



DoD NAF Accounting Working Group Meeting Minutes

Thursday, October 25th, 2018
0900-1030 EDT

Attendees

- MC&FP
 - Justin Hall, Mike Curtis
- DFAS – Indianapolis
 - Maranda Summers, Jordan Jensen
- Army IMCOM G9
 - Sonia Daugherty
- Air Force A-1
 - Mike Coltrin
- AFSVA FMAR
 - Tom Marsh, Connie Lipko, Marcus Whitehead, Becky Karnafel, Stephen Holekamp
- Marine Corps – MCCA
 - Pat Craddock, Courtney Pulis
- Army – DFAS – Texarkana
 - Lena Anderson
- Navy CNIC
 - Nancy Stephens, Jeff Potter
- Navy OPNAV N462B
 - Annie Fowler
- Air Force Secretariat SAF-MRR
 - Lt. Col. Carina Harrison
- Army Secretariat SAMR-MQ
 - Coleen Amstein, Eric Alberts
- Grant Thornton (GT)
 - Jeremy Blain, Ariane Whittemore, Mary Saldivar, Sumner Higginbotham, Vishal Ayyagari

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

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

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

- Mr. Mike Curtis started out the discussion by reminding the services of the previously emailed position papers. Mr. Curtis informed the services that if they had any comments or concerns about the emailed position papers, to please contact him. Mr. Curtis also stated that if no response was received from the services, that a concurrence regarding the topics would be assumed. The next steps regarding the positions papers would be to adjust DoDI 1015.15, NAFSGL, or FMR, where appropriate.
- Mr. Mike Curtis then provided the services with more information regarding the American Travel Leisure Program (previously Joint Travel Leisure Program). Mr. Curtis is proposing a new activity for the American Travel Leisure Program that will



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reflect the change in leisure travel program delivery. The new activity will be a CAT C activity.

- Mr. Curtis then proceeded to discuss the MC&FP Tableau Server page. Mr. Curtis asked the services to contact him if there were any problems accessing the Tableau Server page.

Position Paper (PP) discussion – Mr. Jeremy Blain, Grant Thornton

- Mr. Blain noted that the goal of this review was to provide the Working Group members an opportunity to comment on these papers.
- Mr. Blain began with the Direct Overhead/Common Support Functions paper (PP#15).
 - The paper recommends changing the DoDI 1015.15 and the FMR Volume 13 to allow allocation of installation administrative overhead costs to each program.
 - Mr. Marsh asked a clarifying question regarding the referencing of the phrase “segments” in the position paper. Mr. Higginbotham explained that the “segments” wording was referring to the FMR Volume 4. Mr. Higginbotham stated that the provision was not mentioned in the FMR Volume 13. Mr. Blain also answered Mr. Marsh’s question by stating that the segment is simply a business operation that is done on the APF level.
 - Mr. Whitehead asked about the intent of the paper. Mr. Curtis stated that in almost every case, the overhead account tends to be the largest account. Mr. Curtis explained that this generally skews the analysis that is done for each activity.
 - Ms. Stephens asked whether the overhead cost needs to be accounted for at the activity or the installation level. Mr. Blain clarified the cost pooling would only be done at the activity level to improve analysis and comparability.
 - Ms. Craddock is concerned with the common support questions in the beginning of the paper, stating that there needs to be a definition of common support. Ms. Craddock provided janitorial, grass cutting services, and loss prevention as examples of activities that should be directly charged to the activity rather than a common support program. The Marine Corps is looking for a definition on whether an expense should be considered a common overhead expense vs. a direct expense of a program. Mr. Blain explained that an ideal end state of the position paper would be a list of common support/overhead costs. Mr. Curtis noted that the definition can be revised to allow for more feedback from the services. Since some services are more centralized than others, the team can discuss a definition that is acceptable for all.
 - Ms. Stephens voiced her concerns with the level of effort and cost benefit of the paper.
 - Ms. Daugherty, also voiced their concerns for the level of effort and if it is really necessary to allocate the costs to the activity.



