



**Defense Base Closure and
Realignment Commission**



The Defense Finance and Accounting Service Denver

Welcomes

The Honorable Phillip E. Coyle, III

Defense Base Closure and Realignment Commission

August 4, 2005



DFAS BRAC Commission Update

Mark E. Gaddy
Director, Defense Finance
Accounting Service

Richard J. Anderfuren
Site Director, Denver

August 4, 2005



Agenda

- Transformation roadmap and successes
- BRAC and DFAS
 - ✓ Current environment
 - ✓ Future business operations
- Footprint and capacity
- Summary
- DFAS at a glance
- DFAS customer service matrix and organization
- DFAS success stories
- DFAS Denver information
- The road ahead



DFAS Transformation

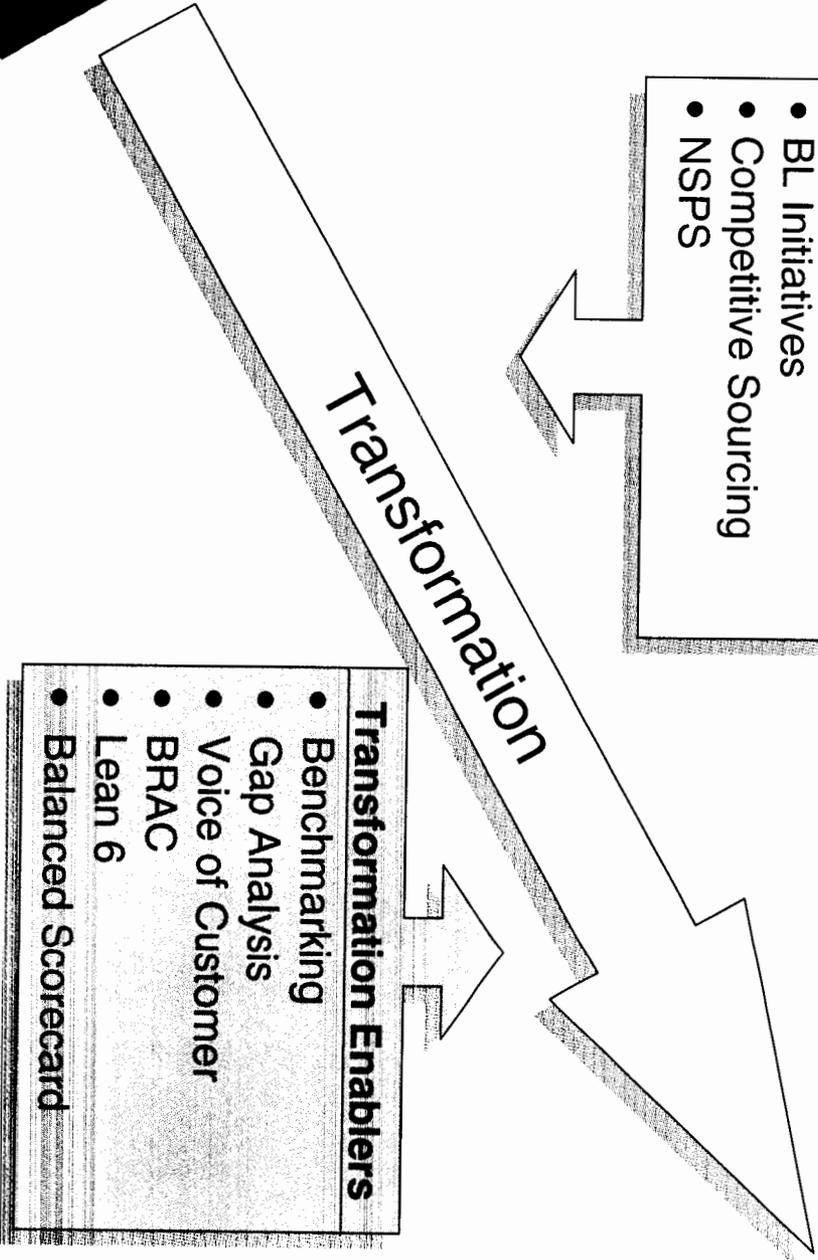


- DFAS transformation strategy designed to realize vision – “Best-value” for our customers through continuous process improvements
 - ✓ Best possible performance
 - ✓ Reduced cost
 - ✓ Great quality
- Business case analysis and enabling tools ensure fact-based decisions determine the best transformation alternative
- All transformation alternatives garner significant savings
 - ✓ People
 - ✓ Processes
 - ✓ Systems

