NAFSGL Working Group Meeting Minutes

Thursday, April 23, 2015

9:00 AM – 11:00 AM EST

**Attendees**

* MC&FP
  + Mike Kelly, Justin Hall, Mike Curtis
* DFAS-Indianapolis
  + Zel Leach
* DFAS-Texarkana
  + Mitch Covington
* Army Secretariat
  + Robert Pickering
* Navy Secretariat
  + Lisa Sexauer
* Air Force Services Activity
  + Cheryl Basil
* Army IMCOM G-9
  + Bryan Hartsell, Sonia Daugherty
* USMC MCCS
  + Pat Craddock, Courtney Pulis
* Navy CNIC
  + Daryl Davis, Nancy Stephens
* Grant Thornton
  + Jeremy Blain, Tina Cooper, Mark Douek

**Action Items from Previous Meeting**

* **MC&FP** to send out Secretariat briefing slides to Services before meetings: COMPLETED
* **Services** to research how they calculate and define the acid-test and current ratios. Will also report back how they treat cash set aside for long-term investments and will recommend a number for each ratio: COMPLETED.
* **Services** to look over useful life recommendations in graphs and respond with concurrence or recommendation of their own: COMPLETED.
* **Grant Thornton** to rewrite allowance for doubtful accounts decision document to exclude wording about footnotes to the financial statements: COMPLETED.

**Action Items Still Open**

* None

**Action Items Summary**

**Grant Thornton**

* Grant Thornton to exclude prepaid expenses from the calculation of the acid-test ratio
* Grant Thornton to change useful life recommendation for computer hardware to 2-7 years; change land improvements to 10-25 years

**Services**

* Services to send requests and rationale to MC&FP if desire individual acid-test ratio standards for the different business lines
* Services to look into recommendation for computer hardware and software useful lives as well as land improvements
* Services to review useful lives recommendations in the decision document and report feedback

**MC&FP**

* MC&FP will begin to draft an Accounting Standards Board charter that will incorporate the governance items discussed in this meeting.

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

* Thanked all working group members for their effort in this project
* Thanked those who submitted feedback on NAFSGL package to OSD
* Reminded those who did not submit feedback to do so

**OSD Update – Mr. Justin Hall, Assistant Director, MWR & Resale Policy**

* MC&FP met with Service Secretariats to brief them on the NAFSGL package and to brief them on the broader project tasks
* Draft changes to the DoDI 1015.15 will be sent out to working group members in the upcoming weeks in order to receive informal feedback
  + The revised DoDI 1015.15 will include policies written since the last version was published and will include relevant recommendations from the NAF accounting working group’s decision documents

**Initiative Status Update – Mr. Jeremy Blain, Grant Thornton**

* One of the next steps is to work with Services to build the reporting data repository
* Goal of repository is to make reporting more efficient and more accurate
* Another next step is to assist Services with change management and communication of new NAFSGL products

**Accounting Policy Standardization Update – Mr. Jeremy Blain / Mr. Mark Douek, Grant Thornton**

* Policy will be kept in the DoDI’s and accounting pieces will likely be moved to the FMR
* The next revision of the DoDI 1015.15 and the FMR vol. 13 could likely have more Exchanges accounting policy
* Re-write of the Allowance for Doubtful Accounts Decision Document
  + Working group agreed to close out discussion of this topic and move forward with the decision document’s recommendation
* Acid-test Decision Document
  + Decision was to not alter the accepted ratio definition nor to increase the standard from 1:1
  + It is important to have the ratio defined as it is commonly understood
  + Even though the Services have large cash balances set aside for investments like capital projects, the Services also have large worker-related current liabilities like annual leave. These assets and liabilities should, to a certain extent, offset each other and ensure that the ratio is an accurate measure of liquidity.
  + The hope is that the acid-test ratio and a listing of what each Services’ cash balances are set aside for will give an accurate picture of the Services’ cash situation
  + **Action Item:** Grant Thornton to exclude prepaid expenses from the calculation of the acid-test ratio
  + MC&FP is open to establishing different acid-test ratio standards for the different major business lines. For example, the exchange standard could be different from the lodging standard
  + **Action Item:** Services to send requests and rationale to MC&FP if desire individual acid-test ratio standards for the different business lines
* Asset Useful Life Expectancy Decision Document
  + **Action Item:** Grant Thornton to change useful life recommendation for computer hardware to 2-7 years; change land improvements to 10-25 years
  + **Action Item:** Services to look into recommendation for computer hardware and software useful lives as well as land improvements
  + **Action Item:** Services to review useful lives recommendations in the decision document and report feedback
* Allocation of Shared Services discussion
  + Navy allocates overhead accounting costs between different funds based on the number of transactions used by each fund. Allocates to programs based on net NAF expense at the program level.
  + Marine Corps only allocates overhead for reporting purposes. Allocates based on number of full-time equivalent employees supporting MWR or the Exchanges.
  + Army does not allocate overhead costs at the headquarters level
  + Air Force allocates to other NAFI’s that are serviced on a specific installation. Allocates at base and NAFI level. For accounting it allocates based on number of transactions; for HR services it allocates based on number of employees.

**Draft Governance Structure and Matrix – Mr. Jeremy Blain, Grant Thornton**

* Any changes to NAF accounting will fall under one of four governance levels
* The coordination process for effecting the change will differ depending on which level the change falls under
* The goal is to balance coordination efforts with what should remain in the full control of the Services
* This framework, when finalized, will be coordinated through the Secretariat level for approval
* When accounting issues need to be resolved by the Accounting Standards Board in a short time-frame, email coordination could take the place of meetings
* Level 1 – Policy
  + All working group members agreed to the proposed structure of this level
* Level 2 – Compliance Documents Hosted on NAF Website
  + Goal of this level is to have a shorter coordination process for items in this level than the current DoDI or FMR coordination process
  + All working group members agreed to the proposed structure of this level
* Level 3 – Mid-level Updates (to be renamed Operation Level Updates)
  + Agreed that changes in this level do not need to be coordinated through the Secretariats
  + All working group members agreed to the proposed structure of this level
* Level 4 – Administrative Updates
  + All working group members agreed to the proposed structure of this level
* **Action Item:** MC&FP will begin to draft an Accounting Standards Board charter that will incorporate the governance items discussed in this meeting.

**Wrap up – Mr. Justin Hall, Assistant Director, MWR & Resale Policy**

* There will not be a May working group session
* Next working group session is scheduled for June 18th