DCN: 12450

Congress of the United States
House of Representatives
Washington, DC 20515

June 9, 2005

Mr. Anthony J. Principi
Chairman
Base Realignment and Closure Commission
2521 South Clark Street, Suite 600
Arlington, VA 22202

Dear Commissioner Principi:

As you know, the Base Closure and Realignment Report contains numerous recommendations regarding the Defense Finance and Accounting Service (DFAS), including a massive realignment of DFAS in Cleveland that will result in at least 1,028 direct job losses (1,013 civilian, 15 military) and another 847 indirect job losses.[1]

While this action is coined a "realignment" rather than a closure, the end result is the same – a tremendous loss of jobs in Cleveland. Through direct job losses alone, Cleveland stands to lose nearly as many jobs in the BRAC process as the entire state of New York and stands to lose more net civilian jobs than the states of California or Florida.[2]

The Department of Defense (DoD) justifies this and other realignments and the closure of 20 smaller facilities on several fronts. It touts that it will spend $282.1 million to close, realign and reshuffle jobs during the BRAC period (FY 2006-11) in order to save $158.1 million during the same period of time. After implementation, DoD believes it will save $120.5 million a year, which amounts to a savings of $1.3 billion over 20 years.[3]

These savings will allegedly be achieved by closing 20 small DFAS sites around the country, and realigning DFAS facilities in Cleveland, OH, Arlington, VA, Columbus, OH, Denver, CO, and Indianapolis, IN.[4] It is worth noting that the three DFAS centers that stand to gain jobs in the long run – Denver, Columbus and Indianapolis – will lose plenty of jobs first.

A Misguided and Costly Shell Game

The Great DFAS Shuffle of 2005 stands to be one of the greatest wastes of taxpayer dollars in recent memory, and, interestingly, it rivals the money squandered during the last major consolidation of DoD financial services in 1994. During that consolidation, announced in May

1994, DoD decided to consolidate 300 defense finance offices into five large existing finance centers (Cleveland, Columbus, Denver, Indianapolis and Kansas City) and 20 new sites called operating locations. DoD later decided to add a 21st new site in Hawaii, bringing the total to 21.[5]

The 1994 DoD decision to maintain five large DFAS Centers and open 20 smaller ones came on the heels of a lengthy DoD public relations debacle where cities across the country offered hundreds of millions of dollars in incentives to become home to a DFAS megacenter that would employ between 4,000 and 7,000 workers.

In essence, cities across the country competed against one another to land a "mega" DFAS Center, not unlike what happens when cities try to lure a professional sports team. "The Pentagon is asking that cities provide the facilities – the larger versions would be 1 million square feet or more - at 'little or no cost.' Cities are also encouraged to provide on-site fitness centers, day-care centers, parking, and security and maintenance personnel."[6] Some cities even approved tax hikes hoping to lure a mega DFAS Center.[7]

Twenty cities in 14 states were named finalists for a DFAS megacenter, including Cleveland, but the plan was scrapped in March 1993 by then-Defense Secretary Les Aspin. Secretary Aspin called the process of having cities offer millions of dollars in incentives for new jobs "unsound public policy."[8]

If this latest BRAC recommendation proceeds, in one fell swoop, the DoD will dismantle one of its existing large DFAS Centers, which happens to be the Cleveland area's fourth largest federal employer. This center can tout six decades of uninterrupted and lauded service, and is responsible for handling payroll for the Navy, all military retirees, and our military reservists and their families during a time of war. This realignment will throw Cleveland's economy into a tailspin, devastate its tax base and disrupt the lives and careers of more than 1,000 workers who now run a tight and widely-praised ship.

There is scant economic justification for shuttering Cleveland DFAS, but what is proposed for Cleveland is only part of the larger picture – a potentially colossal waste of taxpayer money. The projected savings from the upheaval of DFAS, in the big scheme of things, are nominal at best and certainly don't warrant this massive and ill-conceived shell game.

If Taxpayers Only Knew

After the BRAC Report was released on May 13, 2005, I began an effort to obtain more detailed information about the true cost of realigning the Cleveland DFAS office. The BRAC Report contains many generalities about cost, but few specifics, and no specific costs by facility.

I had my staff submit a series of detailed, informational requests to DoD and the BRAC Clearinghouse. I was not sure if BRAC would supply answers to my questions because the information I sought is not publicly available in the BRAC report, or through any other source. It has taken between 4 and 7 business days to get answers to most of my requests, and at times the information provided by BRAC and DoD has been vague. For example, it took two separate requests simply to determine the costs and savings of realigning the Cleveland DFAS office. I subsequently asked DoD to provide the costs and savings associated with every DFAS facility nationwide slated to close or realign. I have successfully obtained the information.

I think taxpayers will be appalled to learn DoD wants to spend nearly $29 million[9] in taxpayer funds to shutter Cleveland DFAS. DoD also intends to relocate many existing Cleveland jobs to Denver, Columbus and Indianapolis – all at taxpayer expense.[10] Worse yet, DoD also plans to close 20 smaller DFAS facilities[11] (known as operating locations) about a decade after spending hundreds of millions of dollars opening them as part of a 1994 consolidation effort. [12]

The one-time cost of closing the 20 smaller DFAS facilities is a staggering $159,474,000, according to information I sought and obtained from BRAC officials.[13]

Ironically, the 20 DFAS smaller centers were opened despite repeated reports and warnings from the General Accounting Office (GAO) and Congress that 20 new offices was two, three or almost four times greater than what was needed or could be justified. The GAO also stated that "There is considerable evidence that Congress wanted DoD to reassess its requirements and to open only those operating locations need to perform finance and accounting operations."[14] A top DoD official testified before the House Committee on Armed Services, Subcommittee on Military Installations and Facilities, in June 1993 about the DFAS consolidation, saying that sites should be reduced to "no more than a handful"[15] if DoD was to "achieve the savings, operational improvements, and efficiencies envisioned from the consolidation."[16]

The titles of two GAO Reports on the subject bear noting:

- *DoD Infrastructure: DoD's Planned Finance and Accounting Structure Is Larger and More Costly Than Necessary (September 1995)*

- *DoD Infrastructure: DoD is opening Unneeded Finance and Accounting Offices (April 1996)*

Throwing Caution, Money and Objections to the Wind, DoD Plans 20 New DFAS Sites

Despite warnings from Congress and the GAO that it was about to embark on a costly and unnecessary project, DoD forged ahead with plans to open 20 new DFAS sites as part of its 1994 consolidation effort. Fifteen of the new sites would be located at excess DoD facilities – primarily military bases that had been closed or realigned – even though the DoD "considered several of them less desirable from a customer service, cost, or quality workforce standpoint." [17] Further, it was estimated at the time that it would cost the DoD $173 million in taxpayer money just to bring the sites "up to par."[18] Improvements included asbestos removal, seismic upgrades, lead paint removal and extensive interior and exterior demolition.[19] DoD now proposes spending more than $159 million to shut them down.[20]

The GAO also seemed perplexed that "DoD decided to open 20 new operating locations without first determining what finance and accounting functions they would perform or if 20 was the right number to support its operations."[21] The GAO was also surprised that DoD was considering such a large number of new facilities because "DoD's analysis showed that finance and accounting operations could be consolidated into as few as six (sites)."[22]

GAO went so far as to predict in September 1995 that the consolidation into 20 smaller facilities "will not likely improve DoD's business operations" and further speculated that "Once these functions are re-engineered DoD may be faced with the need to consolidate them once again."[23] Alas, we now face a consolidation of the consolidation, just as GAO warned a decade ago.

