

NAFSG Working Group Meeting Minutes  
Thursday, August 20, 2015  
9:00 AM – 10:30 AM EST

**Attendees**

- MC&FP
  - Mike Curtis
- ACSIM
  - Elizabeth Fremrite
- SAF/FM
  - Lt. Col. Sara Custer
- DFAS-Texarkana
  - Lena Anderson
- Air Force Services Activity
  - Cheryl Basil, Katie Brindle
- Army IMCOM G-9
  - Bryan Hartsell, Tina Hudson, Sonia Daugherty,
- USMC MCCS
  - Pat Craddock, Courtney Pulis
- Navy CNIC
  - Daryl Davis, Nancy Stephens
- Grant Thornton (GT)
  - Jeremy Blain, Sara Carver, Mike Casias, Stephen Pomager

**Action Items from Previous Meeting**

- Grant Thornton to set up one-on-one follow up sessions with Services to understand how depreciation is being classified: COMPLETE
- Grant Thornton to prepare a decision document regarding depreciation: COMPLETE
- Grant Thornton to change the language on the balance sheet mapping so current and non-current assets and liabilities have same wording: COMPLETE
- MC&FP to send out responses for questions regarding pool tables, pool maintenance, and beaches: COMPLETE
- MC&FP to research the drive for the completion of the Reconciliation of Net Worth: COMPLETE
- MC&FP to send out the governance framework for review: COMPLETE

**Action Items Still Open**

- None

**Action Items Summary**

**Grant Thornton**

- Grant Thornton will look at current GLAC groupings, specifically around operating expenses, non-operating income, and operating income, to renumber and add in breaks for each section. Upon completion, Grant Thornton will send to the group for review.
- Grant Thornton will send the updated decision document for depreciation to the Services for review and concurrence.

- Grant Thornton will work with Air Force to identify specific examples in dealing with closed clubs guidance.
- Grant Thornton to collect and distribute the audited financial statements for each Service for the past 2-3 years.

#### **MC&FP**

- MC&FP will communicate the issue around consolidated operations with multiple programs/activities to the Secretariat and the MWR Policy team to ensure awareness and, if needed, develop policy.
- After data collection (examples) from Air Force, MC&FP will assist with issues resulting from “pop-up” lounges and non-sanctioned clubs.

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

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

- The OSD Group Achievement Award was approved by Ms. Barna and the certificates have been prepared. MC&FP is trying to put together an opportunity to present the certificates.
- NAF Accounting website is at a 90% solution and they are currently working on getting individuals access to test. The main purpose of the website is to house the NAFSGL.

##### **Financial Ratios – Mr. Jeremy Blain / Mr. Mike Casias, GT**

- Grant Thornton addressed this topic with each of the Services in the one-on-one meetings. Research revealed the Services are not using the majority of ratios presented in the FMR. The recommendation is to leave the ratios in the FMR as optional but continue collecting the Quick Ratio and Current Ratio in the MWR program and metric report.
- No other ratios were recommended from the Services.

##### **Treatment of Depreciation– – Mr. Jeremy Blain / Mr. Stephen Pomager, GT**

- All Services concur with the treatment of depreciation as an operating expense.
- Grant Thornton will send out the decision document for depreciation to each of the Services for comments and concurrence.

##### **GLAC and Chart of Accounts Numbering – Mr. Jeremy Blain / Mr. Stephen Pomager, GT**

- No issues identified from the Service on the GLAC mapping.
- Grant Thornton questioned the group for comments on breaking up the grouping on certain sections (operating expense, non-operating expense, and operating income) to allow for the addition of breaks. This would not be a change to the account titles or purposes.
  - Air Force agrees that grouping them in clusters to give managers a set of numbers they can recognize as a material related expense or personnel expense would make it a lot easier from an understanding of a financial statement.
  - Navy is comfortable with this
  - USMC is good with the way things are, however, would like to have extra reserved spots within clusters to ensure future adaptability.
- Grant Thornton will make changes to the groupings and send this out to the group for review.
- No additional concerns regarding GLAC numbering from the Services.

