

NAFSG Working Group Meeting Minutes

Thursday, July 23, 2015

9:00 AM – 11:30 AM EST

Attendees

- MC&FP
 - Justin Hall, Mike Curtis
- DFAS-Texarkana
 - Mitch Covington, Lena Anderson
- DFAS-Indianapolis
 - Lazaleus Leach
- Air Force Services Activity
 - Cheryl Basil, Jane Belinfante
- Army IMCOM G-9
 - Sonia Daugherty
- Army Secretariat
 - Coleen Amstein
- USMC MCCA
 - Pat Craddock, Courtney Pulis
- Navy CNIC
 - Robin Bedsole, Nancy Stephens
- Navy Secretariat
 - Pamela Beward
- Grant Thornton
 - Jeremy Blain, Sara Carver, Adam Planchock, Stephen Pomager

Action Items from Previous Meeting

- **Grant Thornton** to replace the language regarding COGS from shall to may: COMPLETED
- **Grant Thornton** to research pension plans to determine how it should be presented in the financial statement: COMPLETED
- **Grant Thornton** to add an operating expense for Insurance Premiums which will exclude workers compensation: COMPLETED
- **Grant Thornton** to research commercial practices on handling depreciation as an operating or non-operating expense and provide a recommendation: COMPLETED
- **Services** to review the GLAC Mapping for Financial Statements and provide input: COMPLETED

Action Items Still Open

- None

Action Items Summary

Grant Thornton

- Grant Thornton to set up one-on-one follow-up sessions with each Service to understand how depreciation is being classified and to further discuss the financial statement mapping
- Grant Thornton to prepare a decision document regarding depreciation
- Grant Thornton to change the language on the balance sheet mapping so current and non-current assets and liabilities have same wording

MC&FP

- MC&FP to send out responses for questions regarding pool tables, pool maintenance, and beaches
- MC&FP to research the requirement for a Reconciliation of Net Worth
- MC&FP to send out the accounting standards governance framework for review

Welcome and Introductions – Mr. Justin Hall, Director, MWR & Resale Policy

- Thanked all working group members for their effort in this project

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

- Announced, as of June 30th, the NAFSGL was approved and signed by Ms. Stephanie Barna, Assistant Secretary of Defense for Readiness and Force Management ((ASD(R&FM))
- The NAFSGL project was submitted for recognition and has been signed and approved for an OSD WHS Group Achievement award. Waiting on the certificates and plan to schedule a ceremony to present the award
- Next step is to get approved NAFSGL and signed on a website which is currently in the works and more will follow shortly

NAFSGL Updates & Revisions – Mr. Jeremy Blain / Mr. Stephen Pomager, GT

- Recommended spending time in the next meeting to go over the GLAC numbering and look at gaps to accommodate any changes to the GLACs
- Shared the responses from questions submitted by the Services for clarification regarding the following topics. Everyone agreed with the responses.
 - Pool tables as arcade machines
 - Pool maintenance
 - Beaches
- **Action Item:** MC&FP will share the write-up of questions and responses with the group via email
- Additionally, USMC questioned how activity and cost center codes are to be recorded in the metrics report each year. Mr. Hall responded that metric reports are reported by function and separated by categorization separate from the financial statements. Air Force, CNIC, and Army agree with this treatment.

Accounting Policy Standardization Update – Mr. Jeremy Blain / Mr. Stephen Pomager, GT

- *Balance Sheet*
 - Grant Thornton walked through a few changes to the draft financial statement mapping documents. The main item noted is the classification of “Other” (Lines 4, 13, 18, and 22) and how each service will handle other that may need to be more specific or material for each NAFI or Service. Some services may have material things that need to be displayed. The goal is to come up with specific language.
 - The second item is the name change of “Post-Retirement and Pension Benefits” (Lines 12, 17, and 21) throughout the balance sheet. The goal is to have consistent presentation in the balance sheet so it is comparable across services.
 - All services were good with this document.
 - **Action Item:** Grant Thornton is going to change the wording of current and non-current (vs. short term and long term) assets and liabilities to match.

- *Income Statement*
 - Discussion around depreciation as operating or non-operating. Based on approved NAFSGL packet, income and expense was differentiated between operating and non-operating. For consistency, income and expenses will be separated this way on the FMR financials.
 - **Action Item:** Grant Thornton to prepare a decision document regarding depreciation
 - Another item discussed was Other Income and Other Expenses to show what is material and not limit the entity reporting while understanding that certain things may need to be broken out.
 - **Action Item:** The need for one-on-one discussions with each service around depreciation and other financial statement topics was agreed.
 - Grant Thornton pointed out that COGS definition was adjusted to calculate COGS so it allows for both periodic and perpetual.
 - Regarding Extraordinary Items, based on the Extraordinary Items decision document, need to net Extraordinary Income and Expense and present on one line on the income statement and add an Installation Closure Actions line and corresponding GLAC.
 - USMC asked question around the removal of Schedule A which was verified. Per OSD, Schedule A (and the entire Enclosure 8 of DoDI 1015.15 was cancelled and the metric and program report were created to replace it. In the future with the rewrite of the policy, they are going to incorporate something similar to program and metric reports in order to continue to capture APF support to report to Congress. The financial statement presentation is different from the internal and management reporting.
- *Statement of Cash Flows*
 - Grant Thornton asked each service how they are generating this report to date
 - USMC: Report is tied into their financial management system and they do a few manual reconciliations. The process looks similar with financing activities having the biggest differences.
 - Navy: Report is a semi-manual and automated process taking the balances sheet and changes into account.
 - Army: Entirely manual process with a few adjustments. It does not contain much detail.
 - Air Force: Report is calculated manually and all bases are required to do it quarterly. The process looks similar to the mapping document.
- *Reconciliation of Net Worth*
 - Grant Thornton noted this has not changed much from the FMR presentation.
 - Grant Thornton asked each service how they are generating this report to date
 - Air Force: This is completed in conjunction with the pulling together of DOD reports and it's done the same way it is laid out in the mapping document. Air Force questions the background around the need for this report.
 - **Action item:** OSD is going to research the reason(s) for requiring this financial statement and make sure it's clear on exactly what we need and why we need it. USMC MCCA recalled a GAO audit 10 years ago on each Services Reconciliation of Net Worth.
 - Army: Has not been completing this report separately. It is done in the equity section of the balance sheet.
 - Navy: Their report is called Changes of Net Deficit which is prepared manually.
 - USMC: Their report looks similar but is a simpler format that is completed manually and split between Exchange and MWR.

NAF Accounting Standards Governance Framework Update – Mr. Justin Hall, MWR & Resale Policy

- Informed the group that OSD is currently working on this and will send out a revised governance framework document the week of July 27 for review

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

- Summary of action and due outs
- Next working group session is scheduled for August 20th
- Everyone was okay with the meeting schedule for the next 12 months