During the proposed 1994 consolidation, many red flags were raised by Congress and GAO about the need for 20 new centers. "There is considerable evidence that Congress wanted DoD to reassess its requirements and to open only those operating locations needed to perform finance and accounting operations,"[24] the GAO stated.

The Senate Committee on Armed Services and the Senate Committee on Appropriations "asked DFAS to reexamine its requirements before establishing additional operating locations."[25] Further, the House Committee on National Security reported that the "DFAS consolidation plan would result in a larger infrastructure than necessary."[26] A DFAS reassessment of plans to open 20 new sites was completed on January 2, 1996.[27]

DFAS officials concluded that 16 smaller DFAS offices were needed (15 in the continental U.S. and one in Hawaii), and that five proposed DFAS offices were "no longer needed." [28] It was no shock that DFAS said 16 centers were necessary, especially since 14 of them had already opened.[29] DFAS touted that by limiting the number of new sites to 16, it could "maintain its projected annual savings of $120 million in operations and maintenance costs and avoid spending about $51 million in military construction costs."[30]

Did DoD avoid opening the five unneeded DFAS offices and avoid spending as much as $51 million in construction costs?

The DoD went ahead with its original plan to open 20 new DFAS offices, and also tossed in a 21st office in Hawaii as well.[31] Again, at least 14 offices had already opened at this point. The GAO met on March 27, 1996, with officials from DFAS and DoD to obtain comments on a draft of its April 1996 report. The GAO said DoD "did not dispute the fact that five locations are no longer needed." [32] The GAO said that DoD remained "convinced, however, that two of the (unneeded) locations - Lawton (OK) and Seaside (CA) – should be opened in accordance with language in the National Defense Authorization Act of 1996."[33]

The DoD said failure to open the Lawton and Seaside offices would "violate the intent of Congress"[34] and cited a specific section of the 1996 Defense Authorization bill. The GAO was very clear that the bill in question gave DoD the authority to open the Lawton and Seaside DFAS offices but did "not mandate it to do so."[35]

The opening of the Lawton, OK, and Seaside, CA, offices are an especially egregious waste of taxpayer money. DoD opened the Lawton facility on February 16, 1996, and the Seaside facility on March 29, 1996.[36] The DoD planned to spend about $19 million to renovate the Seaside facility and about $12.8 million to renovate the Lawton facility.[37] The renovations were planned even though "DFAS believes it no longer needs any employees at Seaside" and "DFAS no longer believes it needs an operating location at Lawton."[38]

It is not clear how much money was actually spent renovating these two unneeded facilities, but it is crystal clear how much it will cost to close them. The one-time cost of closing the Lawton facility is $5,921,000, and the one-time cost to close Seaside is $2,669,000.[39]

It is also clear that DFAS continued to spend taxpayer dollars on its consolidation efforts. On February 27, 1997, John B. Goodman, Deputy Undersecretary of Defense, testified before the House National Security Committee's Subcommittee on Military Installations and Facilities. He was there to present DoD's Fiscal Year 1998 installation and facilities programs and its budget. He outlined plans for four DFAS projects, including plans to spend nearly $30 million to renovate three new small DFAS operating locations, but his testimony did not specify which sites.[40]

"DFAS requests funding for four projects as it continues consolidation to select operating locations. Three projects for $29.7 million will renovate existing facilities for administrative use. These projects are consistent with the DFAS master plan to provide efficient and economical customer service through regional centers."[41]

Defense Undersecretary Goodman also spelled out plans for the Columbus DFAS Center. "The fourth project is to continue construction of the DFAS Center at Columbus, Ohio, which was authorized in fiscal year 1996 for $72.4 million. The project is phase funded. For fiscal year 1998, DFAS seeks additional authorization of $9.7 million and authorization of appropriations of $23.9 million for Phase III. This will complete the three phase project to replace eight buildings and five trailers on two installations. DFAS plans to have the Columbus center operational in the year 2000."[42]

DoD now plans to shut down 20 recently opened DFAS facilities

DoD, in proceeding with the so many new facilities – many in aging and decrepit buildings – argued that folks weren't looking at the big picture or the long-term savings. At the time, the DoD touted that opening the 20 smaller DFAS facilities would translate to savings of $8 billion to $9 billion over 20 years.[43] Regrettably, before savings can truly be gauged, the DoD has decided to shut down each of the 20 new centers, most of which were activated in 1995.[44]

Put bluntly, the DoD created 20 new DFAS offices across the country, staffed them to their current level of more than 5,000,[45] spent at least $173 million[46] in taxpayer dollars to renovate the new offices, and now has decided that it is a wise use of taxpayer money to close all of them about a decade after they opened.

It will cost approximately $159,474,000 to shut down these 20 facilities,[47] with alleged savings long down the road. The total one-time cost for realigning DFAS facilities in Cleveland, Columbus, Arlington, Denver and Indianapolis is $122,586,000.[48] This includes the cost budgeted to gut Cleveland DFAS – nearly $29 million.[49] The Cleveland DFAS office is the granddaddy of the military payroll centers and a site DoD has called the "nerve center of DoD's financial operations."[50]

Closing Costs are Outrageous – Alleged Savings a Long Time Coming

Information I requested and obtained from the BRAC Commission paints a disturbing picture of the cost of closing and realigning facilities and the imminent savings.

