



DoD NAF Accounting Working Group Meeting Minutes

Thursday, December 13th, 2018
0900-1000 EDT

Attendees

- MC&FP
 - Mike Curtis
- DFAS – Indianapolis
 - Maranda Summers, Mark Atkinson, Robert Haines, Jordan Jensen
- DFAS – Texarkana
 - Lena Anderson, Randy Rodgers
- Army IMCOM G9
 - Sonia Daugherty, Renee Keys
- AFSVA FMAR
 - Becky Karnafel, Tom Marsh, Marcus Whitehead, Stephen Holekamp
- Marine Corps – HQMC
 - Pat Craddock, Christine Brokaw, John Johnston
- Navy – CNIC
 - Nancy Stephens, Jeff Potter
- Navy – OPNAV
 - Annie Fowler
- Air Force Secretariat SAF-MRR
 - Lt. Col. Carina Harrison
- Army Secretariat SAFM-FO
 - Gerald Holiday
- Grant Thornton (GT)
 - Jeremy Blain, Ariane Whittemore, Mary Saldivar, Vishal Ayyagari

Welcome and Introductions – Mr. Mike Curtis, MWR & Resale Policy

- Mr. Curtis welcomed everyone, acknowledged that all the Services were present and thanked everyone for participating.

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

- Mr. Curtis proposed conducting a NAFSGL Workshop the week of March 18, 2019. Mr. Curtis recommended that the workshop be held in San Antonio but was open to alternatives.
 - Ms. Stephens offered to host the workshop at the Navy's facility in Millington, Tennessee, stating that it is valuable to rotate the location around to the different Services each year.
 - Mr. Curtis requested the Services provide topics for the NAFSGL Workshop for discussion in the January and February NAF Accounting Working Group meetings. Mr. Curtis also requested the Services try to limit attendees to no more than 2 personnel per Service.
- Ms. Nancy Stephens then asked for clarification regarding one of the March Workshop topics. Mr. Blain provided an explanation of the topic of General vs Detailed GLAC



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structure of the NAFSGL. Mr. Blain explained that the topic was discussed and then tabled during the 2018 NAFSGL workshop.

- Mr. Blain then went on to give a brief overview of the other topics proposed for the March 2019 Workshop.

Position Paper (PP) discussion – Mr. Jeremy Blain, Grant Thornton

- Mr. Blain began with the Stale Checks position paper (PP #33).
 - This paper recommends accounting treatment for stale payroll and vendor checks as follows: The Services deposit the funds that are to be collected in a deposit fund account for up to a year and subsequently transfer the funds into Payment of Unclaimed Moneys account or Forfeitures of Unclaimed Money and Property.
 - Mr. Whitehead stated the Air Force sent over documentation to OSD regarding the process for outstanding workers' compensation checks. The current process is to remove outstanding workers' compensation checks from the liability account after 180 days. Mr. Blain noted that the position paper states that outstanding checks are to be removed from the liability account after one (1) year or 365 days. Mr. Blain suggested updating the paper to state that the Services can implement a more stringent policy.
 - All Services concurred with the paper contingent upon the suggested update being made.
- Mr. Blain then proceeded to the next position paper: Donations In-Kind (PP #26).
 - The paper recommends the FMR be updated to state that donations of assets material to the financial statements are to be reported on the financial statements. The materiality threshold should be defined as one percent (1%) of the assets in the consolidated balance sheet at the Service level.
 - Mr. Blain noted that the Marine Corps and Air Force previously concurred and asked the Army and Navy for their comments.
 - Ms. Sonia Daugherty stated that they do not have any feedback regarding the Fisher House and will need more time to review. Mr. Blain acknowledged Ms. Daugherty and provided the assistance of the Grant Thornton team for any future calls the Army may have with the Fisher House.
 - Ms. Fowler noted the Navy has reviewed the position paper and concurred with the recommendation.
- Mr. Blain then proceeded to the next paper: Other Service Managed Revenue (PP #16).
 - This paper recommends that all Services standardize their journal transactions and recording of revenue from agreements in which one Service runs a program on behalf of the other Services and then distributes the net profits to those Services. Examples of these programs include slots and gaming.



