

NAFSGL Working Group Meeting Minutes

Thursday, March 26, 2015

9:00 AM – 12:00 PM

Attendees

- MC&FP
 - Justin Hall, Mike Curtis
- Army Secretariat
 - Robert Pickering
- Air Force MWR AF SVA/SVF
 - Cheryl Basil
- Army IMCOM
 - Bryan Hartsell, Sonia Daugherty
- USMC
 - Pat Craddock, Courtney Pulis
- Navy CNIC
 - Daryl Davis, Nancy Stephens, Robin Bedsole
- OSD-C
 - Tony Wisdom
- DFAS-IN
 - Zel Leach
- DFAS Texarkana (Army)
 - Lena Anderson
- Grant Thornton
 - Jeremy Blain, Tina Cooper, Mark Douek

Action Items Summary:

- **MC&FP** to send out Secretariat briefing slides to Services before meetings on April 8th and 9th.
- **Services** to research how they calculate and define the acid-test and current ratios. Will also report back how they treat cash set aside for long-term investments and will recommend a number for each ratio.
- **Services** to look over useful life recommendations in graphs and respond with concurrence or recommendation of their own.
- **Grant Thornton** to rewrite allowance for doubtful accounts decision document to exclude wording about footnotes to the financial statements.

OSD Update – Mr. Justin Hall, Assistant Director, MWR & Resale Policy

- NAFSGL Package Status – Checked to see if everyone has received the NAFSGL package to review. Cheryl had not yet received it but A1S has it. Bryan and Robert had not seen the package but Coleen Amstein received it.
- Each Military Department will have a status update from MC&FP on the overall project progress. Representatives from the Services will be invited too. These are tentatively

scheduled for April 8th and 9th. Topics will include NAFSGL, reporting and repository update, policy standardization, NAF website, change management, etc.

- **Action Item:** MC&FP to send out briefing slides to Services beforehand.
- Clarifications about NAFSGL Package
 - There is no requirement to manually key in transactions. Services can use background tables and as much automation as desired.
 - All the lists sent out are living documents that will be periodically updated. What needs to be approved and should not change is the framework of the reporting elements.
 - If a Service has to create a new cost center for every MOA, it can do so as long as those cost centers roll up into the existing NAFSGL cost centers and can be reported on according to the NAFSGL elements.

DoD NAF Policy & Procedure Updates: Governance Structure – Mr. Jeremy Blain

- The document is a draft governance structure that the NAF Accounting Standards Board would use to guide it when making policy and NAFSGL changes.
- The goal is to allow changes to happen easily with as little coordination as possible when appropriate.
- There are four types of changes
 - **1. Protected Items:** Includes changes to DoDI or FMR content. This will require formal coordination.
 - **2. Policy Hosted on NAF Website:** Includes policy that has been moved from the DoDI or FMR to the website and includes any changes to the NAFSGL that will affect accounting policy. This will require coordination and review but will be as fluid as possible.
 - **3. Mid-level Updates:** Includes additions to an existing list in the NAFSGL (other than the installation list) and changes to procedures that stem from policy. This will require a vote by the Account Standards Board and a recommendation from the board.
 - **4. Administrative Updates:** This includes fixing typos, adding or removing an installation, etc. A notification from MC&FP will suffice to create the change.
- MC&FP will administer the website and make updates to the website when a change has been approved.
- The Military Exchange chart of accounts can be placed on the website if it would be useful to the Exchanges.
- Minor changes can be submitted via email and board can make decisions via email if that would be more efficient.
- Services agreed to the four-tier structure of changes.

Accounting Policy Standardization Update – Mr. Jeremy Blain / Mr. Mark Douek, GT

- Acid-test and Current Ratios
 - Justin suggested the acid test ratio of 1:1 is sufficient where it currently stands. This is because the Services have a lot of current liabilities like accrued leave and comp time that won't be called due in the year.