Transformation Roadmap



- | Transformation Initiatives |
|--|
| <ul style="list-style-type: none">• Strategic Targets• BCAs/HPOs• BL Initiatives• Competitive Sourcing• NSPS |



- | Transformation Enablers |
|--|
| <ul style="list-style-type: none">• Benchmarking• Gap Analysis• Voice of Customer• BRAC• Lean 6• Balanced Scorecard |

Proof of Concept: DFAS Transformation Successes



- **A-76 Competitions**
 - ✓ 7 major competitions with an average 37% FTE reduction
- **Business Case Analyses (BCAs)**
 - ✓ 9 BCA studies completed, analyzing critical DFAS segments
- **High Performing Organizations (HPOs)**
 - ✓ 2 HPO plans complete and beginning implementation
 - ✓ 6 HPO development plans currently ongoing
- **Benchmarking**
 - ✓ Contract with Deloitte & American Productivity and Quality Center (APQC)
 - ✓ Benchmark on key quality, service, and cost dimensions--execute business initiatives to close performance gaps
- **Europe Transition**
 - ✓ Realignment of DFAS Europe workload (458 work-years) as directed by OSD to CONUS DFAS sites
 - ✓ Left storefront operations of 107 work-years, with 171 work-years transitioned to CONUS DFAS sites
 - ✓ Realized efficiencies of 180 work-years as a result of successful transition, \$10.4M per year, consolidated operations from 4 buildings to 1

BRAC 2005 Impact on DFAS



- DFAS will operate from fewer locations
 - ✓ Reduced footprint
 - ✓ Lower operating costs
 - ✓ Streamlined operations
 - ✓ Closer to customer base
 - ✓ Optimal distribution of workload within a coast to coast environment
- The Future: Create Centers of Excellence
 - ✓ Continuously improve with economy of scale and skill
 - ✓ Strengthen and standardize business operations
 - ✓ Simplify training delivery and support
 - ✓ Improved oversight and control

DFAS Opportunity Leveraging BRAC



DFAS Today

- | | |
|---------------------|----------------------|
| Arlington | Oakland |
| Charleston | Omaha |
| Cleveland | Orlando |
| Cleveland Bratenahl | Pacific |
| Columbus | Patuxent River |
| Dayton | Pensacola NAS |
| Denver | Pensacola Saufley |
| Europe | Red River Army Depot |
| Indianapolis | Rock Island |
| Japan | Rome |
| Kansas City | San Antonio |
| Lawton | San Bernardino |
| Lexington | San Diego |
| Limestone | Seaside |
| Norfolk | St Louis |

BRAC



DFAS 2011*

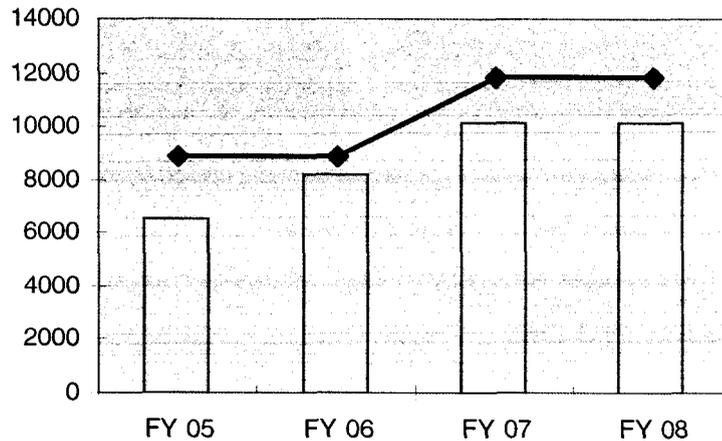
- Arlington Liaison
- Cleveland Enclave /
Cleveland Bratenahl
- Columbus
- Denver
- Europe
- Indianapolis
- Japan
- Red River Army Depot