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- Ms. Stephens noted this policy should not apply to the American Forces Travel Program. Ms. Stephens explained that after review of the position paper with their auditors, they have concluded that the treatment described in the position paper should not apply to the American Forces Travel Program since the program is run by a third party commercial vendor vice another Service. Mr. Curtis explained that when the position paper was originally written, it was meant for accounting standards regarding programs provided by one Service to another. The recommendation was not meant for Services provided by a non-DoD third party. Mr. Blain concluded the conversation by stating the paper would be updated by excluding the Armed Forces Travel Program and an additional position paper would be drafted for the use of a third party Service with recommendations provided by the Navy.
- All other Services concurred with the recommendation of the paper upon the completion of the suggested changes.
- Mr. Blain then proceeded to the next position paper: Flexible Spending Plans (PP #30).
 - This paper recommends aligning the NAFSGL structure and the FMR. There were two recommendations that were presented:
 - Recommendation A - Add a Flexible Spending Account Payable and a Flexible Spending Account Administrative Expense to the NAFSGL 3.0
 - Recommendation B - Adjust the FMR to consolidate the FSA liability account into Employee Deductions Payable, and place the FSA admin fee into its own account, into Employee Insurance Premium Expense, or into an Other Operating expense account.
 - Mr. Blain requested the Air Force and Army comment on the recommendations. The other Services previously concurred.
 - Ms. Karnafel commented stating that the Air Force concurs with Recommendation A. Ms. Daugherty responded by stating that the Army concurs with Recommendation A as well.
 - All Services concurred with recommendation A of the paper.
- Mr. Blain then proceeded to the next position paper: Workers' Compensation (PP # 18).
 - This paper recommends that all Services account for Workers' Compensation relating to uninsured, or self-insured risks occurring on or before the balance-sheet date as a probable loss contingency.
 - Ms. Daugherty stated that Army needs more time to review the position paper and will reach out to Mr. Blain upon completion.
 - All other Services concurred with recommendation of the position paper.



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- Mr. Blain then proceeded to the next position paper: Recycling (PP #32)
 - The paper recommends DoDI 1015.15, FMR, and NAFSGL be changed to specifically exclude recycling programs as an MWR activity. Any revenue received will be categorized as a non-operating revenue.
 - Ms. Sonia Daugherty noted that the Army currently treats recycling as operating income but sees no issue treating as non-operating income.
 - Ms. Nancy Stephens stated that the Navy agrees with excluding recycling as an MWR activity and treating as non-operating income. Ms. Stephens noted that the Navy would like to research their accounting standards before offering final concurrence. Ms. Stephens also opined that the paper should not refer to Recycling as “Category A” since Recycling is not an MWR activity
 - All Services concurred with the first recommendation of excluding Recycling as an MWR activity and treating it as a non-operating income.
 - Mr. Blain acknowledged the Navy’s position and explained that the position paper will move towards final concurrence barring any unexpected findings from the Navy’s research. Mr. Blain also noted the position paper will be updated to remove the “Category A” language.
- Mr. Blain then proceeded to the last position paper: Unemployment Insurance (PP # 34).
 - This paper recommends that the Services treat Unemployment Insurance liabilities as contingent liabilities consistent with FASAB and GAAP 450.20 guidance. The paper also recommends the addition of a new GLAC, “Post Employment Benefit Expenses”, to record expenses related to unemployment compensation.
 - Ms. Karnafel stated the Air Force currently does not have reserve accounts for the long-term liability portion. They reimburse state employment funds for qualifying NAFI funds and will need to update the crosswalks to match the NAFSGL.
 - Ms. Stephens clarified that the Navy has a benefits expense account. For the long-term liability, the Navy has a reserves account for any future claims. The Navy concurred with the position paper recommendation.
 - Ms. Craddock noted that they would need more time to review the recommendation. Ms. Craddock explained that the Marine Corps currently has a separate liability account for any expenses that need to be paid out.
 - Ms. Daugherty stated the Army would also need more time to review the position paper.

Wrap-up & Action Items – Mr. Mike Curtis, MWR & Resale Policy

- Mr. Curtis ended the working group discussion by acknowledging the remaining position papers, Direct Overhead/Common Support Functions (PP #15) and Depreciation Allocation (PP #17) will be discussed during the 2019 March workshop.



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The working group did not raise any additional questions and Mr. Curtis concluded the meeting.

Action items

- OSD and the Grant Thornton team will update Position Papers #16, #30, #32, #33.
 - Other Service Managed Revenue (PP #16): OSD and Grant Thornton will create a new position paper regarding third-party vendors and remove the American Forces Travel Program language from the existing position paper.
 - Flexible Spending Plans (PP #30): OSD and Grant Thornton will remove recommendation B from the position paper.
 - Recycling (PP # 32): OSD and Grant Thornton will take the “Category A” reference out of the paper.
 - Stale Checks (PP # 33): OSD and Grant Thornton will add verbiage stating the Services have the authority to implement a more stringent policy than the recommended 1-year cutoff date.
- OSD and Grant Thornton will schedule a follow-up meeting with the Marine Corps to discuss: Capital project Accounting (PP#22) and Revenue from Goods vs Revenue from Services (PP#25).
- The Navy will provide additional feedback regarding the Recycling position paper (PP #32).
- The Army will provide additional feedback regarding the Workers’ Compensation position paper (PP #18).