

# NAFSG Working Group Meeting Minutes

Thursday, April 23, 2015

9:00 AM – 11:00 AM EST

## Attendees

- MC&FP
  - Mike Kelly, Justin Hall, Mike Curtis
- DFAS-Indianapolis
  - Zel Leach
- DFAS-Texarkana
  - Mitch Covington
- Army Secretariat
  - Robert Pickering
- Navy Secretariat
  - Lisa Sexauer
- Air Force Services Activity
  - Cheryl Basil
- Army IMCOM G-9
  - Bryan Hartsell, Sonia Daugherty
- USMC MCCA
  - Pat Craddock, Courtney Pulis
- Navy CNIC
  - Daryl Davis, Nancy Stephens
- Grant Thornton
  - Jeremy Blain, Tina Cooper, Mark Douek

## Action Items from Previous Meeting

- **MC&FP** to send out Secretariat briefing slides to Services before meetings: COMPLETED
- **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: COMPLETED.
- **Services** to look over useful life recommendations in graphs and respond with concurrence or recommendation of their own: COMPLETED.
- **Grant Thornton** to rewrite allowance for doubtful accounts decision document to exclude wording about footnotes to the financial statements: COMPLETED.

## Action Items Still Open

- None

## Action Items Summary

### Grant Thornton

- Grant Thornton to exclude prepaid expenses from the calculation of the acid-test ratio
- Grant Thornton to change useful life recommendation for computer hardware to 2-7 years; change land improvements to 10-25 years

### Services

- Services to send requests and rationale to MC&FP if desire individual acid-test ratio standards for the different business lines
- Services to look into recommendation for computer hardware and software useful lives as well as land improvements
- Services to review useful lives recommendations in the decision document and report feedback

#### **MC&FP**

- MC&FP will begin to draft an Accounting Standards Board charter that will incorporate the governance items discussed in this meeting.

#### **Welcome and Introductions – Mr. Mike Kelly, Director, MWR & Resale Policy**

- Thanked all working group members for their effort in this project
- Thanked those who submitted feedback on NAFSGL package to OSD
- Reminded those who did not submit feedback to do so

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

- MC&FP met with Service Secretariats to brief them on the NAFSGL package and to brief them on the broader project tasks
- Draft changes to the DoDI 1015.15 will be sent out to working group members in the upcoming weeks in order to receive informal feedback
  - The revised DoDI 1015.15 will include policies written since the last version was published and will include relevant recommendations from the NAF accounting working group's decision documents

#### **Initiative Status Update – Mr. Jeremy Blain, Grant Thornton**

- One of the next steps is to work with Services to build the reporting data repository
- Goal of repository is to make reporting more efficient and more accurate
- Another next step is to assist Services with change management and communication of new NAFSGL products

#### **Accounting Policy Standardization Update – Mr. Jeremy Blain / Mr. Mark Douek, Grant Thornton**

- Policy will be kept in the DoDI's and accounting pieces will likely be moved to the FMR
- The next revision of the DoDI 1015.15 and the FMR vol. 13 could likely have more Exchanges accounting policy
- Re-write of the Allowance for Doubtful Accounts Decision Document
  - Working group agreed to close out discussion of this topic and move forward with the decision document's recommendation
- Acid-test Decision Document
  - Decision was to not alter the accepted ratio definition nor to increase the standard from 1:1
  - It is important to have the ratio defined as it is commonly understood
  - Even though the Services have large cash balances set aside for investments like capital projects, the Services also have large worker-related current liabilities like annual leave.

These assets and liabilities should, to a certain extent, offset each other and ensure that the ratio is an accurate measure of liquidity.

- The hope is that the acid-test ratio and a listing of what each Services' cash balances are set aside for will give an accurate picture of the Services' cash situation
- **Action Item:** Grant Thornton to exclude prepaid expenses from the calculation of the acid-test ratio
- MC&FP is open to establishing different acid-test ratio standards for the different major business lines. For example, the exchange standard could be different from the lodging standard
- **Action Item:** Services to send requests and rationale to MC&FP if desire individual acid-test ratio standards for the different business lines
- Asset Useful Life Expectancy Decision Document
  - **Action Item:** Grant Thornton to change useful life recommendation for computer hardware to 2-7 years; change land improvements to 10-25 years
  - **Action Item:** Services to look into recommendation for computer hardware and software useful lives as well as land improvements
  - **Action Item:** Services to review useful lives recommendations in the decision document and report feedback
- Allocation of Shared Services discussion
  - Navy allocates overhead accounting costs between different funds based on the number of transactions used by each fund. Allocates to programs based on net NAF expense at the program level.
  - Marine Corps only allocates overhead for reporting purposes. Allocates based on number of full-time equivalent employees supporting MWR or the Exchanges.
  - Army does not allocate overhead costs at the headquarters level
  - Air Force allocates to other NAFI's that are serviced on a specific installation. Allocates at base and NAFI level. For accounting it allocates based on number of transactions; for HR services it allocates based on number of employees.

#### **Draft Governance Structure and Matrix – Mr. Jeremy Blain, Grant Thornton**

- Any changes to NAF accounting will fall under one of four governance levels
- The coordination process for effecting the change will differ depending on which level the change falls under
- The goal is to balance coordination efforts with what should remain in the full control of the Services
- This framework, when finalized, will be coordinated through the Secretariat level for approval
- When accounting issues need to be resolved by the Accounting Standards Board in a short time-frame, email coordination could take the place of meetings
- Level 1 – Policy
  - All working group members agreed to the proposed structure of this level
- Level 2 – Compliance Documents Hosted on NAF Website
  - Goal of this level is to have a shorter coordination process for items in this level than the current DoDI or FMR coordination process
  - All working group members agreed to the proposed structure of this level
- Level 3 – Mid-level Updates (to be renamed Operation Level Updates)
  - Agreed that changes in this level do not need to be coordinated through the Secretariats

- All working group members agreed to the proposed structure of this level
- Level 4 – Administrative Updates
  - All working group members agreed to the proposed structure of this level
- **Action Item:** MC&FP will begin to draft an Accounting Standards Board charter that will incorporate the governance items discussed in this meeting.

**Wrap up – Mr. Justin Hall, Assistant Director, MWR & Resale Policy**

- There will not be a May working group session
- Next working group session is scheduled for June 18<sup>th</sup>