NAFSGL Working Group Meeting Minutes

Thursday, January 29, 2015
9:00 AM – 12:00 PM

Attendees: Justin Hall, Mike Curtis (MC&FP), Zel Leach (DFAS-IN), Anthony Wisdom (OUSD-C), Nancy Stephens, Robin Bedsole (Navy CNIC), Sonia Daugherty (Army IMCOM), Lena Anderson (DFAS-Texarkana), Cheryl Basil (Air Force MWR AF SVA/SVF), Courtney Pulis (USMC), Jeremy Blain, Mark Douek, Tina Cooper, Tracy McLoughlin (Grant Thornton)

Action Items Summary:

Grant Thornton
- GT to propose extraordinary items definition that limits account use to events like natural disasters and base closures.
- FMR to be rewritten to require allowance method if bad debt expense is expected to be material. If not, use direct write-off method.

Services
- Services to let GT know if certain cost centers need to be moved/added to a specific activity.
- Services to see if they have credit card transactions that exceed $25k and will let Justin know.
- Marines to look into salvage value issue and will follow-up about whether MC reaches the 10% threshold or not.
- Marines to provide relevant financial statements to GT for data repository effort.

Welcome and Introductions – Mr. Mike Kelly, Director, MWR & Resale Policy
- Mike Kelly expressed his excitement about the progress the working group has made.
- Mike formally welcomed Mike Curtis to the working group.
- Justin Hall noted that this working group session is not focusing on the NAFSGL. He and Mike Curtis are working on the approval package and moving information from the FMR to a website.
  - o The package will be sent to the military departments, OSD(C) and DFAS for coordination.
  - o The account code elements are living documents and will continue to be refined and updated.
- Updates to 1015.15: This DoDI is long overdue for an update. Justin met with OGC about NAFI successor funds. Language about successor funds will be tightened up so it is clearer.

Initiative Status Update – Mr. Jeremy Blain, Grant Thornton
- Conducted one-on-one teleconferences with the Services to discuss any last issues.
- The Activities and Cost Centers lists have been joined. This helps identify proper cost centers since certain cost centers align only to specific activities.
- **Action Item:** Services to let GT know if certain cost centers need to be moved/added to a specific activity.
- GT reviewing the final installation lists to delineate between installations and NAFI funds.
- NAFSGL Standard Framework has 24 digits (8 of which are Service specific) but Service financial systems may have more. This is ok. The request is to make sure that OSD requested information can map to the OSD specific 16 digits.

- Mike Curtis and GT will conduct site visits in the next month and a half to discuss IT implementation, reporting, and change management.
- NAF Accounting Board will be used to make changes to account code elements and to relevant policy.
- Courtney asked if the package will address IT system requirements in addition to account code element details.
  - Justin – Yes. The framework diagram is the primary element getting approval and IT systems need to be able to support it. Systems must be able to accommodate OSD data calls.   How that information is retrieved is up to the Services.
  - The common account code elements will be the Services' general ledger. Don't want Services using a different general ledger. However, Services don't need to key in every digit for each transaction. Services can use reference tables and behind-the-scenes automation to enter data.

Policy and Guidance Research and Analysis Preliminary Results – Mr. Mark Douek/Mr. Jeremy Blain
- There are a number of areas where the accounting practices across the Services differ from each other and from the FMR policy.
- **Extraordinary Items:** FMR definition of extraordinary items is not same as GAAP. Neither is the definition that some Services use.
  - **AF –** Accounts used for natural disasters. Used for base closures since it can take months to clean up and close down a base; don't want to confuse data that people use. Complies with GAAP.
  - **Army –** Don't remember extraordinary accounts being used. Complies with GAAP.
  - **MC –** Used for natural disasters. Can't recall last time it was used.
  - **Navy –** Intended to record acts of God like natural disasters. Will adjust definition to use GAAP wording.
  - Zel will work change FMR wording to be in line with GAAP.
  - **Action Item:** GT to propose definition that limits account use to events like natural disasters and base closures.
- **Allowance for Doubtful Accounts:** FMR seems to require use of an allowance for doubtful accounts to record estimated bad debt expense. GAAP requires an allowance for doubtful accounts and does not allow the use of the direct write-off method.
  - **AF –** Has in policy to use allowance for doubtful accounts but does not maintain many in-house receivables so any bad debt expense would be immaterial.
  - **Army –** Garrisons have option of using direct write-off method or allowance method. 90-95% of Garrisons choose the direct write-off method.
  - **MC –** Uses the direct write-off method except for the star card for which they use allowance method. Other than the star card, bad debt isn't material.
  - **Navy –** Uses direct write-off method only. Does not accept many checks anymore and any bad debts will be immaterial.
  - **Action Item:** FMR to be rewritten to require allowance method if bad debt expense is expected to be material. If not, use direct write-off method.
- **Depreciation – Asset Useful Lives:** FMR has a table indicating asset useful lives to use when depreciating assets. Each Service has its own table for depreciation that does not match up with the FMR table.
  - **AF –** Useful lives depend on how the asset is used. The same asset can have two useful lives if used for two different purposes. Does not want to standardize useful lives.