- The Services have high acid-test and current ratios since they have a lot of cash set aside for long-term investments like construction. This cash won't be used to pay for current liabilities.
- Services agreed that 1:1 is a good level for the acid-test ratio and that 1.5:1 is a good level for the current ratio.
- Each of the Services has its own way to calculate the ratios and they have different ways of excluding cash set aside for long term projects from the ratio calculations.
- **Action Item:** Services to research how they calculate and define the acid-test and current ratios. Will also report back how they treat cash set aside for long-term investments and will recommend a number for each ratio.
- Useful lives Expectancy Analysis
 - Buildings
 - Navy – Uses 30 year expected life as maximum. Auditors told them to drop number from 40 to 30 years since 30 is industry standard.
 - Marines – Auditors told them to choose either 30 years or 40 years but not both. Chose 30 years since most of their buildings last around 30 years.
 - Air Force – Uses 30 years as the maximum but uses 20 years for some portable buildings.
 - Army – Uses 30 years for permanent buildings.
 - Recommendation is to use a range of 20-30 years for permanent building and use 2-10 years for re-locatable/portable buildings.
 - Building Improvements
 - Army – building improvements are 5-10 years
 - Air Force – numbers listed in chart are incorrect
 - Recommendation is to use range of 5-20 years
 - **Action Item:** Services to look over useful life recommendations in graphs and respond with concurrence or recommendation of their own.
- Extraordinary Items Decision Document
 - Recommendation is to adopt GAAP language of “unusual and infrequent” in the FMR and to separate base closures from extraordinary items in income statement.
 - All Services agreed to this recommendation
- Salvage Value Decision Document
 - Recommendation is to keep FMR policy of deducting salvage value form the asset value only when it exceeds 10% or more of original asset cost and for Services to adopt this method.
 - All Services agreed to this recommendation
- Allowance for Doubtful Accounts Decision Document
 - Initial recommendation was to re-word FMR to allow for direct write-off method when bad debt expense is expected to be immaterial and to allow a mix of the allowance method and direct write-off method when bad debt expense would be immaterial were it not for a limited number of accounts receivable sub-accounts with material bad debt expense. In this case, the allowance method would only need to be used for the material bad debt expense. Services would have to note in the footnotes to the financial statements when the hybrid method is used.

- After discussion it was decided to adopt the recommendation without the wording about the footnotes to the financial statements. Service auditors will decide whether or not footnotes are required.
- **Action Item:** Grant Thornton to rewrite decision document to exclude wording about footnotes to the financial statements.

NAF Reporting Process and Data Repository Update and Next Steps – Ms. Tina Cooper, GT

- Site visits were very productive and provided GT helpful insights into the scope of the reporting process and the challenges
- Noted several similarities across the services:
 - NAF Financial Assessment Report tab in the Metrics Report was high on the "Pain Index" and the usefulness of the information was questioned.
 - Timing and treatment of when certain transactions are posted on the APF and NAF sides led to some discrepancies in how much APF support really was used.
 - All services talked about the desire for greater specificity and clarify in data requests in the reports - the common account code structure should provide the additional specificity as well as consistency from one service to the next.
- Next Steps: Requesting data from each of the services (the data that was used to build this year's 2014 program briefing and Metric/Standard Report)
- Work with reporting staff at each service to understand the data provided and "re-create" the annual report inputs to validate that we're able to aggregate the right information. (GT team would then build the data repository/reporting tool based on proper roll-ups and application of the service's information).
- Meet with Carol and Mike to discuss the data requirements, figuring out the appropriate data to request and how to format the new reporting templates to address the needs.
- Will work with Services to craft and implement key messaging that can be communicated to all relevant levels of employees.

Wrap Up – Mr. Justin Hall

- Mike Curtis will create the NAF Accounting Standards Board memo which should go out in late April or early May. The Exchanges will be involved as well and there will be an opportunity for an informal review.
- Currently updating the DoDI 1015.15. Adding in policies and decisions from the parking lot item decision documents. Plan is to get the DoDI out for an informal review in June. The second stage will be to reorganize the document and pull out items that can be hosted elsewhere.
- MC&FP, DFAS and OSD-C will meet to discuss what items in the DoDI and FMR can move to the website.
- Next working group scheduled for April 23rd.