- DoD proposes spending nearly $29 million to gut or "realign" Cleveland DFAS and NO SAVINGS will be achieved in Fiscal Years 2006, 2007 or 2008.[51]
- DoD wants to spend $9.2 million to close DFAS Norfolk, which has 314 employees.[52] By doing so, DoD will save a paltry $9,000 in Fiscal Year 2006.[53]
- DoD wants to spend more than $7 million to close DFAS Rock Island (IL) and will save just $19,000 a year in Fiscal Years 2006, 2007 and 2008.[54] Rock Island has 235 employees.[55]
- DoD intends to spend more than $6 million to close DFAS Dayton, which has 230 employees,[56] and NO SAVINGS will be achieved in Fiscal Years 2006, 2007 or 2008.[57]
- DoD will spend more than $8 million to close DFAS Rome (NY), which has 290 employees,[58] and NO SAVINGS will be achieved in Fiscal Years 2006, 2007 or 2008.[59]
- DoD wants to spend nearly $17.3[60] million to close DFAS Kansas City, now one of the five large DFAS Centers (Cleveland, Kansas City, Columbus, Denver and Indianapolis.) The closure will save NO money in Fiscal Year 2006, $217,000 in Fiscal Year 2007, and $160,000 in Fiscal Year 2008 and 2009.[61] Kansas City has 613 employees.
- DoD wants to spend $1,098,000[62] to close DFAS Lexington, which has just 45

employees.[63] The closure will eventually save– AT MOST – $211,000 a year.[64]

- DoD wants to spend nearly $6.4 million to close DFAS Limestone (ME) and will reap no savings in Fiscal Years 2006 or 2007 and just $443,000 in Fiscal Year 2008.[65] The Limestone facility has 241 employees.[66]

Also, the one-time cost of closing many of the small DFAS offices exceeds projected savings during the entire BRAC period (Fiscal Years 2006 to 2011). For example:

- DFAS Rock Island will cost about $7.1 million to close and savings will only be about $2.9 million during the BRAC years.[67]

- DFAS Pensacola (includes offices at Pensacola Naval Air Station and Saufley Field) will cost $19.6 million to close and savings will only be about $14.8 million during the BRAC years.[68]

- DFAS Dayton will cost about $6.1 million to close and savings will only be about $1.9 million during the BRAC years.[69]

- DFAS St. Louis will cost about $9 million to close and savings will only be about $6 million during the BRAC years.[70]

- DFAS Limestone will cost about $6.4 million to close and savings will only be about $3.1 million during the BRAC years.[71]

- DFAS Charleston will cost about $11.5 million to close and savings will only be about $8.7 million during the BRAC years.[72]

- DFAS Rome (NY) will cost about $8 million to close and savings will only be about $3.4 million during the BRAC years.[73]

- DFAS Kansas City (the only large DFAS Center closing) will cost about $17.3 million to close and savings will only be about $7.3 million during the BRAC years.[74]

It is important to remember that after all the closings, realignments and shuffling of DFAS jobs, the DoD only anticipates saving, at most, $120 million a year.[75]

BRAC Report tries to justify the unjustifiable

I read with interest the detailed recommendations accompanying the May 2005 BRAC Report, particularly the "justification" for DFAS actions. Essentially, DoD says it needs to undertake this extreme makeover of the DFAS system because it has too many offices doing the same thing in offices that contain too much space.

"The current number of business line operating locations (26) inhibits the ability of DFAS to reduce unnecessary redundancy and leverage benefits from economies of scale and synergistic efficiencies." [76] DoD also states that the current 26 DFAS locations result in "overall excess facility capacity of approximately 43 percent or 1,776,000 Gross Square Feet (GSF) in administrative space and 69 percent or 526,000 GSF in warehouse space."[77] In other words, DFAS now finds itself with 43 percent too much administrative space and 69 percent too much warehouse space after expanding by 20 facilities in the last decade.

I find it rich that the DoD now laments problems with redundancy, efficiency and excess facility space 10 years after it created 20 new DFAS facilities that employ 5,000 people.

I certainly have empathy for those communities that were awarded DFAS facilities in the last decade after losing larger bases through closures or realignment. How very compassionate and efficient of the DoD to establish facilities that were not needed, add even more jobs and functions over the past decade, reward these facilities for their performance, and then pull the rug out from under them. These local communities have every right to be outraged, as do taxpayers who footed the bill.

Shuffle DFAS Workers and then Shuffle Them Some More

According to the BRAC report, current DFAS employees in Cleveland and Arlington, VA, could have their jobs transferred to Denver, Columbus or Indianapolis as part of the grand realignment scheme.[78] Taxpayers will pay for the cost of moving these jobs, as well as early retirements for workers who aren't inclined to move. One might assume that the BRAC Report would recommend no upheaval of jobs at Columbus, Denver or Indianapolis to ensure a smooth transition. One would be wrong.

One also might assume that costs of realigning these three centers will be reasonable. Wrong again. The one-time cost to realign DFAS Columbus is $34,193,000.[79] The one-time cost to realign DFAS Denver is $39,520,000,[80] and the one-time cost to realign DFAS Indianapolis is $2,892,000.[81]

The three DFAS facilities that will gain jobs – Denver, Columbus and Indianapolis – will actually lose jobs as well in part of the massive shuffling of jobs. What is proposed is stupefying and mind-numbing.

- Up to 55 percent of the Accounting Operation functions now in Columbus will be shifted to Denver;[82]
- Up to 25 percent of the Accounting Operations now in Denver will be shifted to Columbus or Indianapolis;[83]
- Up to 30 percent of the Commercial Pay functions now in Columbus will go to

Indianapolis;[84]

- Up to 10 percent of the Commercial Pay functions now based in Indianapolis will go to Columbus;[85]

- Indianapolis will also shift up to 10 percent of its Accounting Operations to Columbus or Denver, [86]and

- Finally, Denver will move up to 35 percent of its Military Pay functions to Indianapolis.[87]

All this costly job shifting and swapping will be done for – yes it's true –"strategic redundancy"[88] reasons. From my perspective, there's very little strategy involved in this dunderheaded decision. Again, projected savings from all the DFAS moves translate to just $120 million a year over 20 years.

Anti Terrorism Force Protection Standards a Factor?

I also was interested to learn that the three sites that will ultimately gain jobs – Denver, Indianapolis and Columbus – meet DoD Antiterrorism/Force Protection (AT/FP) standards.[89]

DFAS facilities in Denver, Columbus and Indianapolis are all based at large military installations.[90] DFAS Columbus is on the grounds of the Defense Supply Center Columbus, a 575-acre installation; DFAS Denver is located on part of the former Lowry Air Force Base, which closed in 1994; and DFAS Indianapolis is located on the grounds of the former Fort Benjamin Harrison, which closed in 1995.

Had our local officials and congressional delegation known that the Cleveland DFAS office could be in jeopardy due to AT/FP standards, we would have fought tooth and nail to make it as safe as these other three facilities. However, this concern was not raised as a key determining factor with BRAC. The Cleveland DFAS Center in the Celebrezze Building does not meet AT/FP standards.[91]

I also find it ironic that DoD raised no terrorism or security concerns when payroll work from Denver and Indianapolis was transferred to Cleveland DFAS in July 2004 due to extended deployments in Iraq and Afghanistan and a need for efficient manpower.[92] There was certainly no fortress around Cleveland DFAS less than a year ago when DoD decided to locate its Reserve Pay Center of Excellence in Cleveland.

