



DoD NAF Accounting Working Group Meeting Minutes

Thursday, November 15th, 2018
0900-1000 EST

Attendees

- MC&FP
 - Paulette Freese, Mike Curtis
- DFAS – Indianapolis
 - Maranda Summers, Susan Haines, Robert Haines
- Army IMCOM G9
 - Sonia Daugherty, Renee Keys
- Air Force A-1
 - Mike Coltrin
- AFSVA FMAR
 - Tina Hudson, Tom Marsh, Connie Lipko, Marcus Whitehead
- Marine Corps – MCCA
 - John Johnston, Pat Craddock, Courtney Pulis
- Navy CNIC
 - Nancy Stephens, Jennifer Wilkinson
- Air Force Secretariat SAF-MRR
 - Lt. Col. Carina Harrison
- Army Secretariat SAFM-FO
 - Gerald Holiday
- Grant Thornton (GT)
 - Jeremy Blain, Ariane Whittemore, Mary Saldivar, Vishal Ayyagari

Welcome and Introductions – Ms. Paulette Freese, MWR & Resale Policy

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

OSD Update – Ms. Paulette Freese, MWR & Resale Policy

- Ms. Freese started out the discussion by reminding the services of the previously emailed position papers from September. Ms. Freese asked the services to provide any feedback regarding the position papers to Mr. Curtis.
 - Mr. Johnston made a comment on the common support paper. The Marine Corps was looking for definitions and guidance on costs to be included in common support from OSD. On the Depreciation paper from last month, the Marine Corps will non-concur with the recommendation as they hold overhead at the headquarters rather than allocate to the installation level. Regarding the Workers Compensation paper, the Marine Corps concurs with the recommendation and will make the recommended changes once the position paper recommendation is reflected in DoD policy.

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 remaining position papers.

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- Mr. Blain began with the Single Asset Capitalization Threshold paper (PP#4).
 - Mr. Blain explained to the services that the Asset Capitalization Threshold paper included a threshold of \$2,500 for all the services. Recently, the paper was updated to include the statement that the services may have a more stringent threshold than the \$2,500 threshold prescribed by OSD.
 - Mr. Mike Coltrin commented by stating that the Air Force is working on updating their internal policy to increase their asset capitalization threshold to \$2,500 to be consistent with the paper and the other services.
 - Mr. Blain acknowledged Mr. Coltrin's comments and noted that the OSD and Grant Thornton team would continue to issue the paper as is (with threshold language included) and subsequently revise and delete the specific threshold language in the paper once the Air Force confirms and changes their internal policy.
 - All services concurred with the paper.
- Mr. Blain then proceeded to Capitalization of Assets Purchased in Quantity (PP#6).
 - Similar to the Single Asset Capitalization Threshold paper, the Capitalization of Assets Purchased in Quantity paper includes a \$2,500 capitalization threshold. The paper was revised to include language that allows the Services to have a more stringent threshold.
 - No Service raised any objections and all concurred with the recommendation of the Capitalization of Assets Purchased in Quantity paper.
- Mr. Blain proceeded to Capital Project Accounting (PP #22).
 - This paper recommends the Services use the restricted cash account for legally restricted funds only, and use equity reserve accounts for funds that are set aside for future capital purchases or projects.
 - Ms. Pulis commented on this paper, stating that the Marine Corps concurs with the standalone restricted cash account. However, the Marine Corps does not concur with putting cash for capital projects in the equity section of the financials. Ms. Pulis explained that the Marine Corps places cash to be used for other purposes in the short and long term cash accounts.
 - Mr. Blain noted the Marine Corps' concern and will schedule a follow-on meeting/teleconference with the OSD and Grant Thornton team to discuss their concerns.
 - All other services concurred with the approach recommended by the paper.
- Mr. Blain then discussed: Uniform Funding and Management (UFM) (PP #14).
 - This paper recommends that all Services standardize their journal transactions and recording of authorized APF income and expenditures.
 - The Navy expressed their concurrence stating that they will follow the policy once the update is made in the revised DoDI 1015.15.
 - All other services concurred with the recommendation of the paper.



