

DoD NAF Accounting Working Group Meeting Minutes

Thursday, April 19, 2018

0900-1000 EDT

Attendees

- MC&FP
 - Mike Curtis
- DoDIG
 - Lauren McLean
- DFAS – Indianapolis
 - Maranda Summers
 - Mark Atkinson
 - Jordan Jensen
- Army Secretariat
 - Gerald Holliday
- Navy Secretariat
 - Pam Beward
- Army IMCOM G9
 - Sonia Daugherty
- Air Force A-1
 - Lisa Hughes
- AFSVA
 - Connie Lipko, Marcus Whitehead, Peter Nation, Marivic Penman
- MCCS
 - John Johnston, Pat Craddock, Courtney Pulis, Christine Brokaw
- Army – DFAS – Texarkana
 - Lena Anderson
 - Randy Rodgers
- Navy CNIC
 - Jennifer Wilkinson
- Navy OPNAV N46
 - Katy Bloomberg
- Grant Thornton (GT)
 - Jeremy Blain
 - Ariane Whittemore
 - Sumner Higginbotham

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

- Mr. Curtis welcomed everyone, acknowledged that all the Services were present, and thanked everyone for participating.

Action Items from Previous Meeting – Mr. Mike Curtis, MWR & Resale Policy

- No outstanding action items.

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

- Mr. Curtis noted that the GAO has provided verbal indications of what its two formal recommendations are likely to be:
 - Review the APF funding policy, though Chris Wright has spoken with GAO members informed them that MCFP is addressing the issue.
 - Implement new performance metrics for MWR activities, similar to the metrics that are currently available for physical fitness centers and libraries.
- MC&FP is awaiting the GAO report for the formal recommendations and specific information on what kind of metrics should be added.
- Mr. Curtis also noted that Grant Thornton is still working to gain Working Group member access to Tableau Server. There is an issue with the server handling .naf email addresses at this time. Army PA&E expects to resolve the issue.

Comments on DoDI 7600.06 “Audit of Non Appropriated Fund Instrumentalities and Related Activities” – Ms. Lauren McLean, DoD Inspector General’s office

- Ms. McLean thanked everyone for inviting her to the working group meeting. She indicated her office is working with WHS (Washington Headquarters Service) to update the NAFI instructions in regards to how NAFIs are audited. Mr. Curtis noted that a copy of the DoDI 7600.06 had been sent out to the services last week as a read-ahead.
- Ms. McLean noted that the threshold for a NAFI being subject to annual audits is now \$10M in total revenues or expenses, a rise from the previous threshold of \$7M. The DoDIG office is welcoming comments and feedback, and will be evaluating those comments going forward
- Ms. McLean anticipates the new instructions will be complete after 156 working days, and noted that the most recent version of the instructions is from 2012. Ms. McLean specified that there will be multiple opportunities for comments and concerns to be expressed prior to the final release of the DoDI. There will be an informal coordination period followed by a review by the directives division before moving into the formal coordination period. She would like initial comments back in a month.
- Mr. Curtis requested that comments related to the DoDI 7600.06 be sent to him, and then he will pass them along to Ms. McLean. Mr. Curtis also commented that he will provide the master list of recommended edits and changes to the Services so they are aware of the entirety of the recommendations and comments.
- Mr. Johnston requested that a formal deadline be set for initial comments on the DoDI 7600.06. Mr. Curtis agrees and stated there will be a deadline approximately one month from today. Ms. McLean agreed and further asks that the new DoDI 7600.06 be sent to others that may have a stake in the review. The working group determined that the service will gather and consolidate any comments from others to which they provided the DoDI 7600.06 and then send those comments and changes in a single document to

Mr. Curtis. Based on initial readings, the Working Group does not anticipate extensive changes or recommendations.

Service Action Items and Results of Follow-up from NAFSGL Off-Site – Mr. Mike Curtis, MWR & Resale Policy

- Mr. Curtis specified that the Service action items are most appropriately dealt with in the Service one-on-one sessions set to be scheduled in May. Mr. Curtis also expressed a desire that the same one-on-one meeting in May serve the dual purpose of reviewing the NAF Program-Metric report results with each of the Services to explore anomalies and notable trends.
- Mr. Curtis asked if there were any pressing matters based on the Service's review of the NAFSGL 3.0 or pressing concerns related to the Service due-outs. None were stated. Mr. Curtis reiterated the goal of getting to a point of agreement on the NAFSGL structure and definitions so that the new version can be promulgated, hopefully in the fall of 2018.
- Mr. Curtis added that he anticipates NAFI code (Program Groups) updates to be a discussion point at the one-on-one sessions, in particular the Supplemental Mission NAFIs.

Grant Thornton's Progress on NAFSGL Tasks – Mr. Jeremy Blain, Grant Thornton

- Mr. Blain highlighted that the read-ahead documents, particularly the chart of accounts and the NAFSGL 3.0 excel document, contain annotated proposed changes made since the NAFSGL workshop in March. The changes are extensive and should be reviewed, as they contain additions, deletions, and several definitional adjustments.
- Regarding position papers, Mr. Blain noted that position paper review was a significant portion of the March NAFSGL workshop. Mr. Blain identified 12 new position papers that Grant Thornton is currently reviewing or drafting. Position papers relating to MOA Assets, Other Service Shared Revenue (similar to a Joint Venture situation), Worker's Compensation, and Indirect Overhead/ Common Support Functions are the top priorities. Mr. Blain asked if any of the Services had a different prioritization of these papers.
 - Mr. Johnston stated that the Marine Corps is in the midst of reviewing the Common Support Functions. He requested that the Indirect Overhead/ Common Support Functions paper take top priority. Mr. Blain said he'd give the Overhead/Common Support Functions position paper priority would provide the draft shortly.
- Mr. Johnston identified two primary issues regarding the Indirect Overhead issue.
 - What expenses should be included as Common Support Expenses?
 - How are Common Support Expenses allocated?

- Mr. Johnston expressed an interest in getting a sense of the other Services indirect overhead treatment as well as pertinent guidance.
 - Mr. Higginbotham noted that the Services' broad definitions of Common Support Expense are similar and appear to be properly identified as indirect overhead costs which is consistent with the FMR, DoDI guidance, and GAAP. Mr. Higginbotham further commented that the concept of pooling indirect costs is supported by GAAP and DoD policy, but allocation methods need further review.
 - Mr. Johnston noted that while broad adherence to GAAP principles regarding Indirect cost definitions is important, it is not sufficient to resolve the issue given the often-subjective and multi-faceted nature of overhead allocation, particularly across the diverse set of MWR programs and across the multiple installations and regions, along with the appropriated funding percentage metrics that could be significantly affected by overhead allocation. Mr. Johnston expressed an interest in having Service agreement on OSD guidance which addressed complex issues such as retirement benefits of indirect labor so that such issues are accounted for consistently going forward.

- Mr. Curtis spoke to the way ahead with the position papers, with the intention of reaching consensus on the position papers related to FMR and DoD policy first so that those policies can be integrated into the FMR and DoD policy review efforts.

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

- Next meeting – June 14, 2018
- Action Items- Grant Thornton
 - Provide draft of Indirect Overhead/Common Support Functions Position Paper.
- Action Items-Mike Curtis
 - Schedule one-on-one meetings with the Services in May
- Action Items- Services
 - Send in comments on DoDI 7600.06 by May 10, 2018
 - Complete NAFSGL offsite due-outs prior to one-on-one meetings in May.