement, certifying to the fact that the property, as listed in claim, was undelivered.

(2) Attached is a sample of standard form to be used in filing non-delivery claims. Attention is invited to the fact that claims may be filed only for full case shortages. Pilferage is not covered by this insurance. In completing this form, make as much cross-reference to vendor's invoice and packing list as possible. If the invoice or packing list does not show case numbers, give the content, description, and cost price of the property contained in the case or cases non-delivered. If more than one case is short under the same purchase order and the cases are not of standard value, list the cost of each case separately. One copy of form is to be completed and forwarded to this office at the earliest possible date, for each vessel involved.

d. SPECIAL PROCEDURE INVOLVING SHIPMENTS VIA COMMERCIAL VESSELS EXCLUDING VESSELS OPERATED BY WAR SHIPPING ADMINISTRATION AND BRITISH MINISTRY OF WAR TRANSPORT.

(1) If shipment moves aboard a commercial vessel under paid ocean bill of lading, the exchange is given advance notice of the movement and supplied with original bill of lading. Under the terms of the bill of lading and Carriage of Goods by Sea Act, the exchange has the right of action for recovery of losses or damages which are the result of negligence on the part of the steamship company. If any part of cargo referred to in the bill of lading is not received, or is received in a damaged or pilfered condition, the exchange should demand that the steamship company or agent issue exception notices outlining the facts, upon acceptance of delivery and otherwise exercise its rights under conditions of bill of lading. If the Port Transportation Officer acts as agent for the exchange, the exchange should request that exception notices be secured when there are differences between quantity of goods received and quantity as shown on the bill of lading, or when shipment is received in bad order.

(2) To expedite settlement of claims involving commercial carriers, this office will file entire claim with the home office of the carrier upon receipt of all correspondence, exception notices and related documents from the exchange. That portion of the claim for loss resulting from theft or non-delivery of entire shipping packages will be filed with the Atlantic Mutual Insurance

Company. Any payment on account of such loss will be made by the Insurance Company in the nature of a loan to be repaid when and if recovery is made from the carrier. Prompt notice should be furnished to this office regarding any settlements made locally, or any action taken which might affect adjustment of the pending claim.

(3) Claims for loss of or damage to exchange property in transit from pier, warehouse, or other delivery point to destined exchange warehouse should be filed separately. In forwarding such claims to this office, state, in writing, the cause and circumstances surrounding the loss or any other material fact which may assist in the settlement of the claim.

e. RE-SHIPMENTS AND RETURN SHIPMENTS TO UNITED STATES OR CANADA.

(1) Exchanges re-shipping property or returning property to the United States or Canada, and requesting insurance as provided in Section II, Paragraph 1.i. and 1.j. hereof, are required to maintain, for each shipment made, an up-to-date record consisting of the following:

(a) Original copy of ocean bill of lading, if shipment moved via commercial vessel.

(b) Copy of manifest or similar shipping document, if shipment moved via United States Army or Navy Transport vessel.

(c) Tally-ins or dock receipts with cross-reference to a manifest or similar shipping document, giving description and case numbers of property shipped.

(d) Copy of invoice from shipping exchange to receiving exchange for cost of property shipped, less discount, plus transportation costs and charges, if any.

(2) Upon learning of total or partial losses or damages covered by insurance, exchanges initiating shipments will file claim with this office immediately, giving all facts concerning the event and stating the origin of such facts. Requirements for substantiating such claims will be the same as outlined in Section III, Paragraph 1.b., and, in addition thereto, records mentioned in Section III, Paragraph 1.c.(1). Include in claim documents, date insurance coverage was requested and method by which such request was made - Section II, Paragraph 1.i.(1) or 1.i.(2).

(3) Claims for non-delivery will be initiated by the receiving exchange. Standard form for filing such claims, sample attached, will be completed and forwarded to shipping exchange, together with all information pertaining to loss. Include in claim documents, date insurance coverage was requested and method by which such request was made - Section II, Paragraph 1.i.(1) or 1.i.(2). Shipping exchange will then attach records mentioned in Section III, Paragraph 1.c.(1), and will forward all documents to this office without delay.

f. AIR-BORNE SHIPMENTS. Claims for loss of or damage to property forwarded on commercial or military air conveyance will be handled in a manner similar to procedure as outlined for cargo forwarded on ocean vessels.

