

BASE VISIT REPORT

DEFENSE FINANCE AND ACCOUNTING CENTER (DFAS) ARLINGTON, VA

MAY 27, 2005

LEAD COMMISSIONER: The Honorable Anthony Principi

ACCOMPANYING COMMISSIONER: None

Library Routing Slip 2006 BRAC Commission Materials

Name of Item: DFAS Arlington VA Base visit

Station or Community: Arlington, VA

Source: Commission

Original Material? yes no

Analyst / Provider: Wasleski Date Received: 5/27

COMMISSION STAFF:

Charles Battaglia, Executive Director
 Robert Cook, Deputy Director, R&A Staff
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LIST OF ATTENDEES:

Zack E. Gaddy, Director, DFAS, (703) 607-2616 –
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BASE'S PRESENT MISSION:

Provide responsive, professional finance and accounting services to the people who defend America

Note: Mr. Gaddy spoke to the entire DFAS recommendation.

SECRETARY OF DEFENSE RECOMMENDATION:

- Close DFAS sites at Rock Island, IL; Pensacola Saufley Field, FL; Norfolk Naval Station, VA; Lawton, OK; Pensacola Naval Air Station, FL, Omaha, NE; Dayton, OH; St. Louis, MO; San Antonio, TX; San Diego, CA; Pacific Ford Island, HI; Patuxent River, MD; Limestone, ME; Charleston, SC; Orlando, FL; Rome, NY; Lexington, KY; Kansas City, MO; Seaside, CA; San Bernardino, CA; and Oakland, CA. Relocate and consolidate business, corporate and administrative functions to the Defense Supply Center-Columbus, OH, the Buckley Air Force Base Annex, Denver, CO, or the MG Emmett J. Bean Federal Center, Indianapolis, IN.

- Realign DFAS Arlington, VA by relocating and consolidating business, corporate, and administrative functions to the Defense Supply Center-Columbus, OH, the Buckley Air Force Base Annex, Denver, CO, or the MG Emmett J. Bean Federal Center, Indianapolis, IN. Retain a minimum essential DFAS liaison staff to support the Under Secretary of Defense (Comptroller)/Chief Financial Officer, Military Service Chief Financial Officers, and Congressional requirements.
- Realign DFAS Cleveland, OH, by relocating and consolidating business, corporate, and administrative functions to the Defense Supply Center-Columbus, OH, the Buckley Air Force Base Annex, Denver, CO, or the MG Emmett J. Bean Federal Center, Indianapolis, IN. Retain an enclave for the Military Retired and Annuitant Pay Services contract function and government oversight.
- Realign DFAS Columbus, OH, by relocating up to 55 percent of the Accounting Operation functions and associated corporate and administrative functions to DFAS Denver, CO, or DFAS Indianapolis, IN, and up to 30 percent of the Commercial Pay function and associated corporate and administrative functions to DFAS Indianapolis, IN, for strategic redundancy.
- Realign DFAS Denver, CO, by relocating up to 25 percent of the Accounting Operation functions and associated corporate and administrative functions to DFAS Columbus, OH, or DFAS Indianapolis, IN, and up to 35 percent of the Military Pay function and associated corporate and administrative functions to DFAS Indianapolis, IN, for strategic redundancy.
- Realign DFAS Indianapolis, IN, by relocating up to 10 percent of the Accounting Operation functions and associated corporate and administrative functions to DFAS Columbus, OH or DFAS Denver, CO, and up to 20 percent of the Commercial Pay function and associated corporate and administrative functions to DFAS Columbus, OH, for strategic redundancy.

SECRETARY OF DEFENSE JUSTIFICATION:

This action accomplishes a major facilities reduction and business line mission realignment, transforming the current DFAS organization into an optimum facilities configuration, which includes strategic redundancy to minimize risks associated with man-made or natural disasters/challenges.

MAIN FACILITIES REVIEWED:

Mr. Gaddy spoke to the entire DFAS recommendation.

KEY ISSUES IDENTIFIED

The Director provided an overview of DFAS current plan under the BRAC proposal. A power point presentation was provided and can be found in the BRAC library.

Key issues presented during the presentation are as follows:

Mission Issues

- The Director stated that the BRAC recommendation is good for DFAS as it will allow them to get rid of excess capacity by consolidating into fewer locations. This will then allow them to further increase their efficiencies and lower their costs to the customer. BRAC provides an opportunity to transform DFAS. DFAS has realigned in the past, but results were limited without BRAC authority. BRAC provides DFAS an opportunity to implement site consolidations, streamline DFAS operations, and support their goal to provide best value to customers.
- The Director stated that it is important to support the warfighter, but he cannot do this efficiently with the current infrastructure. They want to be a world class provider of accounting services.
- The Director stated that in theory DFAS could operate out of only one location, but for strategic redundancy it was decided three locations would be best. Those three locations were decided by the BRAC process. The Director told the BRAC staff that he did not want brand new locations that he would have to grow from scratch. He wanted sites that already had a workforce in place and excess capacity for growth. The three sites selected already had a workforce in place and excess capacity for growth; two of the sites are on military installations which don't have force protection problems and the third is in a federal building. (**Analyst Note:** I will be checking on whether this site meets DoD force protection standards.) These sites also have an available workforce to pull from, good schools, etc. Some of these sites, such as Limestone, ME, do not have the capacity to grow, according to the Director.
- DFAS Indianapolis is located on the old Fort Benjamin Harrison. While the site sits back from the road, it is not inside a fence. (Analyst in charge will obtain the vulnerability assessment for this site) The Director thought, however, that it would be possible to drive truck bomb up close to the building.
- The military value of a DFAS site is hard to determine the Director stated. The sites are office complexes, not training ranges. Basically, the military value of a site was determined by its location. So, those sites currently on a military site were given a higher military value. That is why places like Rock Island and Pensacola are number one and two in terms of military value. However, other criteria were used to determine site selections. The criteria used was to reduce the number of DFAS Central and Field Operating Locations by merging and combining business line operations to the maximum extent possible while balancing requirements for an environment that meets DoD antiterrorist and force protection standards, strategic business line redundancy, area workforce availability, an anchor entity for each business line to retain necessary organizational integrity to support DoD customer needs, and available facility space or buildable acres.
- Red River location only does non-appropriated fund (NAF) accounting for the Army. The other services do their own NAF accounting. Because NAF accounting is unique, it was

