

DoD NAF Accounting Working Group Meeting Minutes

Thursday, January 25, 2018

0900-1000 EDT

Attendees

- MC&FP
 - Paulette Freese, Mike Curtis
- DFAS – Indianapolis
 - La Zaleus Leach
- Army Secretariat
 - Gerald Holliday
- Navy Secretariat
 - Pam Beward
- Air Force Secretariat
 - Lt Col Chip Hollinger
- Army IMCOM G9
 - Bryan Hartsell
- Air Force A-1
 - Lisa Hughes
- AFSVA
 - Tina Hudson, Becky Karnafel
- MCCS
 - John Johnston, Pat Craddock, Courtney Pulis
- Army – DFAS – Texarkana
 - Lena Anderson
- Navy CNIC
 - Nancy Stephens, Jennifer Wilkinson, Jeff Potter
- Navy OPNAV N46
 - Annie Fowler
- Grant Thornton (GT)
 - Jeremy Blain, Ariane Whittemore, Jack Renner, Sumner Higginbotham

Welcome and Introductions – Ms. Paulette Freese, MWR & Resale Policy

- Ms. Freese welcomed everyone, acknowledged that all the Services were present, and thanked everyone for participating. Ms. Freese noted that there is considerable uncertainty with potential government shutdowns (continuing resolutions), DoD reform efforts, and the ongoing GAO review of MWR.

Action Items from Previous Meeting – Mr. Mike Curtis, MWR & Resale Policy

- No outstanding action items.

OSD Update – Mr. Mike Curtis, MWR & Resale Policy

- Mr. Curtis stated that OSD has no major updates on the GAO review of MWR at this time. Mr. Curtis also reminded the group that the March offsite in San Antonio has a

half-day allocated to discuss/address GAO or DoD reform actions that are relevant to the working group, if any.

- Mr. Curtis noted that OSD has received all Services' input selected enclosures of DoDI 1015.10 and the funding table of DoDI 1015.15. Mr. Curtis anticipates that the funding table will be a good topic for the future once MC&FP has time to fully review the inputs from the Services.

New Topic: Pentagon Executive Dining Facilities (EDFs) – Mr. Mike Curtis, MWR & Resale Policy

- Mr. Curtis stated there is a new instruction on Pentagon Executive Dining Facilities. Army brought this up because it is looking to transfer accounting for this facility to Texarkana and establish the APF and NAF funded operation as a NAFI.
 - Ms. Fowler stated that the Navy EDF is under the oversight of the Department of the Navy Assistant for Administration (DON/AA). Ms. Fowler added that the labor is APF since the labor is all military (culinary specialists).
 - Ms. Hudson and Lt. Col. Hollinger stated they will look into how Air Force runs these facilities.
 - Mr. Curtis stated that is unclear whether EDFs follow NAF guidance the Services and perhaps MC&FP should be getting financial reports on these facilities and the use of NAF and APF funds.
- Ms. Freese stated that EDFs are part of a larger issue regarding NAFIs that raises several questions: 1) How to categorize these “hybrid” NAFIs? 2) How do other Services deal with them? 3) Should the DoDI be changed?
 - Ms. Fowler also brought up the Navy Operations Recreation Association (NORA) as another NAFI that needs to be addressed.
 - Ms. Freese said that a sub-working group should be created on these types of NAF operations. This will help MC&FP improve the DoDI to ensure NAFIs are properly classified and that the classifications are reflective of the current NAFI operating environment. The group agreed that expanding current NAFI definitions would be preferable to making an entirely new definition in the DoDI.
 - Ms. Freese asked the Services to think of representatives who can work as part of the sub-working group. Mr. Curtis will send out communication through the Secretariats to start this sub-working group within two weeks.
 - Mr. Gerald Holiday agreed that the definitions and classifications of NAFIs should be looked at in this sub-working group to ensure that these hybrid entities have proper authorization within DoD.

Discussion of the Tasker related to the Update of the NAFSGL and the Establishment of the NAF Accounting Standards Board - Mr. Mike Curtis, MWR & Resale Policy

- Mr. Curtis said he had submitted a tasker with a suspense of February 2, 2018 that contains the rules of engagement and decision-making framework for the NAF Accounting Standards Board (NAFASB) as well as the updated NAFSGL. He asked for questions and input.
- Mr. John Johnston asked if implementing a new governance board on top of other governance structures should wait until the reform initiatives move forward, in the event that the reform initiatives shift the governing structure.

