

***DEFENSE BASE CLOSURE AND REALIGNMENT COMMISSION  
2521 CLARK STREET, SUITE 600  
ARLINGTON, VIRGINIA 22202  
(703) 699-2950***

**MEMORANDUM OF MEETING**

**DATE:** July 28, 2005

**TIME:** 2:00 p.m.

**MEETING WITH:** DFAS Director

**SUBJECT:** To present DFAS Transformation Plan

**PARTICIPANTS:**

*Mr. Gaddy, DFAS Director*

*Mr. Jim Chittick, DFAS*

7703 -607 -5176

*Commission Staff:*

\* Marilyn Wasleski

Karl Gingrich

**MEETING SUMMARY:**

See attached power point presentation on Mr. Gaddy's presentation.

\* Denotes individual responsible for completing the memorandum



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# DFAS BRAC Commission Update

Zack E. Gaddy

Director, Defense Finance and Accounting Service

July 28, 2005





- Transformation roadmap and successes
- BRAC and DFAS
  - Current environment
  - Future business operations
- Footprint and capacity
- Summary



# DFAS Transformation

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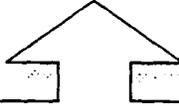
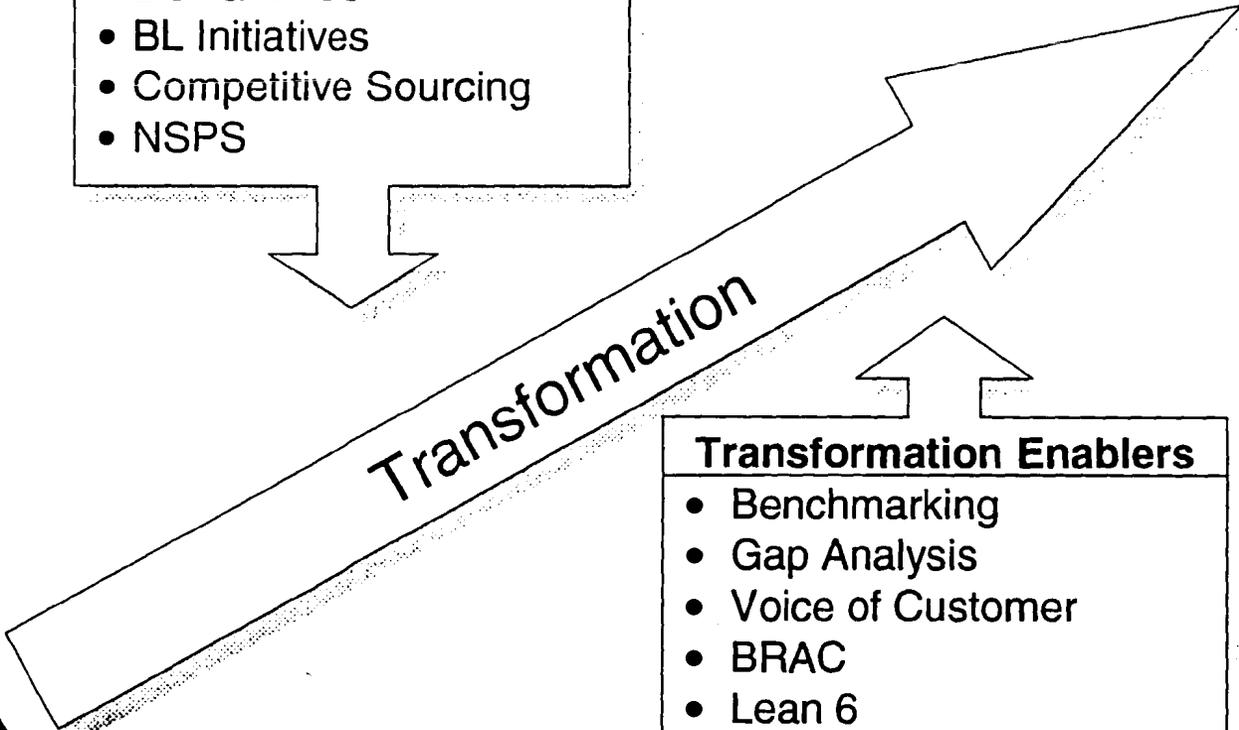
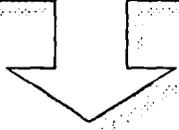


- DFAS transformation strategy designed to realize vision – “Best-value” for our customers through continuous process improvements
  - Best possible performance
  - Reduced cost
  - Great quality
- Business case analysis and enabling tools ensure fact-based decisions determine the best transformation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