*Based on May 13, 2005 BRAC Recommendations

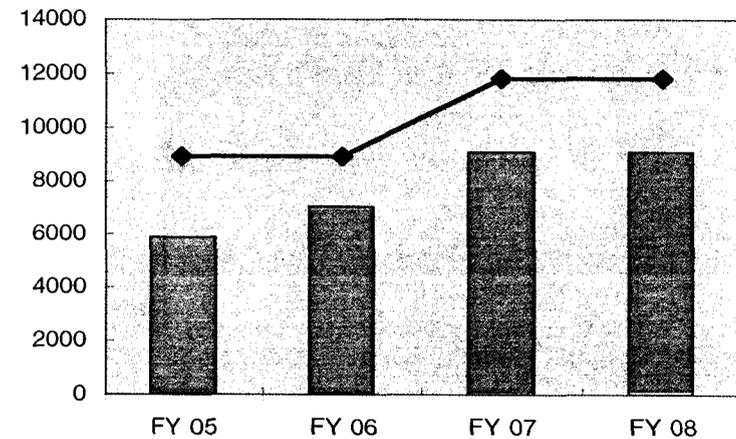


Capacity analysis: DFAS CO, DE and IN

DFAS CO, DE, and IN Site Capacity
(includes Contractors)



DFAS CO, DE, and IN Site Capacity
(excludes Contractors)



- Occupancy projections based on notional schedule
- Schedule will be upgraded based on implementation of Transformation timelines
- Strength calculated using the notional schedule and current contractor personnel (excluding Cleveland R&A and non-consolidated sites) and assumes:
 - Contractor population remains constant through FY 08 – conservatively high, and
 - All DFAS personnel occupy office space as currently configured

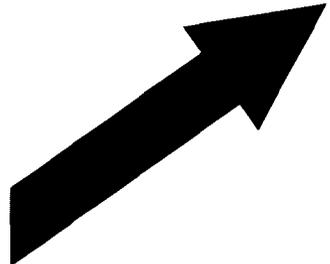


DFAS Transformation Footprint

Today's Footprint

FY 2011 Footprint

- 30 locations *
- 14,290 FTEs
- 110 systems
- \$1,776M cost/execution authority
- **70% technicians / 30% professional**
- Aging workforce
- General Schedule Pay System



- Fewer locations
 - ✓ 8 shown on May 13, 2005*
- <= 10K FTEs
- < 50 systems
- \$1,337M cost/execution authority
- **70% professional / 30% technicians**
- Right employees with right skills
- Optimum number and mix of civilians/contractors
- Pay for performance under NSPS



BRAC facilitates DFAS transformation

BRAC provides opportunity to implement site consolidations, streamline DFAS operations, and support our goal to provide best value to the warfighter

* Includes Europe & Japan

BRAC Offers Maximum Employee Assistance



- Employee transition options include
 - ✓ Move with Work
 - ✓ DFAS will pay PCS costs for permanent employees who move with their work
 - ✓ Early PPP Registration
 - ✓ Retirement Seminars
 - ✓ VERA/SIP
 - ✓ Severance Pay
 - ✓ Other Federal Agencies
 - ✓ Resume and Interviewing Assistance
 - ✓ Private Sector Employment
- Realignments outside of BRAC (to reduce footprint or other) may not provide the same comprehensive transition options