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- Ms. Whittemore reiterated to the services that the team will work on producing a definition that is acceptable with all of the services. MC&FP and the Grant Thornton team will develop and initial list of common support/overhead for review, modification and concurrence by the services.
- Mr. Blain then proceeded to the next paper: Other Service Managed Revenue (PP #16).
 - This paper provides recommendations on accounting methods for costs and revenues associated with programs that are operated by one service for another service. Mr. Blain explains that this paper was created to reduce double counting or under counting.
 - Ms. Daugherty started out the discussion by stating that the Army is not aware of any double counting. Ms. Daugherty would like to check their accounting methods and let OSD know at a later time. Mr. Blain asked the Army if they can check their accounting methods and share with the other services on how their cost structure is set up.
 - Ms. Stephens noted that the Navy is working with their auditors on how to record the costs. Ms. Stephens believes the recommendation is consistent with the current Navy practices but will check their accounting procedures.
 - All other services concurred with Other Service Managed Revenue paper.
- Mr. Blain then proceeded to the next paper: Depreciation Allocation (PP #17).
 - This paper provides a recommendation on the allocation of depreciation. Mr. Higginbotham clarified the recommendation, stating that depreciation should always follow the asset. For example, if an asset is in CAT A, then depreciation should also follow in CAT A.
 - Ms. Craddock asked for additional time to review with Marine Corps leadership.
 - Ms. Stephens concurred with the Depreciation Allocation paper recommendation.
 - Mr. Marsh informed the group that they have notes on this topic. The Air Force would like to make updates to the position paper and send back for review.
 - Ms. Daugherty is concerned with the allocation depreciation for common support assets such as marketing. Mr. Higginbotham clarified that if the marketing is done at the regional or headquarters level, than the depreciation would be pooled at the regional level.
- Mr. Blain then discussed: Workers Compensation (PP #18).
 - This paper recommends that all Services account for Workers' Compensation relating to uninsured, or self-insured risks occurring on or before the balance-sheet date as a probable loss contingency. The related account "Workers' Compensation Payable" is currently only used by the Navy, but should be used by all Services if a probable loss contingency exists.



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- Ms. Lipko requested more time to review and provide feedback.
- All other services requested more time to provide feedback on the position paper.
- Mr. Blain then proceeded additional Position Papers for discussion.
 - Mr. Blain started the discussion of the group 6 position papers with MOA/UFM Purchased Assets (PP #31).
 - This paper recommends the FMR and DoDI 1015.15 be changed to reflect GAAP and capitalize APF assets regardless of process used to acquire the assets. Mr. Higginbotham explained the recommendation ensures capitalization of all assets, whether purchased with NAF and MOA/UFM.
 - Ms. Stephens disagreed with the recommendation, stating if an asset is bought using UFM dollars, they will have to track it while depreciating. Ms. Stephens explained that there are numerous assets over a period of time and having to track the depreciation is unviable. Ms. Fowler added to the concerns, noting UFM is a mechanism that allows the services to become more efficient under NAF but is not a NAF.
 - Ms. Daugherty agreed with the Navy's concerns
 - Mr. Curtis asked for clarification from the Air Force since it was their auditors that brought this issue up. The Air Force responded by clarifying the need for the DoDI 1015.15 to be changed to allow for an exemption from GAAP for UFM. The Air Force explained that their auditors audit in accordance with GAAP.
 - Mr. Curtis concluded the discussion of the MOA/UFM paper by stating DoDI 1015.15 will be updated to clarify that accounting for assets purchased with MOA/UFM do NOT need to comply with GAAP.
- Mr. Blain then proceeded to: Discontinued Operations (PP #28).
 - This paper recommends adding a discontinued operations GLAC to account for discontinued MWR operations such as during BRAC. No service raised any objections to adding a discontinued operations GLAC.
 - All Services concurred with the discontinued operations paper.
- Mr. Blain then discussed: Flexible Spending Account (FSA) (PP # 30)
 - This paper proposes to standardize the NAFSGL and FMR and gives the services a choice between two recommendations, allowing either one:
 - Recommendation 1: Add a Flexible Spending Account Payable and a Flexible Spending Account Administrative Expense to the NAFSGL 3.0
 - Recommendation 2: Adjust the FMR to consolidate the FSA liability account into Employee Deductions Payable, and place the FSA admin fee into its own account, into Employee Insurance Premium Expense, or into an Other Operating expense account.