### **Consolidation Operations and Allocations – Mr. Jeremy Blain, GT**

- Discussed treatment of revenues and expenses for situations where multiple programs are delivered out of a single building. For example, Navy’s “Community Recreation” or Air Force’s “Community Commons” (see Community Recreation Programs ppt. from CNIC).
- Grant Thornton surveyed the group for responses on how they currently handle this.
  - Navy: They have the community rec program which is a bundling of existing programs with some enhancements. Their idea is they would be able to sort that data back into the current reporting structure so that when they do the metric report or other reports they continue to report outdoor rec separate from parks and picnic activity. The challenge is the allocation of labor.
  - Air Force: All employees are hired to a specific cost center. In current operations, if they have someone they need to transfer from dining room to bar for labor, they set up the transfer between cost centers and number of hours worked is transferred. All employees have to have a home cost center. From that cost center, they transfer the amount of labor to the other cost center. This is done on a monthly basis.
  - USMC: They operate similar to Air Force. They have a time and labor system that allows cost center overrides when an employee moves between cost centers. A time study was done where managers of facilities track the hours and then all agreed to the allocation percentages along with the CFO who subsequently set up the entries to move labor based on the percentages that were agreed upon. This was done once.
  - Army: Concur with the approaches so far. They are focused on the larger amounts for cost transfer – such as 40% of time one place and 60% another. This is done by pay period and accounting does the transfers. The frequency is less as far as amount of transactions but frequently completed.
- Air Force requests that DoD post something stating that a new delivery model does not constitute a new MWR program and existing cost center will be used to track those programs given that everyone is creating these new common delivery methods and all the services feel the same way by tracking by existing programs. They are getting a lot of push back.
- MC&FP will communicate this to Secretariat and the MWR Policy team to ensure everyone is aware and this is incorporated, if necessary, in the policy in the future.

### **Additional Topics Discussed – Mr. Jeremy Blain, GT**

- Grant Thornton surveyed the group to see if the Services would be able to share their most recent audited financial reports to their colleagues in the working group.
  - No one has any objections. The group will send the last 2-3 years’ worth of statements to Grant Thornton who will distribute to the group in some manner – potentially the new SharePoint site.
- Grant Thornton summarized an issue identified in the one-on-one meetings regarding closed club operations. It was noted some services have noticed a trend where clubs have been losing money so many commanders are shutting down club operations and reopening some kind of lounge/break area. Grant Thornton surveyed the group to see how the services are handling this and if it’s a problem. Can we give base commanders the right tools to manage without opening things not in policy or regulations (example: conference centers).
  - Army: No pervasive issues in this arena. They have closed clubs based on financial stability and have places that open lounges but open a new location code for this treating it as a Cat C unless it’s a true lounge. They put unit lounges in Army code HC for a recreation center (Category A). Rec center can contain minimal snack bar things but

when sales and pure NAF activities end up generating more activity than ~25% they need to recode to Category C (more issues with java cafes than alcohol sales).

- Navy: Navy has not come across this yet.
- Air Force: Air Force is having a real problem with clubs losing money, closing the club, and then they realize they need a bar operation. Their solution is to open a lounge operation under the community activity center however the problem is the community center may be opened on main base but the lounge is opened in the old club. They are coming up with unique ways to go around the rules so they need help to get them to follow the guidance. Unit lounges are not authorized on Air Force bases. Grant Thornton & MC&FP will help assist with this issue.
- Army: Army has had a couple individuals try this but they went back to the regions and told them they need to shut it down because NAF funds can't be used for that operations and had good responses.
- USMC: They are not aware of this currently happening. They are going through a club review right now to study unprofitable club and put together business plans to support them. They will take this information back to the club manager and ask.
- Treatment of Birthday Balls – USMC surveyed the group to see how they were handling the birthday balls:
  - Navy: The amount they will fund is based on the level of attendance. They issue a grant to cover up to a certain amount based on attendance. They limit the type of expenses they will cover. The grant get eliminated so they don't affect the metric report.
  - Army: They do not provide any funding to any garrison level events for balls. If they want to do that, they need sponsorships or donations. At the headquarter level, they support the Army Birthday Ball. All associated costs are offset by ticket sales or donations. If it's at the garrison level, they are probably related to community wide events Category C code so it is rolled up in whatever location is utilized.
  - Air Force: If it is held on base, it is done through the club as a special event/party and paid for by the individuals attending or donations from a private organization. NAF may be used from special morale and welfare money for a cake but the actual function is not an MWR program so category C and NAFs aren't expended.

#### **NAF Accounting Standards Board Charter Update – Mr. Mike Curtis, MWR & Resale Policy**

- Review of the draft DoD NAF Accounting Standards Governance Framework document.
  - The Services had no comments or edits to the document. Any follow up comments or edits can be discussed at the next meeting following further review.
  - MC&FP confirmed this Charter will be staffed with all stakeholders.

#### **Wrap up – Mr. Mike Curtis, MWR & Resale Policy**

- Summary of action and due outs
- Next meeting – 24 September 2015