In addition, some 434 privatized contract workers and 19 civilian positions that handle Retired Military and Annuitant Pay Functions for DFAS will keep their jobs and continue to work out of the Celebrezze Building in Cleveland – the same building that doesn't meet terrorism standards. If the Celebrezze building isn't safe enough for 1,028 government DFAS workers in Cleveland, how is it safe enough for some 434 privatized employees responsible for

DFAS work?

Finally, it is worth mentioning that Cleveland DFAS already has a site in the area that meets DoD anti-terrorism standards – the DFAS facility in Bratenahl,[93] which is a small community adjacent to the city of Cleveland. DoD owns nine buildings at this site containing a total of 76,780 square feet.[94] The former Nike Missile site is on 31 acres, 27 of which are DoD-owned.[95] The facility's Plant Replacement Value (PRV) is $18.7 million, which reflects the total cost of replacing "the current physical plant (facilities and supporting infrastructure) using today's construction costs (labor and materials) and standards (methodologies and codes)."[96]

The True Cost of Realigning Cleveland DFAS

The DoD has made the case that realigning the Cleveland office makes economic sense, and downplays any lasting economic damage to the city or area. Several factors must be considered when analyzing the true cost and benefit of effectively shuttering Cleveland DFAS. For example, the BRAC Report does not reflect the full negative impact on the NE Ohio economy, and greatly understates potential jobs losses.

- "Total job losses are projected to range from 2,905 in Cuyahoga County to 3,572 workers statewide including vendors, suppliers and ancillary service providers."[97]

- "Within Cuyahoga County, income losses are estimated at $128 million, while the impact on Ohio would be more like $188 million. Losses to disposable (after taxes) income are estimated to be more than $110 million for the county and more than $162 million within the state. Based on state averages, reductions in local tax revenue (for Cuyahoga County and its subdivisions) are estimated to be $7.7 million in 2005. The impact estimated for the state exceeds $24 million in 2005."[98]

- Cleveland is slated to lose almost as many direct jobs as the entire state of New York, which will lose a total of 1,071 military and civilian jobs in this BRAC round.[99]

- Cleveland is slated to lose more civilian jobs than the net civilian jobs lost in the entire state of Florida (1,002) and the entire state of California (1,200).[100]

- Cleveland DFAS office is the fourth largest federal employer in the Cleveland area.[101]

- Cleveland had an unemployment rate of 7.7 percent in April 2005, much higher than the state rate of 6.1 percent or the national average of 5.2 percent.[102]

- The loss of the jobs will cost Cleveland alone about $1 million in income taxes[103], and the city was ranked the nation's most impoverished large city last year.[104]

- Congress appropriated $22,986,000 in Fiscal Year 2002 for repairs and alterations to the

Anthony J. Celebrezze Federal Building in Cleveland (Public Law 107-67). [105]

- Telecommunications infrastructure is vital to a successful DFAS Center in Cleveland, and SBC Ohio has invested $155.4 million in the past four years in the city.[106]

- The cost to the federal government to close the Cleveland DFAS office is calculated at $28.935 million.[107]

- During the BRAC years (Fiscal Year 2006 to 2011), the costs of realigning Cleveland DFAS will exceed savings by approximately $6.012 million, and NO SAVINGS will be achieved in Fiscal Years 2006, 2007 or 2008.[108]

- Fiscal Year 2009 has a projected savings of $4.655 million, while Fiscal Years 2010 and 2011 have projected savings of $9.134 million each year. The total savings over the BRAC years is $22.923 million ($4.655M + $9.134M + $9.134 M), and $9.134 million a year after the BRAC years.[109]

Cleveland DFAS already lost 500 federal jobs
DoD privatized the jobs through $31.8 million accounting error

In 2001, the Cleveland DFAS office was stripped of 500 federal jobs in a botched privatization effort that cost taxpayers nearly $32 million.[110] A March 2003 DoD Inspector General (IG) Report[111] concluded that a $31.8 million accounting error caused 500 Cleveland jobs to be outsourced to a private firm, Affiliated Computer Services (ACS), which was awarded a $346 million contract. [112]

DoD officials said that it would be $1.9 million cheaper a year to give the jobs to ACS than to keep them in-house at DFAS. The decision affected more than 500 DFAS jobs in Cleveland. ACS began handing Military Retired and Annuitant Pay Services in January 2002.

I joined with four Members of Congress, including Congressman Dennis J. Kucinich (D-Cleveland), and asked the DoD Inspector General to conduct an investigation. It wasn't until the third time the IG reviewed the material that it uncovered a "glaring error in the calculation of in-house personnel costs."[113] The in-house DFAS jobs were improperly adjusted for inflation, leading their cost to be overstated by nearly $32 million.[114]

The IG found that privatizing the jobs actually cost $31.8 million *more* than keeping them in-house with current federal DFAS employees. The new private employees were hired to provide accounting services for Military Retired and Annuitant Pay Services.[115]

Congressman Kucinich, myself and other members of the Ohio Congressional Delegation demanded that the $346 million contract to ACS be voided.[116] In October 2003, however, DoD announced that ACS would keep its government contract even though ACS had failed to meet performance standards in both 2002 and 2003.[117] DFAS withheld $445,000 from ACS in 2002 and $158,000 in 2003.[118]

More than 500 Cleveland DFAS jobs were lost due to a colossal accounting error, and now DoD wants to "realign" the remaining 1,028 jobs at Cleveland DFAS. Interesting, virtually the only jobs that will be saved in Cleveland are those that were erroneously privatized at a cost of $31.8 million to taxpayers.

According to a DoD document I obtained, it intends to maintain 19 civilian positions and 434 contractor positions at the "DFAS Cleveland Enclave" to continue Military Retired and Annuitant Pay Services.[119]

Cleveland DFAS has been awarded for Innovation and Performance
Cleveland DFAS does work not done at any other DFAS Sites

The Cleveland DFAS office has the most longevity of any of the current payroll offices. It was founded in 1942 as the Bureau of Supplies and Accounts and was renamed the Navy Finance Center in 1955. Over the years, it has become the world center for Navy pay operations and personnel data management. The center moved from Navy to DFAS Cleveland control in January 1991 and has been a leader in streamlining accounting, finance systems and procedures to lower costs and help save money for taxpayers.[120]

The Cleveland DFAS office (in some incarnation) has been in existence since 1942, making it the oldest continuously operating military payroll center in the country.[121] Cleveland DFAS is the largest tenant in the Anthony J. Celebrezze Federal Building in Cleveland.[122]

Cleveland DFAS, along with major facilities in Columbus, Denver, Indianapolis and Kansas City, was spared from consolidation efforts in 1994. At the time, DoD officials stated that the five major DFAS sites were spared specifically "because they are the nerve center of the DoD's financial operations." In addition, John Deutch, then Deputy Secretary of Defense, said: "Moving them would mean severe delays in badly needed financial management reforms. And regular customer service would suffer unacceptably."[123]