DFAS Maximizes Value with Anchor Site Operations

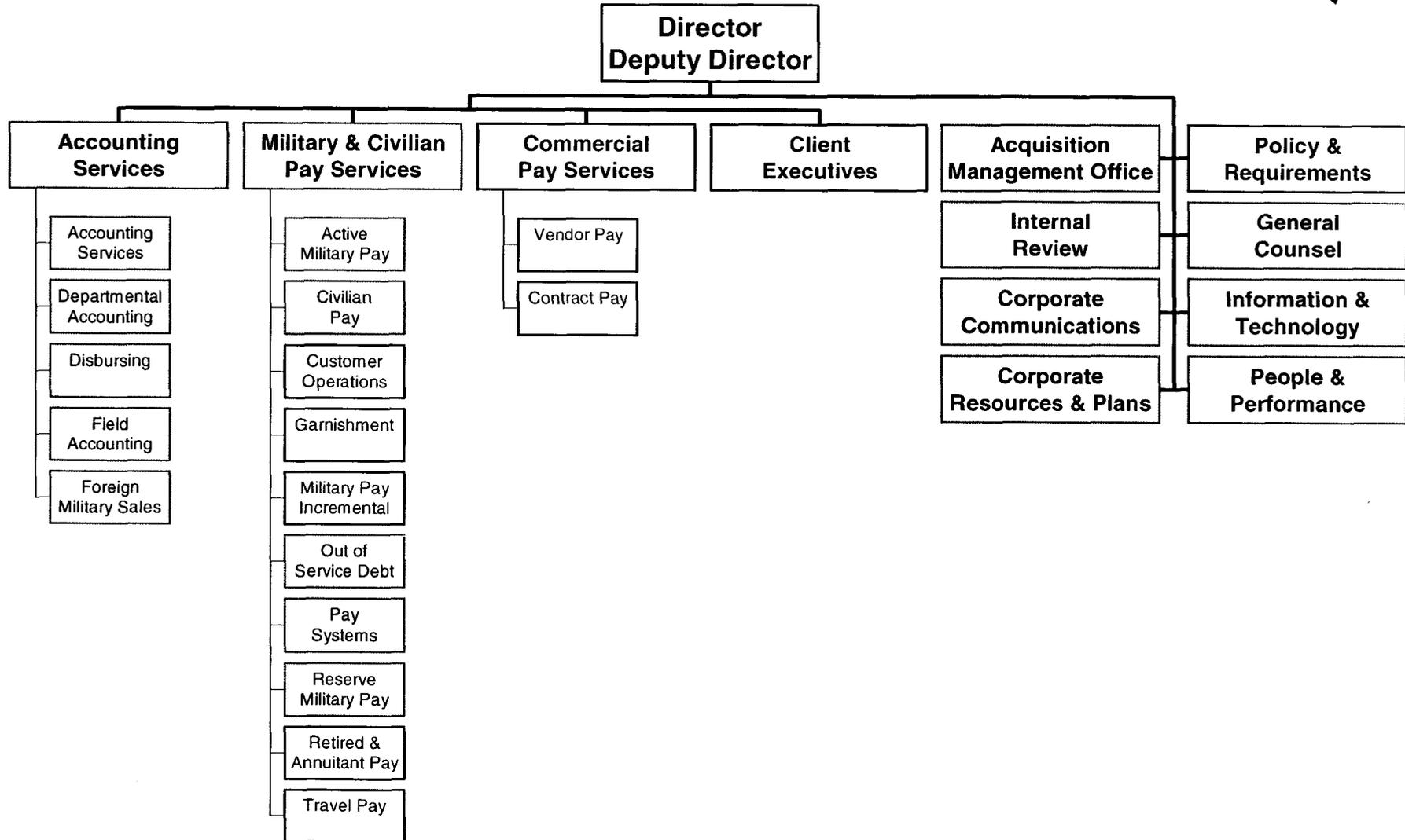


- Benefits include:
 - ✓ Mission Operations: Superior operational capability at anchor sites
 - ✓ Workforce
 - ✓ Demonstrated performance of existing workforce
 - ✓ Positive local labor source; demographic favorable for hiring the right skills for the future
 - ✓ Reduced footprint/infrastructure and transformation initiatives deliver a positive effect on customer rates

- Discussion of site specific successes, DFAS Denver
 - ✓ Richard J. Anderfuren, Site Director, Denver



DFAS Organizations at Denver



Note: Business Lines and Product Lines highlighted in yellow are specific to DFAS Denver.

DFAS Denver Customers and Success Stories - Air Force Accounting



- Primary customers include Department of Defense Comptroller, Air Force, Air National Guard, Air Force Reserve, United States Transportation Command and several Defense Agencies
- Air Force Accounting Services success stories
 - ✓ Consolidated Air Force field accounting
 - San Bernardino & Orlando into Dayton in July 2004
 - San Antonio into Limestone in October 2004
 - Omaha into Dayton in May 2005
 - Subsequent mergers under analysis
 - ✓ Benefits Include
 - Leverages/disseminates smart business practices
 - Reduces/eliminates redundant processes
 - Reduces systems management requirements/operating costs
 - Reduces workyear requirements
 - Provides more consistent customer response

DFAS Denver Customers and Success Stories - Air Force Accounting



- Air Force Accounting Services success stories (continued)
 - ✓ Security Assistance Accounting A-76 Competition
 - Completed public/private competition under Office of Management and Budget Circular A-76 in August 2004
 - Submitted winning bid, beating Deloitte Consulting by \$4 million
 - ✓ DFAS most efficient organization (MEO) initiated - February 2005
Accomplishing work within required cost and performance parameters
 - ✓ Primary customers include DoD Comptroller, Defense Agencies, Military Services and over two hundred Foreign Countries and International Organizations