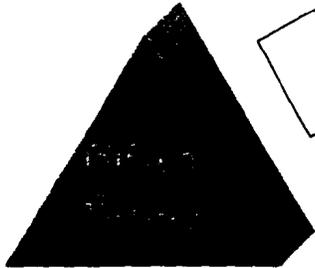
# Transformation Roadmap



- Transformation Initiatives**
- Strategic Targets
  - BCAs/HPOs
  - BL Initiatives
  - Competitive Sourcing
  - NSPS



- Transformation Enablers**
- Benchmarking
  - Gap Analysis
  - Voice of Customer
  - BRAC
  - Lean 6
  - Balanced Scorecard



# Proof of Concept: DFAS Transformation Successes

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- 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

# DFAS Opportunity Leveraging BRAC



## DFAS Today

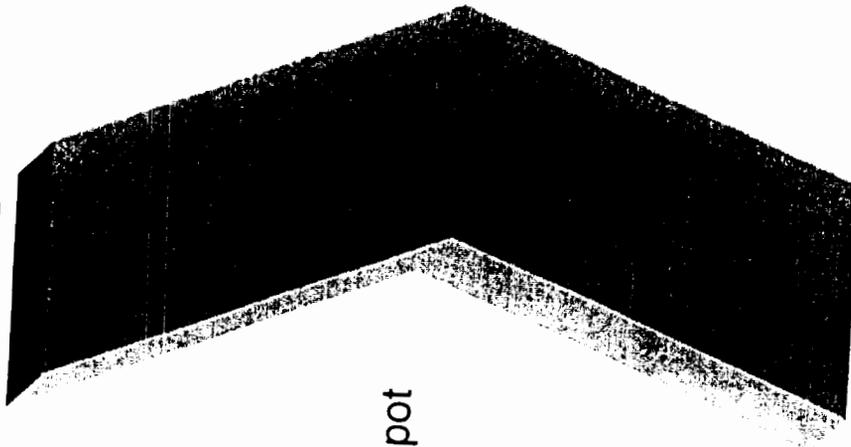
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Charleston  
Cleveland  
Cleveland Bratenahl  
Columbus  
Dayton  
Denver  
Europe  
Indianapolis  
Japan  
Kansas City  
Lawton  
Lexington  
Limestone  
Norfolk

## BRAC

Oakland  
Omaha  
Orlando  
Pacific  
Patuxent River  
Pensacola NAS  
Pensacola Saufley  
Red River Army Depot  
Rock Island  
Rome  
San Antonio  
San Bernardino  
San Diego  
Seaside  
St Louis

## DFAS 2011\*

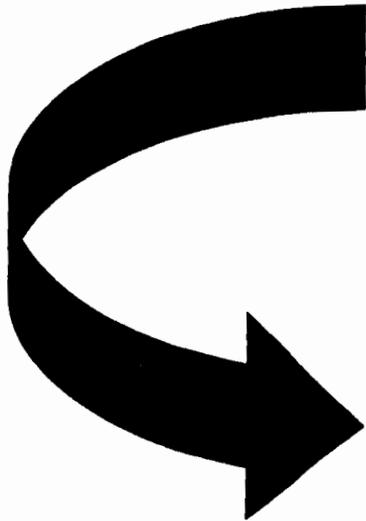
Arlington Liaison  
Cleveland Enclave /  
Cleveland Bratenahl  
Columbus  
Denver  
Europe  
Indianapolis  
Japan  
Red River Army Depot



# Current DFAS Operations: Functional Model



- Organizes enterprises into functionally based parts (business lines)
- The most prevalent shared business model
- Typically used for finance and accounting firms
- Other examples: National Finance Center, Health and Human Services



## PROs

- Operations focus
- Improved performance
- Better operational standardization



- 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

# Example: Future DFAS Operations by Location



Location	Functions	Accounting Operations	Accounting Maintenance	Accounts Payables	Accounts Receivables	Civilian Pay	Corporate Accounting	Disbursing	Garnishments	Military Pay	R&A	Travel
Columbus	X	X	X	X COE CC	X			X				
Denver	X	X	X	X	X	X	X	X	X COE	X COE RC		
Indianapolis	X	X	X	X	X	X	X	X	X COE AC	X COE AC	X COE	
Other												

COE = Center of Excellence CC=Call Center RC=Reserve Component AC=Active Component

# DFAS Transformation Footprint

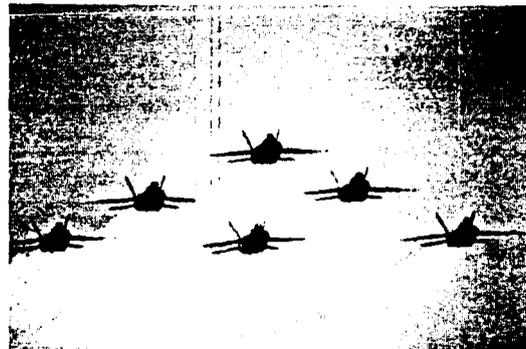
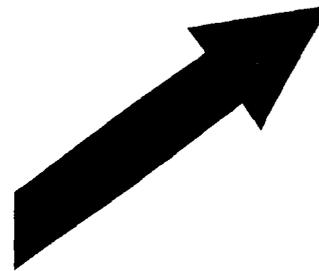