The Cleveland DFAS office currently offers the following pay services: Navy Active Duty Accounts; Navy Reservists Accounts; Navy Medical Students; Navy ROTC Students; Army, Marine Corps, Navy and Air Force Military Retirees; Army, Marine Corps, Navy and Air Force Military Annuitants; Army, Marine Corps, Navy and Air Force Former Spouse Accounts; and Garnishment (Child Support, Commercial Debts Civilian Cases, and Commercial Debts Military Cases. Cleveland DFAS also oversees eight smaller DFAS sites: Charleston, Norfolk, Oakland, Pacific, Japan, Pensacola and San Diego.[124]

Cleveland DFAS is the only DFAS site in the country that processes pay for military retirees and there is "no other DFAS work group trained to do this."[125] Further, in the summer of 2004, DFAS opened the Reserve Pay Center for Excellence in Cleveland, transferring all Reserve and Guard payroll operations from Denver, and eventually from Indianapolis. [126]

The DoD and Secretary Rumsfeld decided to have Cleveland DFAS handle reserve pay issues after it was revealed that 95 percent of all deployed reservists experienced pay problems. The GAO found that 332 of 348 Army Reserve soldiers studied had pay errors.[127] Further, the "proven efficiency of the Cleveland office was regarded as crucial in making needed improvements to the Pentagon's pay system for the Reserve and Guard, given their extended deployments to Afghanistan and Iraq."[128]

In addition, staff at DFAS Cleveland is credited with "pioneering a number of systems that have become government best practices, including making all payroll transactions paperless and creating an e-portal environment for all employee communications and human resource functions."[129]

In March 2004, DFAS was awarded the Federal Government Innovator Award in the Fifth-Annual Accenture and Massachusetts Institute of Technology (MIT) Digital Government Awards.[130] The myPay system has also received the Under Secretary of Defense (Comptroller) Financial Management Award and the Department of Defense Value Engineering Achievement Award.[131]

A DFAS Center Slated to Gain Jobs Has Ongoing Performance Issues

It is also worth noting that DoD wants to shuffle work from Cleveland to other DFAS facilities that have had ongoing problems.

Under the BRAC plan, DFAS Columbus stands to gain 1,758 jobs.[132] The performance of this office was the subject of a July 2001 GAO Report that was requested by Congress. The title of the report is "*Canceled DoD Appropriations – $615 million of Illegal or Otherwise Improper Adjustments*."[133]

According to the report, DFAS Columbus makes about 99 percent of DoD's annual closed appropriation account adjustments.[134] During fiscal years 1997 through 2000, DFAS Columbus' records showed that it made about $10 billion of adjustments affecting closed appropriation accounts.[135]

A GAO review of $2.2 billion of adjustments made in Columbus found that "about $615 million (28 percent) of the adjustments should not have been made, including about $146 million that violated specific provisions of appropriations law and were thus illegal."[136]

The performance of the Columbus DFAS office was also cited in an August 2003 GAO report: *DoD Contract Payments – Management Action Needed to Reduce Billions in*

Adjustments to Contract Payment Records. The GAO indicated that data from DFAS Columbus showed that in Fiscal Year 2002 about $1 of every $4 in contract payment transactions was for adjustments to previously recorded payments.[137] These payments were processed incorrectly and had to be reprocessed, resulting in additional costs of about $34 million to research payment location problems.[138] This problem was not unique to Fiscal Year 2002, either.

A February 2001 GAO report delved into excess payments and underpayments by the DoD, and was very critical of the DFAS Columbus office, which pays contracts administered by the Defense Contract Management Agency (DCMA).[139] According to the report, DFAS Columbus paid $71 billion to contractors in Fiscal Year 1999 and $72 billion in Fiscal Year 2000. The report focused on 39 large contractors receiving contracts valued at $125 million to $1 billion or more from DFAS Columbus.

The large contractors were paid $359 million more than they should have been paid in Fiscal Year 1999. The report says that contractors had to repay Columbus DFAS $670 million in Fiscal Year 1999 and closer to a billion dollars – $901 million – in Fiscal Year 2000.[140] The report said that 18 percent of overpayments were due to "contractor billing errors and DFAS-Columbus payment errors."[141]

The report also addressed underpayments of defense contracts. "Reported underpayments were less common than excess payments. Large contractors we reviewed reported resolving $41 million in underpayments during fiscal year 1999. Contractors attributed most underpayments to payment errors made by DFAS-Columbus."[142]

The performance of the Columbus DFAS office was again cited in a June 2001 GAO Report: *Debt Collection – Defense Finance and Accounting Service Needs to Improve Collection Efforts*. The GAO concluded that the "Debt Management Office at DFAS Columbus is not effectively and proactively pursuing collections of debts assigned to it."[143] In 1991, DoD consolidated debt management within DFAS, and two Columbus offices are involved in collecting contractor debts owed to the government.

DoD has a track record of Overestimating Savings

Finally, it must be noted that at the time of the last great financial services consolidation in 1994, DoD officials were eager to boast about the tremendous savings that would come down the road from their bold consolidation efforts – $8 to 9 billion over 20 years.[144]

Ten years later, long before those savings had a chance to fully accrue, DoD has come up with another grand scheme for DFAS. This time, DoD speculates that over 20 years it will ultimately save taxpayers $1.3 billion, or roughly $65 million a year.[145] It must be pointed out that DoD has a less than stellar track record when it comes to calculating costs and savings.

At a March 18, 1998, hearing before the House Armed Services Committee, Barry W.

Holman, Associate Director of Defense Management Issues at GAO, testified: "Our work relating to various defense reform initiatives shows that estimated savings often are not as great as first estimated and that the initiatives often take much longer than expected to be achieved."[146]

Ten years ago, during the last consolidation of DFAS, Cleveland DFAS was spared from the consolidation effort because it was one of the all-important DFAS "nerve centers." Nothing has changed in that regard in the last decade, and in fact, the Cleveland DFAS office has assumed even more work. The Center is the only one in the entire country where employees are trained to handle military retired pay, and the Center became the hub of all pay functions for military reservists and their families just a year ago.

It is mind-numbing that performance was not a factor considered by the BRAC Commissioners when deciding to realign Cleveland DFAS and make so many other changes to DFAS offices nationwide. Economics should play a role in the BRAC process, and I believe I've laid out a compelling case that there is little economic justification for shuttering DFAS Cleveland. Cleveland DFAS should not suffer because DoD botched its last consolidation effort so badly, wasting hundreds of millions of dollars of taxpayer money on offices that were not needed. DoD has already thrown bad money away once, and it should not throw bad money after bad and shutter Cleveland.