- o **Army –** Has its own table for useful lives that differs from FMR.
- o **MC –** Has its own table for useful lives that differs from FMR; has a minimum to maximum range for each asset.
- o **Navy –** Has its own table for useful lives that differs from FMR.
- o Zel suggests standardizing the lives. Justin suggests pulling the FMR table onto the website.
- **Depreciation – Salvage Value:** FMR requires subtracting salvage value when computing depreciation if salvage value is greater than or equal to 10% of the asset original cost. Only the Marines adopts this language in manual.
  - o **AF** – Never reaches the 10% threshold so this issue is immaterial to AF. In addition, AF transfers assets to DRMO to dispose of them so the AF never actually sells used assets.
  - o **Army** – Never reaches the 10% threshold so this issue is immaterial to the Army. Believes it is more conservative to not use salvage value.
  - o **MC** – **Action Item:** Looking into the issue and will follow-up about whether MC reaches the 10% threshold. MC does adopt FMR language in its policy.
  - o **Navy** – Never reaches the 10% threshold so this issue is immaterial to the Navy.
  - o Since Services do not reach the 10% threshold, the FMR language can be changed or the Services can adopt the FMR language in policies. This would not create a change in accounting practice since Services do not reach 10% threshold.
- **Treasury Credit Card Memo**: According to a Treasury Announcement from July 2014, the transaction dollar-value limit to collect revenue using credit cards has been lowered to $25K. This is the maximum dollar amount allowed for a credit card collection. The limit has been lowered from the previous payment transaction limit of $49,999.99. Furthermore, government departments and agencies are prohibited from splitting the total amount due into multiple payments.. Memo is not clear, but may include NAFI's.
  - o **Action Item:** Services to see if they have credit card transactions that exceed $25k.
  - o Justin will work with NAF legal counsel to have issue resolved if need be.

NAF Reporting Process and Data Repository Strategy and Next Steps – Ms. Tina Cooper, GT
- Will start streamlining data reporting in February. Goal is to make data reporting easier and to ensure OSD gets accurate information when requested from the Services.
- The first stage of the process is to understand the "as-is" reporting and data warehousing. Site visits will help with this.
- Initial implementation of data repository may be a SharePoint site on OSD servers.
- Services generally don't have periodic reports to file other than the 1015.15 report. They do have a lot of ad hoc data requests where data from multiple areas needs to be combined to meet the request.
- The Marines and the Army currently use COGNOS and the Air Force is building a repository.
- Data repository capability requests include ability to compare historical records and see trends over time, data tags to assist in ad hoc requests, and ability to combine data from multiple reports without having to do so manually.
- **Action Item:** Marines to provide relevant financial statements to GT for data repository effort.

Implementation Framework and Key Messaging – Ms. Tracy McLoughlin, GT
- During site visits, will aim to refine key messaging and identify WIFM's for each Service.

- Next step is to start awareness campaign. This will include sending out the account code package, making people aware of the package, writing good news stories, creating a tool kit, and identifying leaders who can champion the message.
- Discussed key messages. Will tweak the messages to incorporate Service inputs.

Wrap-up – Mr. Justin Hall, MWR & Resale Policy
- Next meeting is tentatively scheduled for March 26th.