## Today's Footprint

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

## FY 2011 Footprint

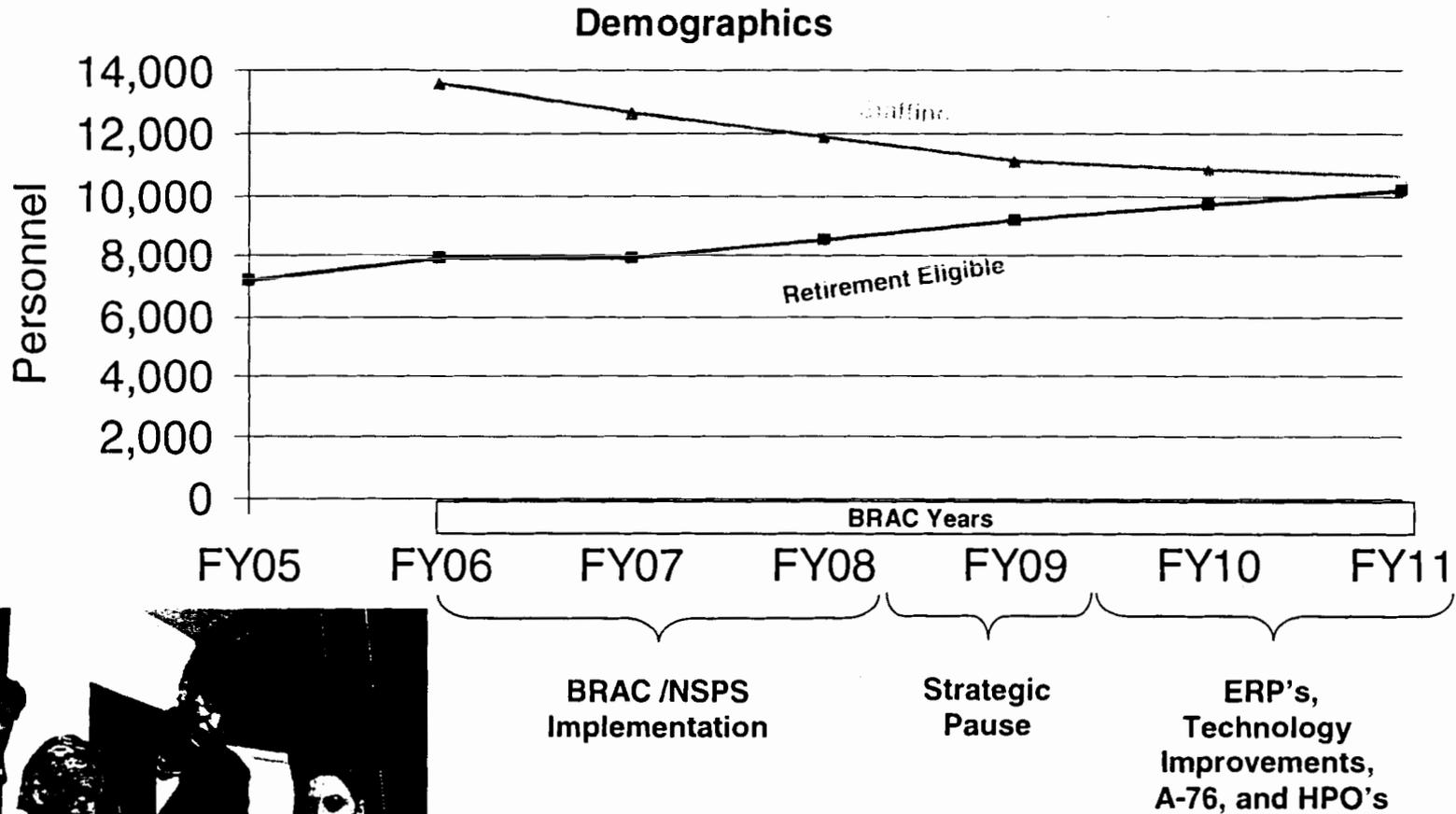
- Fewer locations
  - 8 shown on May 13, 2005\*
- <= 10K FTEs
- < 50 systems
- \$1,337M cost/execution authority
- **70% professional / 30% technicians**
- Right employees with right skills
- Optimum number and mix of civilians/contractors
- Pay for performance under NSPS