2. POLICY #083-87, WAR SHIPPING ADMINISTRATION.

a. The Transportation Corps, ASF, notified this office of sinkings and damages to vessels due to enemy action. When proper certification reaches this office, claim is immediately filed without the necessity of correspondence from the exchange. If exchange is advised of such losses, it is requested that all information obtainable be given to this office as promptly as possible. This will provide for a duplicate check, expediting the filing and processing of claims.

b. Should the vessel involved make the port of destination or a port of distress, arrangements should be made to have exchange cargo surveyed at once, as outlined in Section III, Paragraph 1.b.(5). That portion of cargo unloaded at port of distress, in a sound condition, must be tallied and manifested if forwarded on a connecting vessel, since any loss of or damage to cargo so forwarded may be a loss covered either by policy CP-37897, Atlantic Mutual Insurance Company, or policy #083-87, War Shipping Administration. Full information concerning disposition and salvage value of remaining cargo will be included in claim documents forwarded to this office.

c. In filing claim under this policy for loss of property re-shipped, the procedure to be followed is as outlined in Section III, Paragraph 1.e.(1) and 1.e.(2).

3. POLICY SK-3678, FIREMEN'S INSURANCE COMPANY.

a. In event of a loss or damage covered by this policy, the exchange officer will request that the commanding officer or higher Army authority appoint a board of officers for the purpose of investigating the circumstances surrounding the loss. Such board will consist of three (3) or more disinterested commissioned officers, who will:

(1) Determine the time, place, cause, and extent of the loss.

(2) Verify exchange's statement of claim.

(3) Obtain all other material facts and information having a bearing on the loss.

(4) Report all evidence, testimony, findings, and recommendations in connection with loss.

b. The exchange officer will prepare and submit to the board of officers the statement of claim which will disclose:

(1) List of the lost or damaged merchandise at cost, in United States dollars.

(2) List showing depreciated value of lost or damaged furniture, fixtures, and equipment, in United States dollars.

(3) List showing salvage value of partially damaged merchandise, furniture, fixtures, and equipment, in United States dollars.

c. The completed board of officers' report and exchange's statement of claim will be forwarded in duplicate to Insurance Section, Finance Branch, AES, New York, together with any missing monthly reports required by conditions of policy and prescribed in Section II, Paragraph 3.f., of this Bulletin.

d. Proceeds of claims when collected will be deposited to credit of exchange's Fiscal Officer account.

4. FIDELITY BONDS.

a. Upon discovery of any pecuniary loss of money or other property, including money or personal property for which exchange is legally liable, sustained by exchange through any act of fraud, dishonesty, forgery, embezzlement, wrongful abstraction or wilful misapplication committed alone or in connivance with others by any officer or employee while occupying and performing the duty of any office or position covered by the bond, exchange officer will request commanding officer or higher Army authority to appoint a board of officers. Such board of three (3) or more disinterested commissioned officers will make a thorough investigation for the purpose of:

(1) Fixing the time, place, cause, and extent of loss.

(2) Verifying exchange's statement of claim.

(3) Identifying the person or persons committing the alleged act or acts.

(4) Obtaining all other material facts and information having a bearing on the loss.

(5) Reporting all evidence, testimony, findings, and recommendations in connection with the loss.

b. The exchange officer will prepare and submit to board of officers detailed statement of claim which will disclose:

(1) Amount of loss, in United States dollars.

(2) Amount of salvage, if any, in United States dollars.

c. The completed board of officers' report and exchange's statement of claim will be forwarded, in duplicate, to the Insurance Section, Finance Branch, AES, New York, for collection.

d. No coverage is afforded under a fidelity bond for inventory shortage, unless the loss is due to a dishonest act committed by a person or persons covered under the bond, which person or persons must be identified.

e. Proceeds of claim, when collected, will be credited to exchange's Fiscal Officer account.

5. SAFE BURGLARY AND ROBBERY INSURANCE. Procedure for filing claims is the same as required for policy SK-3678, Firemen's Insurance Company. (See Section III, Paragraph 3.)

6. AUTOMOBILE INSURANCE. Accident report blanks are furnished exchanges at the time copies of such insurance policies are forwarded. Names of insurance company's claims representative, to whom accidents are to be reported, appear in policy.

/s/ F. R. KERR,
/t/ F. R. KERR
Colonel, G.S.C.,
Chief, Army Exchange Service.

1. G-1 SUBJECT: Self-Insurance
MHF/cl

AES 29 June 1945. 1. As directed in par 33 a, AR 210-65, 1 June 1944, and par. 12 i, SOP # 25, 15 June 1944, adequate insurance coverage is being provided for the protection of all exchange assets in this theater. This insurance includes marine, war risk and fire coverage. In addition, surety bonds are carried on all exchange personnel, both military and civilian, who are entrusted with the custody of any money or property or accountability therefor.

2. Premium charges on marine, war risk and surety bonds are low and represents only a small portion of exchange insurance costs. However, premium charges on fire coverage are high. With a view to decreasing the high premium charges on fire coverage, a recent study was conducted by this office to determine the relative merits of

a. Fire insurance coverage through commercial companies

b. Exchange self-insurance against fire losses.