- Mr. Curtis stated that the board would formalize the annual process of analyzing the NAFSGL and determining what changes need to be codified.
- Ms. Freese added that the NAFASB is distinct from other governance boards because it is solely focused on NAF accounting vice other MWR issues. Ms. Freese continued that the board reflects the “commercial world,” as commercial enterprises have a need for an accounting standards board to update accounting standards and continue to provide a common framework of reference as issues arise. Since NAF accounting will always be different from APF accounting, the existence of the NAFASB will always be necessary, and prepares the Services and MC&FP for the future regardless of outcome of and DoD reform.
- Mr. Johnston noted MCCS is an integrated MWR and Exchange entity. Ms. Freese indicated the board will provide value to all services via assistance in dealing with any future NAFSGL changes or accounting issues.
- Mr. Johnston said he sees the value in this approach.
- Mr. Curtis stated that the NAF Accounting Working Group would provide agenda items for the NAFASB.
 - Mr. Johnston stated that regardless of way ahead in reform, he would like NAF Accounting Working Group to continue because it is an excellent forum for Services to exchange ideas. Mr. Curtis stated that showcasing best practices and progress between the Services would be a valuable topic to discuss in future working group meetings.
- Mr. Holliday thanked OSD for clarifying the rationale behind the NAFASB. He also asked for clarification regarding membership on the NAFASB, including why the Army’s Financial Management and Comptroller’s office was not included.
 - Mr. Curtis stated that are competing priorities such as including the proper number of Secretariat-level personnel and personnel with accounting expertise, while also limiting the size of the board to improve efficiency.
 - Mr. Curtis encouraged all the Services to submit their suggestions on the NAFASB membership in response to the tasker.
- Ms. Leach asked the group about the relationship between the NAFASB and NAF accounting policy. Mr. Curtis stated that the NAFASB would not make policy but would deliberate and make policy recommendations to MC&FP or DFAS as appropriate. Mr. Curtis affirmed that official policy change process would still happen. The NAFASB would help MC&FP and the Services implement changes in a consistent manner.
 - Ms. Leach asked about the governance of the NAFASB in relation to the Financial Accounting Standards Board (FASB). Mr. Curtis clarified that the Board is not intended to replace the FASB.
 - Mr. Johnston agreed that FASB’s role in promulgating policy cannot be replaced, but that the NAFASB could fill a policy interpretation role. Mr. Curtis agreed and added that the NAFASB would analyze the new FASB policy issuances and provide NAF-specific guidance.
- Ms. Freese stated these are good comments and encouraged the Services to respond through the official tasker.

Discussion of the 2017 NAF Program-Metric Report - Mr. Mike Curtis, MWR & Resale Policy

- The FY17 NAF Program-Metric Reports and the MWR briefings are due to OSD by February 9, 2018.
- Ms. Pat Craddock requested that Services share any questions as they come up in providing the report. Mr. Curtis stated that no broad questions have been asked but agreed to share questions that may apply to all.

March Offsite – Mr. Mike Curtis, MWR & Resale Policy

- Mr. Curtis provided an overview of expectations for the March NAFSGL Workshop.

NAF Construction Visualization Discussion – Mr. Mike Curtis, MWR & Resale Policy, and Mr. Sumner Higginbotham, Grant Thornton

- Mr. Higginbotham walked the NAF Accounting Working Group through the NAF Construction visualizations that Grant Thornton developed for MC&FP.
- Mr. Johnston asked for a more in-depth demo on the construction visualizations, which OSD and Grant Thornton agreed to. Ms. Ariane Whittemore offered that Grant Thornton would provide a demo to each Service as desired.
- Ms. Freese noted that data repository will now have three years of good NAF Program-Metric data which will further improve the trend analysis and outlier identification capabilities of the Tableau visualizations.

Wrap Up

- Mr. Curtis summarized the topics noted above and concluded the meeting, commenting that the next DoD NAF Accounting Working Group session will occur on Thursday, February 22.

Action Items Summary – Current Meeting

- Mr. Curtis will begin to organize a sub-working group for discussion of the uncategorized NAFIs. The Services will investigate how the Pentagon Executive Dining Facilities are operated and administrated.
- Grant Thornton to set up a Tableau visualization presentation with Mr. Johnston and his MCCS staff.