## 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

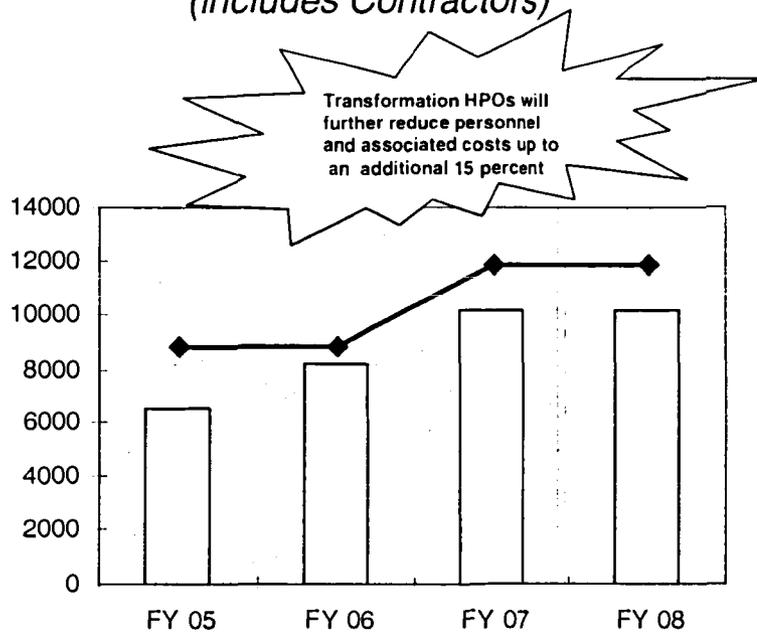


- Employee transition options include
  - Move with Work
    - DFAS will pay PCS costs for permanent employees who move with their work
  - Early PPP Registration
  - Retirement Seminars
  - VERA/VSIP
  - Severance Pay
  - Other Federal Agencies
  - Resume and Interviewing Assistance
  - Private Sector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

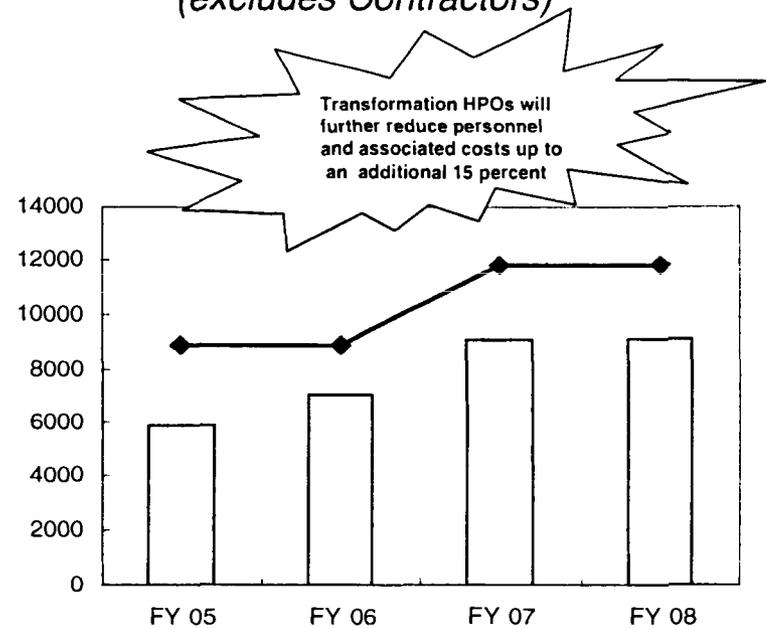
# Capacity analysis: DFAS CO, DE and IN



### 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

# Total available capacity: DFAS CO, DE and IN



## Total available capacity against current requirements

Site	Current Population <sup>1</sup>	Vacant Workstations in Place	Available Tenant Space <sup>2</sup>	Build Out Required	Total Projected Capacity <sup>3</sup>
Columbus	2,208	707	0	768	3,683
Denver	1,427	745	1,230	0	3,402
Indianapolis	2,987	801	315	610	4,713
Subtotal:	6,622	2,253	1,545	1,378	11,798
		Current & Vacant	Current, Vacant & Available	Current, Vacant, Available & Build	
Grand Total		8,875	10,253	11,798	

*Reduced DFAS footprint will eliminate more than 60 percent (more than \$40M) in reoccurring costs when compared to current annual facilities/logistics costs*

<sup>1</sup> Current population: as of June, 2005 (civilian/military/contractors) at gaining location.

<sup>2</sup> Tentative identified to realign under BRAC 2005

<sup>3</sup> Total capacity based on current re-configuration of space and workstations

# Summary

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- 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

# DFAS

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