Nonappropriated Fund (NAF) Transformation
30 May 2019
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Panelists

**Mr. Justin Hall, Director, OSD, Morale, Welfare and Recreation & Resale Policy**

Mr. Hall is responsible for providing oversight for nearly $20 billion in programs that deliver of-life benefits to service members and their families. Mr. Hall served as an Air Force officer for dining facilities, lodging, fitness and recreation programs.

**Mr. Jeremy Blain, Senior Manager, Grant Thornton LLP**

Mr. Blain has over 15 years of direct client experience supporting NAF and Morale, Welfare and Recreation (MWR) accounting, financial and business analysis, and program operations. He has managed a number of NAF projects including the current Nonappropriated Fund Financial Standards and Reporting project.

**Ms. Ariane Whittemore, Director, Grant Thornton LLP**

Mrs. Whittemore is a recognized expert in financial management with more than 30 years of experience leading Navy and Marine Corps financial operations for operating appropriations, investment appropriations, and Working Capital Fund. In her last DoD assignment, she provided program and budget advice, financial and audit oversight and strategy development for the Marine Corps as the Assistant Deputy Commandant for Programs and Resources.
• In August 2018, GAO issued a report titled, “DoD Needs to Improve Funding for Morale, Welfare and Recreation Programs.”

• GAO analyzed MWR program information for fiscal years 2012-2017 and compared DoD’s MWR policy with guidance.

• GAO assessed the extent to which:
  1. The services have met DoD’s established funding targets for each category of MWR programs and whether DoD has comprehensively evaluated the relevance of its target.
  2. DoD has oversight structures and performance measures that include measurable goals, including those for cost-effectiveness, by which to review MWR programs.

• GAO recommended DoD evaluate MWR funding targets and document any changes needed and develop measurable goals and performance measures for MWR programs.

• DoD concurred with the recommendations.

• Aligns with larger Department MWR program and funding standards review
DoD Lodging Funding Change

• Conversion of remaining direct APF support of official lodging to NAF
  o Directive-Type Memorandum 18-007 (November 21, 2018) requires the Military Departments to convert DoD Temporary Duty (TDY) and Permanent Change of Station (PCS) Lodging to fully nonappropriated fund operations, maintenance, and construction by October 1, 2019

• Official lodging still funded by APF through traveler reimbursement
  o Shift from lodging and base operating support accounts to unit travel accounts
  o Ensure lodging facilities are fully recapitalized to ensure program sustainment
    • Facility projects no longer relying on MILCON or waiver to funding source to use NAFs
  o Increase in room rates to cover shifting costs

• Opportunity to reduce overall costs to Department
  o Reduce room maintenance costs and increase room availability
  o Reduced labor costs using NAF personnel vs. Military or DoD Civilians
Problem
Developed a common data architecture to enable improved business operations and outcomes. Reduces the need for investment in common systems across an enterprise, enables the sharing of data across systems, and reduces the need for system-to-system interfaces.

SITUATION
• Multiple ‘systems” with unique data, and system to system interfaces
• Data cleansing techniques that included identifying incomplete or inaccurate parts of data.
• End State: A common data architecture as the MWR enterprise.

OUTCOMES
• Common data architecture across entire infrastructure
• Creates ability to cross-sell services
• Reduces point-to-point system interface requirements as legacy systems are replaced
NAF - FM Certification Pilot Program Specifications

• Provides the opportunity for members of the DoD NAF workforce to participate in the DoD FM Certification Program

• NAF participants must be personnel currently assigned and working in a FM position

• Participation is on a voluntary basis, in accordance with Component guidance
  • DoN is not participating in the Pilot

• Participants can obtain an FM certification at Level one, two, or three dependent on their assigned position

• Registration open now and will close August 15, 2019

• Participants will have two years to complete the certification program requirements

Enrollment information is available at online.ousdc.osd.mil/NAF/default.aspx
Community Services Reform