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- Ms. Craddock opened up the discussion by noting the Marine Corps concurred with either recommendation.
- Ms. Stephens stated that their current procedures are using an employee deductions payable account. The Navy would prefer Recommendation 2 as long as there is a sub shred of FSA deductions. Mr. Higginbotham asked a clarifying question on whether the employee deduction would get rolled over if the account was not used at the end of the year. Ms. Stephens said the Navy uses a 3rd party and she needed more time to answer Mr. Higginbotham's question.
- All other services requested more time to provide feedback on the position paper.
- Mr. Blain then followed to the next paper for discussion: Recycling (PP # 32)
 - The paper recommends the DoDI 1015.15, FMR, and NAFSGL specifically address accounting for proceeds from Recycling program.
 - Ms. Lipko stated that the Air Force recognize the Recycling program as a non-operating income and not as an MWR program. The Air Force requested more time to provide final perspective.
 - Ms. Daugherty explained that currently, recycling as a Supplemental Mission Fund which would benefit the entire garrison if there are proceeds. Ms. Daugherty did not know how the income was being recorded.
 - Ms. Stephens responded by stating that the Navy has their own internal code for the activity which identifies it, even though the activity is not an official MWR activity. The Navy requested more time to provide final perspective.
 - Mr. Craddock also requested more time to see what cost center recycling was being recorded under. Currently, the Marine Corps records recycling income as operating revenue but are considering changing to non-operating revenue.
 - General consensus appears to be to account for recycling income as non-operating revenue, however, a final decision was pending feedback from the services.
- Mr. Blain then discussed: Stale Checks (PP # 33)
 - The paper recommends that the services to deposit the funds that are to be collected in a deposit fund account for up to a year and subsequently transferred into Payment of Unclaimed Moneys account or Forfeitures of Unclaimed Money and Property.
 - Ms. Craddock asked that the policy also be applied to vendor checks and not just payroll.
 - Ms. Stephens agreed with the Marine Corps in the recommendation to change the language in the position paper to reflect all types of checks.
 - Mr. Blain advised the paper can be changed to reflect all checks.



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- Ms. Lipko noted the Air Force currently does not have a one year basis but they will review the recommendation and provide feedback.
- All other services concurred with the recommendation as long as the language was changed to incorporate all types of stale checks.
- Due to time constraints, Mr. Blain ended the position paper discussion and thanked the Services for the feedback received and noted that the current discrepancies can be resolved with review and adjustments of accounting procedures.

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

- Mr. Justin Hall of OSD ended the working group discussion by providing the services an update on the recent Activity Net Loss data call that was tasked in CATMS.
- A data call was sent to the Secretariats requesting data on CAT B and C activities that had net losses in the last five years. The goal of the data call is to better understand why CAT B and C activities are losing money. Mr. Hall asked the services to review and provide feedback on ways to make the data call easier for the services to produce.
- Mr. Curtis also asked the services to provide feedback and improvements to the Program Metric Report for next working group meeting in November.

Action items

- Grant Thornton to draft initial list of Common Support costs for Service review.
- Position papers requesting additional feedback from the services: Depreciation Allocation (#17), Workers Compensation (#18), Flexible Spending Plans (#30), Recycling (#32), and Stale Checks (#33).