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- Mr. Blain then proceeded to the next paper: Stale Checks (PP#33).
 - This paper recommends accounting treatment for stale payroll and vendor checks as follows: The services deposit the funds that are to be collected in a deposit fund account for up to a year and subsequently transfer the funds into Payment of Unclaimed Moneys account or Forfeitures of Unclaimed Money and Property.
 - Ms. Hudson stated that the Air Force is still reviewing this particular recommendation and will have a position for the December working group. Mr. Blain noted the Air Force's position and recommend they reach out to either OSD or the Grant Thornton team for any specific questions.
 - All other services concurred with the recommendation of the paper.
- Mr. Blain then proceeded to the next set of position papers, which were on the agenda for the October working group meeting, but were not discussed.
- The next position paper: Revenue from Goods vs Revenue from Services (PP # 25).
 - This paper proposes several recommendations:
 - The Gross Sales Account (currently 400) will be changed to Revenue from Goods Sold.
 - The Participation Fee Revenue Account (currently 403) will be changed to Revenue from Services.
 - The Cost of Goods Sold (currently 502) account will remain the same; only including the cost of inventoriable goods sold.
 - Mr. Marsh commented on the recommendations explaining that the Air Force would like to keep revenues from goods in sales and goods from services and participation fees in other operating revenues.
 - Ms. Daugherty agreed with the Air Force. The Army is concerned with changing department codes to cost centers. Mr. Blain clarified that the OSD and Grant Thornton teams' original proposal was to have two separate accounts, however based on the previous working group, the recommendation was that the cost of goods sold account would go to sales and the participation fees/ revenue would go to the other operating revenue account. Ms. Daugherty acknowledged Mr. Blain's comment and concurred with the recommendation.
 - Ms. Stephens concurred with the recommendation of the paper.
 - Ms. Craddock was concerned with the titles of the accounts and placement in the financials and would like more time to review. Mr. Blain clarified that the OSD and Grant Thornton team can update the titles. Mr. Blain also stated that they will review where in the financials the service and participation fees revenue is placed. Mr. Blain noted that they can send over the mapping to the Marine Corps and can discuss during their one-on-one meeting with the goal of concurrence for the December working group.
- Mr. Blain then continued to Donations In-Kind (PP # 26)

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- The paper recommends the FMR be updated to state that donations of assets and services material to the financial statements are reported on the financial statements. The materiality threshold should be defined as one percent (1%) of the assets in the consolidated balance sheet at the Service level.
- Ms. Daugherty explained that the Army will likely have no issue with the policy, but would like to work with the Army Fisher House to better understand their practices.
- Ms. Stephens agreed with the Army, stating that they would like to review the Navy Fisher House donations before concurring.
- Mr. Blain noted this and offered the assistance of Grant Thornton for any specific requests.

Wrap-up & Action Items – Ms. Paulette Freese, MWR & Resale Policy

- Ms. Freese ended the meeting with discussion of the proposed updates to the NAF Program-Metric Report (PMR) for FY18.
- Mr. Marsh asked a clarifying question on whether the food and beverage account was food/beverage itself (i.e. cost of goods sold) or if it is to contain all the labor costs associated as well. Mr. Vishal Ayyagari of Grant Thornton responded by stating that the PMR asks for only the Food and Beverage expenses without any associated labor costs.
 - NOTE: The PMR reporting of food and beverage costs was updated by email from Mr. Curtis dated Nov 19, 2018 as follows: Want to amend to request any other NAF F&B expenses that are readily available. If you have employees that are dedicated to food and beverage on a daily basis and can easily obtain those expenses from your systems, those costs should be reported.
- The working group did not raise any additional questions and Ms. Freese concluded the meeting.

Action items

- The Grant Thornton team will send the financial statement mapping for revenue of goods and revenue of services to the Marine Corps.
- The Air Force will review the stale checks recommendation, while the Navy and Air Force will review the Fisher House account for next working group meeting.
- OSD and Grant Thornton will schedule a follow-up meeting with the Marine Corps to discuss Capital project Accounting (PP#22) and Revenue from Goods vs Revenue from Services (PP#25).