- Deputy Secretary of Defense (DepSecDef) directed DoD Chief Management Officer (CMO) to perform a business case analysis (BCA) on consolidating the defense resale enterprise which includes: AAFES, NEXCOM, MCX and DeCA

- CMO approved BCA and forwarded to DepSecDef for approval
  - BCA proposes creation of a Defense Resale Enterprise
  - Directed the Task Force Director to develop a proposal for the end-state governance model and lead development of an execution plan and timeline
  - Initial Operating Capability expected October 1, 2019 or when Congress permits consolidation (whichever happens later)
  - MWR and Resale Policy intent is to work with Task Force to leverage existing collaborative efforts (e.g., accounting, IT, etc.)
Nonappropriated Fund Standard General Ledger

- Initial NAFSGL 1.0 promulgated in 2015, after cross-service working group identified need for single general ledger.
- Initial efforts led to recurring working group meetings that identified and resolved over 100 significant policy discrepancies across the Services and worked collaboratively to develop mutually acceptable and standardized solutions.
- Version 2.0 promulgated in 2018 and addressed additional concerns raised by the Services.
- Currently working on 3.0 which will:
  - Include APF/NAF indicator
  - Revised installation list
  - Standardize core portions of elements such as Installations, Activities, and Cost Centers
  - Provides flexibility for Services to meet their unique business needs
  - Complies with GAAP and commercial business standards

Approved NAFSGL 2.0

Send out Draft NAFSGL for Review

Mar 2015 10 Apr 2015

Services Implement NAFSGL

Jan 2017-2020

Receive Input on Draft NAFSGL From Service Representatives and Military Departments

Implementation

June 2015

January 2019

Approved
NAFSGL

Approved
NAFSGL 2.0
Identified & defined critical components of a standard account code structure.

Incorporated input from Services for:
- Installation – physical and virtual locations
- NAF Fund – program group and fund name
- Activity – operational program
- Cost Center – sub account or detailed view of activity
- APF/NAF Indicator – APF reimbursable / eligible
- Site – designator for # of physical instances of similar programs
- GLAC – general ledger accounts
Using Data Analytics to Improve Program Delivery

Each Military Service had its own General Ledger and financial practices which prevented comparability across Services and impeded business process improvements. OSD MC&FP (within USD P&R) requested Grant Thornton create a NAFSGL, standard chart of accounts and standard financial processes and practices.

**Situation**

**Our Solution**

We identified the operating units of MWR program data necessary for the financial assessment and built report templates within the OSD MC&FP framework. We then developed a service standardized database... and integrated applied analytics to cluster controls based on statistically significant similarities... and created automated business intelligence reports for easily understandable and actionable enterprise decision making.

- Analytics applied across DoD NAF financials improved financial data quality, understanding of operations, and efficiency and effectiveness of MWR activities
- Leveraged financial results to inform business decisions, such as analysis of perennial losses
- Services learned the value of collaboration and are leveraging lessons learned from each other
• Drive Decisions with Financial & Performance Data

* Notional Data
Key Performance Indicator (KPI) Scorecards

Key Benefits and Applications:

- Historical trend analysis and outcomes in scorecard format
- Can develop dashboards for any and all KPIs relevant to mission success
- Ability to respond to a highly time sensitive request from senior leaders in less than an hour (previously would have taken days)

* Notional Data
Key Benefits and Applications:

- Applicable across APF, NAF, and / or any other funding sources
- Provides views of installation spending history and budget analysis
- Geographical mapping capability allows for easy comparisons across CONUS and OCONUS operations

* Notional Data
American Forces Travel

- MWR Leisure Travel goes e-commerce
  - Exclusive deals on air, hotel, car rentals, cruises and more
  - Partnership with Priceline.com
  - Joint Services Leisure Travel Program (JSLTP)
    - OSD, Army, Navy, Marine Corps, Air Force & Coast Guard
    - Open to all MWR authorized patrons (in the DEERS database)
      - Currently working system limitation for DoD Civilians
- Commissions go to each service
Questions?