The BRAC Commission and DoD can argue that performance should not be a factor, but at the end of the day, any consolidation of DFAS and its accounting services will ultimately be judged by one simple measure of performance: Are our active duty military, reservists, National Guard and military retirees getting paid, and on time? Are DoD contracts being paid, and in a timely manner?

If they are not, which seems almost inevitable under such a massive upheaval of employees and work places, what will our justification be then? What will we tell our men and women in uniform? That we jeopardized the timely arrival of your paychecks during a time of war so that we might save $120 million a year, starting about seven years down the road? That we effectively closed the one DFAS Center that is trained to do military retired pay and pay for reservists during a time of war so we might save $9 million a year many years down the road?

The entire BRAC process hopes to achieve a savings of $50 billion over 20 years. At best, the savings achieved from the entire DFAS portion will be about $1.3 billion over 20 years – roughly 2.6 percent. The annual savings that will be derived from effectively shuttering the Cleveland DFAS office are just 0.029 percent of the $50 billion savings projected through the entire BRAC process. Interestingly, rental costs have widely been reported as an ongoing problem for the Cleveland DFAS office. In fact, some have speculated that they are the "primary drawback to Cleveland's competitive position."[147]

What is the cost per square foot in Cleveland? "The base rental fee for DFAS Cleveland is about $14.30 per square foot a year. In Columbus, it's $12.20; Denver, $10; Kansas City, $18;

and Indianapolis, $13.20."[148] And who is the landlord that allegedly is causing such problems for Cleveland? None other than the Federal Government – the General Services Administration.

Is it even plausible that DoD can justify spending nearly $29 million to shutter the DFAS office in Cleveland, and more than $159 million to close 20 smaller DFAS offices because Cleveland pays a dollar or two more a square foot for office space than some other large DFAS offices? It's fairly difficult for the federal government to blame a landlord for charging too high a rent when it is the landlord. I implore the BRAC Commission to reconsider the proposed realignment of the Cleveland DFAS office.

Sincerely,

Steven C. LaTourette
Member of Congress

SCL/ds
cc: The Hon. Donald Rumsfeld, Secretary of Defense

1.DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

2.DoD Base Closure and Realignment Report, Volume I, Part 1 of 2: Results and Process, and Part 2 of 2: Detailed Recommendations, May 2005

3.DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

4.DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

5. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

6. Denver faces stiff competition to win Pentagon accounting center job raffle, Associated Press, February 14, 2003

7.Denver faces stiff competition to win Pentagon accounting center job raffle, Associated Press, February 14, 2003

8. Whew! Cleveland to Keep Finance Center; 500 jobs may open up before '94; The Plain Dealer (Cleveland); March 13, 1993

9.Memorandum for OSD BRAC Clearinghouse – OSD BRAC Clearinghouse Tasker 0150:OH – Rep. LaTourette, Questions re: DFAS-Cleveland; May 25, 2005

10.DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

11.DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

12.United States General Accounting Office (GAO) Report to Congressional Requesters: Defense Infrastructure, DoD's Planned Finance and Accounting Structure is Larger and More Costly Than Necessary; September 1995; GAO/NSIAD-95-127; www.gao.gov/cgi-bin/getrpt?NSIAD-95-127

13.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

14. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

15. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

16.United States General Accounting Office (GAO) Report to Congressional Requesters: Defense Infrastructure, DoD's Planned Finance and Accounting Structure is Larger and More Costly Than Necessary; September 1995; GAO/NSIAD-95-127; www.gao.gov/cgi-bin/getrpt?NSIAD-95-127

17.United States General Accounting Office (GAO) Report to Congressional Requesters: Defense Infrastructure, DoD's Planned Finance and Accounting Structure is Larger and More Costly Than Necessary; September 1995; GAO/NSIAD-95-127; www.gao.gov/cgi-bin/getrpt?NSIAD-95-127

18.United States General Accounting Office (GAO) Report to Congressional Requesters: Defense Infrastructure, DoD's Planned Finance and Accounting Structure is Larger and More Costly Than Necessary; September 1995; GAO/NSIAD-95-127; www.gao.gov/cgi-bin/getrpt?NSIAD-95-127

19.United States General Accounting Office (GAO) Report to Congressional Requesters: Defense Infrastructure, DoD's Planned Finance and Accounting Structure is Larger and More

Costly Than Necessary; September 1995; GAO/NSIAD-95-127; www.gao.gov/cgi-bin/getrpt?NSIAD-95-127

20.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

21.United States General Accounting Office (GAO) Report to Congressional Requesters: Defense Infrastructure, DoD's Planned Finance and Accounting Structure is Larger and More Costly Than Necessary; September 1995; GAO/NSIAD-95-127; www.gao.gov/cgi-bin/getrpt?NSIAD-95-127

22. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

23.United States General Accounting Office (GAO) Report to Congressional Requesters: Defense Infrastructure, DoD's Planned Finance and Accounting Structure is Larger and More Costly Than Necessary; September 1995; GAO/NSIAD-95-127; www.gao.gov/cgi-bin/getrpt?NSIAD-95-127

24. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

25. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

26. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

27. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

28. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

29. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

30. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

31. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

32. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

33. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

34. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

35. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

36. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

37. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

38. United States General Accounting Office (GAO) Report to the Secretary of Defense: DoD Infrastructure – DoD is opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113; April 1996) www.gao.gov/cgi-bin/getrpt?NSIAD-96-113

39. Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

40. Testimony before House Subcommittee on Military Installations and Facilities, February 27, 1997; http://armedservices.house.gov/testimony/105thcongress/97-2-27Goodman.htm

41. Testimony before House Subcommittee on Military Installations and Facilities, February 27, 1997; http://armedservices.house.gov/testimony/105thcongress/97-2-27Goodman.htm

42. Testimony before House Subcommittee on Military Installations and Facilities, February 27, 1997; http://armedservices.house.gov/testimony/105thcongress/97-2-27Goodman.htm

43.United States General Accounting Office (GAO) Report to Congressional Requesters: Defense Infrastructure, DoD's Planned Finance and Accounting Structure is Larger and More Costly Than Necessary; September 1995; GAO/NSIAD-95-127; www.gao.gov/cgi-bin/getrpt?NSIAD-95-127

44. DFAS web site: www.dod.mil/dfas/about/locations/

45.DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

46.United States General Accounting Office (GAO) Report to Congressional Requesters: Defense Infrastructure, DoD's Planned Finance and Accounting Structure is Larger and More Costly Than Necessary; September 1995; GAO/NSIAD-95-127; www.gao.gov/cgi-bin/getrpt?NSIAD-95-127

47. Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

48.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

49.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

50.Defense Finance Site to Stay; 2,000 Jobs Saved; *The Plain Dealer* (Cleveland); May 4, 1994

