

NAFSGL Working Group Meeting Minutes

Thursday, October 22, 2015

9:00 AM – 10:00 AM EST

Attendees

- MC&FP, MWR & Resale Policy
 - Mike Kelly, Paulette Freese, Mike Curtis
- DFAS – Indianapolis
 - Lazaleus Leach
- SAF/MR
 - Lt. Col. Sara Custer
- Air Force Services Activity
 - Cheryl Basil, Katie Brindle
- Army ACSIM
 - Robert Pickering
- Army IMCOM G-9
 - Sonia Daugherty
- Navy Secretariat
 - Pamela Beward
- Navy CNIC
 - Robin Bedsole
- USMC MCCA
 - Pat Craddock, Courtney Pulis
- Grant Thornton (GT)
 - Jeremy Blain, Sara Carver, Mike Casias

Action Items from Previous Meeting

- **Grant Thornton** will adjust the GLAC grouping by moving *Travel Personnel Expense* and *Transportation Expense* from 505-519 to section 520-534. *Travel Personnel Expense* will also be changed to *Travel Expense* in order to not limit the account to only NAF civilian employees; definition will be adjusted in NAFSGL Chart of Accounts: COMPLETED
- **MC&FP** will send out the group achievement award certificates and DVDs: OPEN
- **MC&FP** will send out communication of the change in GLAC mapping accounts referenced above: COMPLETED
- **MC&FP** will send out Enclosure 8 Section 3.3.2 which provides sufficient policy backing for cost allocation requirements: COMPLETED

Action Items Still Open

- **MC&FP** will send out the group achievement award certificates and DVDs

Action Items Summary

- None

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

- Mike Kelly thanked everyone for their progress. He reminded the group we are within 12 months of the actual implementation date so it's time to concentrate on the communication and training in order to make the implementation go as smoothly as possible.
- Mike Kelly mentioned an item about break-even and whether we measure it based on bottom line or make adjustments for major non-cash elements - the biggest being depreciation. He suggested this is not an either/or proposition- both have merits depending on what we want to look at. If we are looking to see how many of our NAFIs are "going concerns" to sustain current operations, then we should gravitate toward bottom line net income. If we are using it as a warning system to identify the NAFIs that are getting themselves into a cash problem, then we want to make the adjustment for depreciation. In the NAF universe, we probably need to be looking at both of these measures. The bigger question is "for what purpose?" He encouraged an open mind and to consider all of the possibilities.

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

- MC&FP provided the following updates:
 - OSD is still working on the group award.
 - In terms of the Board charter, this is still ongoing. Once it is settled and reviewed by Mr. Kelly, it will be sent out to the group for coordination and review. This will hopefully be out by the next meeting.
 - Provided a reminder to make sure everyone sends their audited financial statements for last 2-3 years so we can share these.
 - Walked through the September meeting minute action items to ensure they were all complete.
 - MC&FP is working with Grant Thornton to revise the 1015.15. They are hoping to get this out before the end of the calendar year to the group for review.
 - Plan to get the annual Metric/Program reports currently being revised out in a timely fashion – hopefully by the first week of December
- Zel asked a question around the policy revisions schedule. Mike Curtis informed the group MC&FP is thinking of making the DoDI 1015.15 as the main go-to policy for NAF. MC&FP will create a guide of the major changes. The MWR policy side is also working at the 1015.10 at the same time.
- MC&FP office is up to a full staff with 10 employees. They are all working on many different MWR policy revisions (construction, procurement, civilian MWR, etc.). They are making sure there are good cross referencing between all of these documents.

Break Even Research – Mr. Jeremy Blain & Mr. Mike Casias, Grant Thornton (GT)

- The intent is to discuss the current definition of break-even for each Service as defined in current policies and discuss the pros and cons of moving towards a focus on profitability and net income. Grant Thornton did research around commercial practices to see if there were indicators and methodologies used in similar industries to think about how to structure this future analysis.
- Grant Thornton walked through the research document provided ahead of time on net income and break even to begin the discussion around the pros and cons of moving towards a focus on profitability.

- MC&FP is looking for help to see what the Services look at that they would want to pay attention to at the OSD level. MC&FP stresses the importance of consistency in regards to the definition.
 - Air Force has always used NIAD (net income, adjusted for depreciation) –They calculate net income and add back in the depreciation and gain or sell of an asset. This is the number they use when they evaluate their activities for profitability.
 - Army uses NIBD (net income before depreciation), which also adds depreciation to net income.
 - USMC focuses on net income after expenses to drive the dividend split and capitalization.
 - Navy excludes depreciation in their calculation of periodic results.
- MC&FP will look at a methodology using both and having a situational standard instead of identifying one method verses another.

Implementation Communication Plan – Mr. Jeremy Blain, Grant Thornton (GT)

- MC&FP explains they want to put together one briefing to solve two different issues. This is a tool for the Services to use in their communication plan regarding the financial system roll outs.
- Grant Thornton indicates there are a couple parts to this presentation and explains they are trying to get ahead of the implementation due date. They put together a deck to 1). Brief senior leadership and 2). Use as a training for FM managers/garrison level to help translate the structure and define how the different components fit in the general ledger. Grant Thornton is looking for questions and comments regarding missing content or additional areas of support.
- MC&FP informed the group if there is anything they can do to help with the NAFSGL implementation due date to please reach out.
- USMC had a question regarding the decision documents – at what point in the decision document process are we clear to work on implementing their policies and procedures? MC&FP informed the group these will be brought up at the NAF Accounting Standards Board, once it is chartered and begins meeting. The final word on the decision documents will come through either an internal memo (interim policy change) or an email sent out from MC&FP indicating the changes.

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

- Summary of actions and due outs
 - No direct due outs coming out of this meeting.
 - Next meeting we plan to have the draft MWR Program and Metric Report for review; the NAF Accounting Standards Board; and potentially topics around the DoDI 1015.15 throughout the revision process.
- Next meeting— 19 November 2015