

Nonappropriated Fund Standard General Ledger Working Group Meeting Notes

Thursday, August 28, 2014
9 AM – 12 PM

Status Update - Jeremy

- Starting new phases of the project
 - Transitioning into the NAFSGL Implementation phase.
 - Beginning analysis and recommendation of DoD NAF guidance.
 - Wrapping up parking lot issues. Begin to revise existing policies (1015.15 etc.).
- NAF Financial Reporting Process and Data Repository
 - Goal is to make data reporting and data look-ups more efficient and effective.
 - Concentration will be on the reporting done to higher headquarters (OSD/DoD).
 - The data repository can also be used for short turn data calls. Will research what the common questions are and what types of data calls are requested to eventually try to optimize the reporting process.

Parking Lot Issues – Jeremy

- Consignment Tickets
 - **Marines:** Internal auditors found that consignment tickets were recorded as direct sales. Recommended consignment sales recorded as commission income. Wanted to know how other Services record these sales.
 - **Army:** Mostly has direct ticket sales but when it does have consignment sales it does not account for those sales as direct sales.
 - **Air Force:** Doesn't give the consignor any money until the tickets are sold. Treat these consignment tickets as part of its inventory because once sold, the Air Force pays for the tickets.
 - **Navy:** Has similar situation as the Army. Records consignment ticket sales as a consignment sale.
 - **Action Item:** Grant Thornton to create a decision document and research accounting standards on this topic.
- Assets Purchased in Quantity
 - Marines wanted clarification on whole room concept guidance. Marines use whole room concept with their exchanges.
 - Challenge is how to depreciate a whole room when individual items depreciate at different rates.
 - Capitalization threshold for items purchased in bulk: \$2,500 and life expectancy of over 2 years.
 - Marines requested clarification of what "similar or like items" means.
 - Navy groups like-items and wants to continue doing that when ordering whole rooms (ex. Order items for 200 rooms).
 - Whole room concept used by NGIS
 - **Action Item:** Adjust definition in the decision document to remove "Identical". Use "like Items" and provide examples of what "like items" means.
- Prior Year Adjustments

- Guidance sets materiality at 1% for each NAFI. Services challenged this threshold as not being a proper materiality level threshold. There are other factors that should influence the decision.
- **Navy:** Currently, anything that is a prior year adjustment is captured. There is no threshold in place.
 - 1% going forward works for Navy. Agrees that the current method isn't right.
- **Marines:** Currently using 1% threshold on a consolidated balance sheet. Haven't booked an entry of this magnitude because of the consolidation. NAFIs might have a material entry for their installation but it doesn't meet the 1% threshold at the consolidated level. Records as expense to current year.
- **Army:** Currently, they first verify that the transaction originated from prior year. Once materiality is determined, they decide how to treat it. If it was a prior year transaction, there is a footnote in an adjustment to equity but it is all done on current year balance sheet.
 - Agree with what was in the decision document but asked if there other factors used to determine materiality
- **Air Force:** Submissions are taken on case by case basis; no consistent criteria is in use. They don't necessarily believe that a 1% threshold is going to help the situation; may cause more work.
- **Action Items:** Clarify boundaries of prior year adjustment. Determine if 1% should be based on NAFI level or consolidated level.
- Credit Card Receivables
 - Army and Marines treat this as cash and prefer it that way.
 - Air Force and Navy treat it as a receivable.
 - **Action Item:** Grant Thornton to finalize decision document and recommendation geared towards using merchant card receivables approach.
- Workers' Compensation
 - On a month to month basis, deductions are made and all Services put money it into a reserve liability account. There is a 3rd party that handles the payments for some services; others do the disbursing themselves.
 - **Navy:** Carries it in the restricted equity section of balance sheet.
 - **Marines:** Carries under equity. Was an audit issue in FY13. Grant Thornton's recommendation was to move it to a liability account.
 - **Army:** Carried as a liability on the balance sheet.
 - **Air Force:** held as liability in the balance sheet.
 - **Action Item:** Work with Services to book as liability in balance sheet.
- UFM
 - In May, the working group (Navy in particular) was looking at the difference between contra accounts to back out UFM and prevent it from rolling up into financials since APF is reported separately from the NAF. We wanted to look at how that reporting occurred; Libraries and Fitness centers chosen as pilot.
 - **Army:** MOA is done at the beginning of the year that establishes the max amount of APF allowed based on expected performance. There is also a shortfall report that illustrates activities that are being performed that would normally be provided by APF funding if the APF funding was available. Reports typically break things out to the appropriate category (NAF or APF). Records UFM as income.
 - **Air Force:** Book everything just as we would any other activity. Book payments in from the MOA APF funding. It all rolls up to the MWR Funds. All of the income and expenses

are posted to the cost center that have benefitted from either source of funding. It remains in that cost center then rolls up at the end of the year. Air Force records UFM as income.

- **Marines:** There is a UFM matrix that they aligned the 1015.15 enclosure 4. They deem these account codes as UFM eligible. All labor expenses, travel, facilities, etc. are booked in the balance sheet. Towards the bottom there is a section called total UFM income.
- **Navy:** Record UFM when income comes in as an expense offset. At end of the year, Navy is able to look at the UFM eligible cost centers and apply the UFM to those expenses. UFM reduce expenses; only the net rolls up into the income statement. Under each expense account, there is a credit and debit in that same account. Then there is a separate UFM account to capture that income.
- **Action Item:** Continue to review UFM and determine course of action for all Services.