51.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

52.DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

53.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

54.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

55.DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

56.DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

57.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

58.DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

59.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

60.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

61.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

62.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

63.DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

64.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

65.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

66.DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

67.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

68.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

69.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

70.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

71.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

72.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

73.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

74.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

75. DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

76. DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

77. Memorandum for OSD BRAC Clearinghouse – OSD BRAC Clearinghouse Tasker 0099:OH – Question from Rep. LaTourette – DFAS-Cleveland; May 23, 2005

78.DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

79.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

80.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

81.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

82.DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

83. DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

84. DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

85. DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

86. DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

87. DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

88.DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

89.DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

90. DFAS web site: www.dod.mil/dfas/about/locations/

91. Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

92. www.forrelease.com/D20040712/clm047.P2.07122004122709.01180.html

93.Memorandum for OSD BRAC Clearinghouse Tasker 0202 – Additional Questions from Congressman LaTourette; June 3, 2005

94. DoD Base Structure Report (A Summary of DoD's Real Property Inventory); Fiscal Year 2004 Baseline; Office of the Deputy Undersecretary of Defense (Installations & Environment)

95. DoD Base Structure Report (A Summary of DoD's Real Property Inventory); Fiscal Year 2004 Baseline; Office of the Deputy Undersecretary of Defense (Installations & Environment)

96. DoD Base Structure Report (A Summary of DoD's Real Property Inventory); Fiscal Year 2004 Baseline; Office of the Deputy Undersecretary of Defense (Installations & Environment)

97.DFAS-Cleveland White Paper, January 2004

98. DFAS-Cleveland White Paper, January 2004

99.DoD Base Closure and Realignment Report, May 2005

100. DoD Base Closure and Realignment Report, May 2005

101. DFAS web site: www.dod.mil/dfas/about/locations/

102. OH Unemployment; state jobless rate decreases to 6.1 percent; Associated Press; May 20, 2005

103. Cleveland to lose 1,000 defense jobs, Pentagon has city's DFAS center in sights, High-paying work means millions to area, Leaders vow fight; chance of winning slim, The Plain Dealer (Cleveland); May 14, 2005

104. Cleveland No.1 in big-city poverty, Nearly half of children among the poor; The Plain Dealer (Cleveland); August 27, 2004

105.http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=107_cong_public_laws&docid=f:publ067.107

106. Report by Cleveland Defense Industry Alliance, July 20, 2004

107. Memorandum for OSD BRAC Clearinghouse – OSD BRAC Clearinghouse Tasker 0150:OH – Rep. LaTourette, Questions re: DFAS-Cleveland; May 25, 2005

108. Memorandum for OSD BRAC Clearinghouse – OSD BRAC Clearinghouse Tasker 0150:OH – Rep. LaTourette, Questions re: DFAS-Cleveland; May 25, 2005

109. Memorandum for OSD BRAC Clearinghouse – OSD BRAC Clearinghouse Tasker 0150:OH – Rep. LaTourette, Questions re: DFAS-Cleveland; May 25, 2005

110. Bidding for Cleveland Defense Jobs Botched, Report Says; The Plain Dealer, March 27, 2003

111. DoD Inspector General Report D-2003-056; Public/Private Competition for the Defense Finance and Accounting Service Military Retired and Annuitant Pay Functions; http://www.dodig.osd.mil/Audit/reports/fy03/03056sum.htm

112. DoD May Abandon Contract Awarded to Firm Mistakenly, Federal Times, July 28, 2003

113. Government Contract Alert http://www.ffhsj.com/govtcon/ffgalert/gcarch/nb030302.htm

114. DoD May Abandon Contract Awarded to Firm Mistakenly, Federal Times, July 28, 2003

115. DoD Inspector General Report D-2003-056; Public/Private Competition for the Defense Finance and Accounting Service Military Retired and Annuitant Pay Functions; http://www.dodig.osd.mil/Audit/reports/fy03/03056sum.htm

116. www.afge.org/Index.cfm?Page=PressReleases&PressReleaseID=224 (See pdf link to letter)

117. Firm that took over local jobs will keep government contract, The Plain Dealer, October 22, 2003

118. Firm that took over local jobs will keep government contract, The Plain Dealer, October 22, 2003

119.Memorandum for OSD BRAC Clearinghouse – OSD BRAC Clearinghouse Tasker 0099:OH – Question from Rep. LaTourette – DFAS-Cleveland; May 23, 2005

120. DFAS web site: http://www.dod.mil/dfas/about/locations/cl_index.htm

121. DFAS web site: www.dod.mil/dfas/about/locations/

122. DFAS web site: www.dod.mil/dfas/about/locations/

123. Defense Finance Site to Stay; 2,000 jobs saved; The Plain Dealer (Cleveland); May 4, 1994

124. DFAS web site: http://www.dod.mil/dfas/about/locations/cl_index.htm

125. DFAS-Cleveland White Paper, January 2004

126. http://www.dod.mil/dfas/news/releases/2004/04-25.htm

127. 'Financial Friendly Fire'; Pay errors continue to plague deployed reservists; Navy Times, August 2, 2004

128. Report by Cleveland Defense Industry Alliance, July 20, 2004

129. DFAS-Cleveland White Paper, January 2004

130.http://www.dod.mil/dfas/news/releases/2004/04-15.htm

131. http://www.dod.mil/dfas/news/releases/2003/03_33.htm

132. DoD Base Closure and Realignment Report, May 2005

133. GAO Report (GAO-01-697) Canceled DoD Appropriations – $615 million of Illegal or Otherwise Improper Adjustments. www.gao.gov/cgi-bin/getrpt?GAO-01-994T

134. GAO Report (GAO-01-697) Canceled DoD Appropriations – $615 million of Illegal or Otherwise Improper Adjustments. www.gao.gov/cgi-bin/getrpt?GAO-01-994T

135.GAO Report (GAO-01-697) Canceled DoD Appropriations – $615 million of Illegal or Otherwise Improper Adjustments. www.gao.gov/cgi-bin/getrpt?GAO-01-994T

136. GAO Report (GAO-01-697) Canceled DoD Appropriations – $615 million of Illegal or Otherwise Improper Adjustments. www.gao.gov/cgi-bin/getrpt?GAO-01-994T

137. GAO Report (GAO-03-727) DoD Contract Payments – Management Action Needed to Reduce Billions in Adjustments to Contract Payment Records www.gao.gov/new.items/d03727.pdf

138.GAO Report (GAO-03-727) DoD Contract Payments – Management Action Needed to Reduce Billions in Adjustments to Contract Payment Records www.gao.gov/new.items/d03727.pdf

139.GAO Report (GAO-01-309) Contract Management – Excess Payments and Underpayments Continue to be a Problem at DoD www.gao.gov/cgi-bin/getrpt?GAO-01-309

140. GAO Report (GAO-01-309) Contract Management – Excess Payments and Underpayments Continue to be a Problem at DoD www.gao.gov/cgi-bin/getrpt?GAO-01-309