decided to leave this location in place. DFAS originally wanted to obtain all of the NAF accounting, but other services decided to keep their NAF accounting functions in-house.

Force Protection Issues

- DFAS sites vary from being on DoD space to GSA leased space, and as such, the force protection issues differ per site. Some sites meet the force protection standards while others do not. (**Analyst Note:** Analyst in charge will be obtaining the DoD vulnerability reports for each of the sites.)

Facility/Capacity Issues

- DFAS currently has about 49% excess capacity. Some sites originally designed to house 700 staff now only have about 100.

Workforce Issues

- The Director acknowledged that while the recommendation is good overall for the agency, he knows that DFAS will lose some very talented and experienced people. DFAS has an aging workforce. Approximately half the workforce is eligible for regular or early retirement. Therefore, the Director stated that they would soon be losing many employees regardless of the consolidation.
- The workforce was told and knew even prior to BRAC that the locations where DFAS was currently performing the work may change. DFAS has managed workforce consolidations and workforce reductions in the past. When DFAS was first created in 1991 it went from over 300 sites to the current 30. In addition, there was a recent site consolidation in Europe. The site was closed and the work and workforce of approximately 600 was transferred back to the states over a two year period without any major service disruptions.
- The Director stated that they are currently on a glide path to reduce the workforce to approximately 10,000 by about 2011 regardless of BRAC. Further, given the advances in technology and their efforts to develop DFAS into a high performing organization, this number may be even smaller.
- Currently, approximately half the workforce can retire today and the rest by 2011. Therefore, he said that DFAS would be confronted with having to train a new workforce anyway.
- The Director stated that anyone who wants to transfer will be allowed to.
- The Director expects from past experience only about 5% of the staff to transfer. However, he said there may be a higher percentage this time because they have higher

graded employees than under other consolidations. However, about 60% of their workforce is GS-4s or GS5s. For many of these people, it is the second income for the family. So, he doesn't expect these people to move.

- He believes that most of the employees at the Arlington site (about 400) will not transfer, but find other jobs in the area. This is because of the greater opportunity to find other work/federal jobs in the area.
- DFAS has approximately 2000 contractor employees. Most of these employees are in Cleveland, Ohio doing military retiree and annuitant pay. This function was outsourced under an A-76 competition a few years ago and will remain in place after the consolidation.

Transition Issues

- The Director believes that this transition will take about three years. They plan to transition a few thousand jobs each year.
- The consolidation involves about half of DFAS's positions. This is because functions/positions from not just the closing locations are being transferred, but also functions/positions from the three remaining sites. This is for strategic redundancy---to ensure continuity of operations should a site go down for whatever reason.
- In order to ease the transition, the Director is considering allowing people to tele-work at the old locations until the new location is up and trained with the function that is being transferred.
- He is also looking at setting up tiger teams made up of people at the closing locations. These people would travel to the three sites training people on the functions and systems being transferred to those locations. He believes that the tiger teams could be on the road/employed during the three year transition period.
- The Director believes that they can transition the small sites very quickly--in less than three months after a reduction in force (RIF) notification. These would include sites such as Lexington and San Bernardino.

IT Systems Issues

- The Director stated that their IT systems can be maintained from any location and new people can be trained on their legacy systems should those people currently maintaining these systems not transfer. He stated that DFAS will maintain a majority of the systems they currently have. They will just have to hire new people and train them advance on these systems.

- DFAS plans to go to new systems, which will also help to reduce the number of people that they need. They currently have 143 people today who handle problems that occur with their current military pay system. The Director stated that once the new military pay system is in place, they should be able to eliminate these positions. In addition, they currently have 1200 staff doing military pay under the current system, with the new system this number should be able to be reduced to about 600.

INSTALLATION CONCERNS RAISED

- There is a concern over the loss of experienced people. If experienced people do not transfer with the work, service could be affected.
- The Director was concerned about customer service during the transitioning period. His goal is to reduce customer service problems during the transitioning. Besides the tiger teams and tele-working, their ability to reduce the amount of paper transactions will help to reduce problems. For example, at the call centers, more customer questions that can be handled automatically will help to improve customer service. At their call center today in Cleveland, about 75% of the calls are handled automatically, the rest need a person to handle.

COMMUNITY CONCERNS RAISED:

The community concerns will be obtained at the Regional Hearings.

REQUESTS FOR STAFF AS A RESULT OF VISIT: None at this time.