DFAS Denver Customers and Success Stories – Accounting Business Line



- Centralized Disbursing
 - ✓ Customer Service Base – 198 installations world wide
 - ✓ United States Air Force, DoD Agencies, Military Sealift Command, National Geospatial-Intelligence Agency, Merchant Marines
 - ✓ Operations – 24/6 operation with 70 FTE's
 - ✓ Total Disbursements:
 - ✓ Transaction Number (FY04) 20,094,101
 - ✓ Dollar Amount (FY04) \$36,597,187,325
 - ✓ Total Collections:
 - ✓ Transaction Number (FY04) 104,241
 - ✓ Dollar Amount (FY04) \$25,120,535,287

DFAS Denver Customers and Success Stories - People Pay



- Air Force Active Military Pay
 - ✓ Customers – pay nearly 389,000 active duty Air Force members worldwide twice monthly
 - ✓ Success Stories – Partnering with Air Force Personnel community to continuously track and resolve of pay issues quickly and accurately

- Debt and Claims Management
 - ✓ Customers – Debt Collection, waiver, remission and correction of records for separated military members
 - ✓ Success Stories – Consolidated individual out-of-service debt activities to Denver in 1996 – from 500 employees to less than 200 – Total collections average \$80M per year

DFAS Denver Customers and Success Stories - People Pay



- **Automated Military Pay Systems**
 - ✓ Customers – The Denver Pay Systems Office maintains and monitors the Defense Joint Military Pay System (DJMS) for Active, Guard, and Reserve forces for the Army, Air Force, and the Navy.
 - ✓ Success Stories – Even though the system is to be replaced by the Forward Compatible Pay System, payrolls under DJMS are both accurate and timely. All legislative related pay changes are implemented either through critical systems changes or manual work-arounds developed for pay technicians

- **Civilian Payroll Office**
 - ✓ Customers – The Denver payroll offices pays more than 219,000 Army civilian customers monthly
 - ✓ Success Stories – Successfully absorbed workload from Pensacola during Hurricane Ivan; Implemented aggressive payroll technician certification process



DFAS Denver Personnel Statistics

- **DFAS Business Lines and Number of On Site Personnel**

(HR Flash Report - EOM May 2005)

- ✓ **Total Number Employees - 1,175**

- Military/Civilian Pay Services
- Accounting Services Air Force
- Information & Technology
- Corporate Resources
- Corporate Organizations

- ✓ **Total Contractor Personnel – 96**

(Contractors – March 2005)

- **Status of Retirement Eligible Employees as of May 31, 2005**

- ✓ **Eligible For Retirement - 656 - 56%**

- Optional - 239 - 20%
- Early - 417 - 35%

DFAS Denver Facilities Statistics



- DFAS is a tenant on the former Lowry Air Force Base¹
 - ✓ Known as the Buckley Annex
 - ✓ Property owned and managed by Air Force Base
- DFAS assigned space - 414K square feet²
 - ✓ Includes administrative and warehouse space in 4 buildings
✓ (Bldgs 444, 407, 409 and 667)
- Excess space available
 - ✓ DFAS Vacant workstations – approx 745 seats (bldg 444 -726, bldg 407 – 19)
 - ✓ Excess space in building 444 – approx 1230 seats (former tenant space DISA) and Air Reserve Personnel Center (slated to realign under BRAC 05)
 - ✓ DFAS Occupied Seats – approx 1,427
 - ✓ Total capacity - 3,402 seats (bldg 444 – 3,352, bldg 407 - 50)
- Strong host installation Force Protection program

¹ Lowry Air Force Base closed in previous BRAC
² DFAS Facilities Database - Effective 31 May 2005



Summary

- Transformation has been a key part of Agency strategy since DFAS was established in 1991
- DFAS transformation is based on BCA and accepted process improvement methodology (Lean 6)
- BRAC is an integral part of transformation strategy
- DFAS transformation will continue during and beyond BRAC 2005
- May 13, 2005 recommendation provides the optimum business solution

DFAS

Your Financial Partner @ Work