141. GAO Report (GAO-01-309) Contract Management – Excess Payments and Underpayments Continue to be a Problem at DoD www.gao.gov/cgi-bin/getrpt?GAO-01-309

142. GAO Report (GAO-01-309) Contract Management – Excess Payments and Underpayments Continue to be a Problem at DoD www.gao.gov/cgi-bin/getrpt?GAO-01-309

143. GAO Report (GAO-01-686) Debt Collection – Defense Finance and Accounting Service Needs to Improve Collection Efforts www.gao.gov/cgi-bin/getrpt?GAO-01-686

144.United States General Accounting Office (GAO) Report to Congressional Requesters: Defense Infrastructure, DoD's Planned Finance and Accounting Structure is Larger and More Costly Than Necessary; September 1995; GAO/NSIAD-95-127; www.gao.gov/cgi-bin/getrpt?NSIAD-95-127

145. DoD Base Closure and Realignment Report, Volume I, Part 2 of 2: Detailed Recommendations, May 2005

146. www.house.gov/hasc/testimony/105thcongress/3-18-98holman.htm

147. Cleveland to lose 1,000 defense jobs Pentagon has city's DFAS center in sights, High-paying work means millions to area, Leaders vow fight; chance of winning slim; The Plain Dealer (Cleveland); May 14, 2005

148. Cleveland to lose 1,000 defense jobs Pentagon has city's DFAS center in sights, High-paying work means millions to area, Leaders vow fight; chance of winning slim; The Plain Dealer (Cleveland); May 14, 2005

DCN: 12450

Congress of the United States
Washington, DC 20510

August 15, 2005

2005 Base realignment and Closure Commission (BRAC)
2521 South Clark Street
Suite 600
Arlington, Virginia 22202

Dear Chairman Principi and BRAC Commissioners:

Thank you again for your dedication and commitment to ensuring that the 2005 BRAC recommendations best serve our military and the citizens of our great country.
We look forward to continuing to work with you and your staff as the commission moves toward making its final recommendations to the President.

We write today to reiterate our strong support for removing the Defense Finance and Accounting Services center in Kansas City, Missouri (DFAS-KC) from the Department of Defense's (DOD) recommended closure list As discussed at the June 20th Field Hearing, there are many strong arguments for maintaining DFAS-KC, including:

- DFAS-KC is the only workforce currently administering the Marine Corps Total Force System; most of these highly trained employees will not relocate if DFAS-KC is closed
- DFAS-KC has consistently performed in an outstanding manner, meeting or surpassing all goals given.. In 2004, active duty and reserve Marines were paid on time with a 99.92 and 99.83 percent accuracy rate. This year, DFAS-KC is performing at a 100 percent accuracy rate.
- The BRAC closure recommendation estimates the cost for DFAS-KC at $16 per square foot; GSA has indicated that the figure is closer to $9 per square foot.
- The BRAC recommendation cites no possible expansion capability as a reason for closing DFAS-KC; GSA is currently in the process of making additional square footage available for DFAS-KC. In fact, it has been brought to our attention that DFAS Indianapolis, a beneficiary of the BRAC recommendations, does not have the capacity to absorb expansion and will have to acquire additional leased space.
- From 2006 through 2011 closing DFAS-KC will cost $17.3 million and produce a savings of only $7.3 million. These meager savings are not justifiable when weighed against the military readiness and security.

In addition to the above arguments we would like to address a particularly troubling aspect of the overall BRAC process and its impact on DFAS-KC. It has become abundantly clear that

DCN: 12450

DOD has used the BRAC process as an implementing tool to enforce policy regarding transformation and leased property. One of DOD's "imperatives" for the BRAC process was to further transformation and vacate leased space.

BRAC recommendations based on an OSD imperative to vacate leased, as opposed to military value, violates section 2914 (F) of the Defense Base Closure and realignment Act of 1990 as amended. Senate Armed Services Committee Chairman Warner eloquently outlined the legal issues involved with deviating from the selection criteria in his July 7th statement to the BRAC Commission. We strongly agree with his statement that "the goal to vacate leased office space was the guiding principle for many of these recommendations—not military value, cost savings or any other legislated criteria. This is not permitted by law." The BRAC Red Team correctly identified the problem of implementing transformational policies through BRAC by stating in its March 22, 2005 briefing notes: "since transformation is not one of the final selection criteria, transformational justifications have no legal basis and should be removed."

It defies common sense to close the nation's only entity trained in administering the Marine Corps financial support system. Recommending the closure of DFAS-KC based upon the desire to expedite DOD transformational objectives violates the purview of the BRAC law and is not acceptable. It is incumbent upon the BRAC Commission to make certain that all recommendations were based upon performance, military value and cost savings. When you review the facts regarding DFAS-KC we believe you will agree with us that the facility should be removed from the BRAC closure list.

Respectfully,

Kit Bond

Christopher S. Bond

James M. Talent

Emanuel Cleaver

DCN: 12450

August 19, 2005

The Honorable Anthony J. Principi
Chairman
Defense Base Closure and Realignment Commission
2521 S. Clark Street, Suite 600
Arlington, Virginia 22202

Re: Cleveland DFAS

Dear Chairman Principi:

I have reviewed Mr. Michael Wynne's report detailing the Department of Defense positions for selected DOD recommendations under consideration by the Base Closure and Realignment Commission. With respect to the DOD position regarding the Defense Finance and Accounting Service (DFAS), I was struck by the fact that decisions that impact our military in such a dramatic way were based almost entirely on current facilities and excess capacity.

We agree that facility capacity and cost are important, and we have demonstrated that Cleveland is fully capable of meeting current and future needs. We have proven that the cost of the Anthony J. Celebrezze Building used in the DOD analysis was wrong, a fact that resulted in a lower military value than should have been assigned to Cleveland. We have also testified that the City of Cleveland, the State of Ohio and the private sector have committed to building and financing a new DFAS Center, one that meets all security standards imposed by DOD. In addition to providing a low cost alternative, this facility would meet the demands of the future and an expanded mission. Quite simply, this alternative relieves the DOD of every concern that appears to have been used in their 'bricks and mortar' analysis.

We urge you to look beyond this metric, ultimately, and factor into your final decision the metrics that matter – service efficiency and quality over many years, and the availability of a trained workforce to perform the complex tasks that make DFAS the world class organization it is. Cleveland is already a Center of Excellence, has military value way beyond what the H&SA JCSG credited it with, and has the capacity to assume additional workload. Its employees have pioneered many of the products and processes that ensure the entire DFAS organization provides Military Value to our troops every day.

Thank you for your consideration and your service to our country through this important mission.

Sincerely,

Frederick R. Nance, Chairman
Cleveland Defense Industry Alliance