3. The results of this study indicate that there is considerable merit in the self-insurance plan insofar as unit exchanges are concerned, while coverage for PX DP's or installations where there are large concentrations of merchandise should be provided through commercial companies. The ratio of claims to premiums is shown in the following schedule:

a. Unit Exchanges

(1) Aggregate inventory at cost	$ 6.400.000.00
(2) Average inventory per unit exchange	2,600.00
(3) Monthly premium charges per policy #SK3678 Fireman's Insurance Company at rate of .09 per $100 inventory value	5,760.00
(4) Total value of all claims processed or pending to date	3,118.47

b. Warehouses

(1) Aggregate inventory cost	$ 7,709,000.00
(2) Average inventory per warehouse	514.000.00
(3) Monthly premium charges per policies SK 3678; SK 3679;SK3680;Fireman's Insurance Company	6,611.40
(4) Total value of claims processed or pending to date	20,738.09

4. In a recent conference held in Washington between the exchange representatives from all theaters, the subject of self-insurance for exchanges was discussed. Many theaters have already adopted this plan and

notably the Pacific Theater where a large saving has been effected. In large civilian enterprises, it has long been considered more economical to self insure, particularly in operations where the risk is spread as in unit exchange operation. It is also a generally accepted practice to insure installations where there are large concentrations of merchandise such as warehouses through commercial companies. In such installations, the risk is not spread and one fire may result in a heavy loss.

5. By self insuring unit exchanges against loss by fire, a saving of approximately $ 5,000 per month may be realized without accepting undue risks. It is therefore recommended that

a. Fire insurance coverage for unit exchanges be discontinued and that a self-insurance plan be instituted with adequate reserves provided to offset possible losses.

b. Exchange warehouses and installations where there are large concentrations of merchandise continue to be insured through commercial companies.

R. J. MARSHBURN
Colonel, AUS
Chief, AES, CZ ETO
Kleber 6257 - Ext 1

DIGEST OF MINUTES OF CONFERENCE

SECTION I - INTRODUCTION

1. Conference was called by G-1 and met at 0930 hours, 2 August, 1944, in G-1 Conference room, for the purpose of establishing a policy with respect to the appropriation of Exchange funds and to determine division of responsibility in regard to the handling of requests for certain services and commodities herein described.

2. Present at the meeting were:

G-1 Section	-Lt.Col. Shirk, Capt.Jorgenson,Capt.Butts
Army Exchange Service	-Col.Marshburn, Lt. Col. Farnsworth
Special Service	-Col.Solbert,Lt.Col.Lefferts, Capt.Klein
Chaplain	-Chaplain Tiernan.

SECTION II - DISCUSSION

1. These procedures and policies were established:

a. THEATER CHAPLAIN.

(1) Unit Chaplains. Requests for appropriations for unit chaplains will be approved by the Theater Exchange Officer in amounts up to £ 10. for any one month without reference to the Theater Chaplain; such requests in excess of £ 10. will be passed on and approved by Chaplain Tiernan.

(2) Theater Chaplain. Fiscal requirements for the Theater Chaplain will be submitted monthly through G-1 to AES for necessary action.

b. SPECIAL SERVICE.

(1) Dispositions of requests for any of the following items and/or services shall be under the jurisdiction of Special Service. In the event such requests are received by AES, they will be referred to Special Service (attention Capt. Klein, ext.1119) for action.

(a) Athletic equipment
(b) Musical instruments
(c) Amplifier (public address) systems
(d) Theater seats and allied equipment
(e) Musical sheets and orchestral arrangements
(f) Radios and furniture for day rooms
(g) Books and magazines.

c. ARMY EXCHANGE SERVICE.

(1) Disposition and approval of expenditures under the provisions of Section 1, Cir 53, ETOUSA, cs, with regard to the following requests shall be the responsibility of Army Exchange Service and will not be referred to Special Service for prior approval:

(a) Payment of salaries of soldier motion picture projection operators.

(b) Hiring of bands and entertainment

(c) Purchase of seeds, shrubs, etc, for beautification of posts, camps and stations.

(d) Repair and maintenance of equipment (athletic goods, musical instruments, radios, etc.)

(e) Expenses of unit parties (refreshments, beer, special food items, etc) In the case of beer and coca-cola, the approval shall in each instance include the provision, that the beer and coca-cola must come out of the unit exchange allotment.

SECTION III - CONCLUSION

1. As a matter of information, it was announced that General Lee has approved the sum of $100,000 for the establishment of AEF clubs on the continent and has designated General Littlejohn, Chief Quartermaster, ETOUSA, as custodian.

2. It was concluded that:

a. Blanket appropriations will not be approved.
b. Trophies and prizes for athletic meets will not be approved or procured by either AES or SSD. It is contemplated that appropriate certificates secured through the Adjutant General will be used in place of such trophies and prizes.

c. That unless so specifically directed (see par 1 a (2), Sec.II) disposition of the requests set forth in Sec II above shall be handled by either SSD or AES, as indicated, without reference to G-1.