

## **Candidate Recommendation # HSA0018**

### **Defense Finance and Accounting Service**

**Candidate Recommendation:** Close the Defense Finance and Accounting Service (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 50% of the Accounting Operation functions and associated corporate and administrative functions to DFAS Denver, CO, or DFAS Indianapolis, IN, and up to 25% 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% of the Accounting Operation functions and associated corporate and administrative functions to DFAS Columbus, OH, or DFAS Indianapolis, IN, and up to 30% 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% of the Accounting Operation functions and associated corporate and administrative functions to DFAS Columbus, OH or DFAS Denver, CO, and up to 20% of the Commercial Pay function and associated corporate and administrative functions to DFAS Columbus, OH, for strategic redundancy.

**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. All three of the gaining sites meet DoD Antiterrorism/Force Protection (AT/FP) Standards. 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. Overall excess facility capacity includes approximately 43% or 1.776M Gross Square Feet (GSF) in administrative space and 69% or .526M GSF in warehouse space with many locations lacking adequate threat protection as defined in DoD AT/FP Standards. Finally, the three locations have potential evolve into separate Business Line Centers of Excellence and further enhance “unit cost” reductions beyond the BRAC facilities/personnel savings aspect.

The three gaining locations were identified through a process that used Capacity Analysis, Military Value, Optimization Modeling, and knowledge of the DFAS organization, and business line mission functions. The Military Value analysis, of 26 business operating locations, ranked the Buckley AF Base Annex, CO, the Defense Supply Center-Columbus, OH, and the MG Emmett J. Bean Federal Center, Indianapolis, IN, as 3, 7, and 9 respectively. The Optimization analysis not only included the factors of available capacity and expansion capability, but also included business line process and business operational considerations in identifying the three-location combination as providing the optimal facilities approach to hosting DFAS business line missions/functions.

Subject matter knowledge of DFAS’s three business line missions and its operational components, along with business process review considerations and scenario basing strategy, was used to focus reduction of the 26 locations and identification of the three gaining locations. The scenario basing strategy included reducing the number of locations to the maximum extent possible, while balancing the requirements for an environment meeting DoD antiterrorist and Force Protection standards, strategic business line redundancy, area workforce availability and to include an anchor entity for each business line and thus retain necessary organizational integrity to support DoD customer needs while the DFAS organization relocation is executed.

**Payback:**

The total estimated one-time cost to the Department of Defense to implement this recommendation is \$281M. The net of all costs and savings to the Department during the implementation period (FY06-FY11) is a savings of \$158M. Annual recurring savings to the Department after implementation are \$117M, with a payback expected within three years. The Net Present Value of the costs and savings to the Department over 20 years is a savings of \$1,283.0 M.

**Impacts:**

**Economic Impact on Communities:** Assuming no economic recovery, this recommendation could affect locations listed in the table below with regard to the maximum potential reduction of total jobs over the 2006-2011 period. Also identified is the Economic Region of Influence and the percent of economic area employment.

<b>Location</b>	<b>Economic Region of Influence</b>	<b>Direct Estimated Job Change</b>	<b>Indirect Estimated Job Change</b>	<b>% of Economic Area Employment</b>
Arlington, VA	Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Division	-397	-300	Less Than -0.1%
Charleston, SC	Charleston-North Charleston, SC Metropolitan Statistical Area	-368	-607	-0.29%
Cleveland, OH	Cleveland-Elyria-Mentor, OH Metropolitan Statistical Area	-1025	-845	-0.14%
Dayton, OH	Dayton, OH Metropolitan Statistical Area	-271	-229	-0.1%
Kansas City, MO	Kansas City, MO-KS Metropolitan Statistical Area	-597	-534	Less Than -0.1%
Lawton, OK	Lawton, OK Metropolitan Statistical Area	-217	-195	-0.64%
Lexington, KY	Lexington-Fayette, KY Metropolitan Statistical Area	-45	-27	Less Than -0.1%
Limestone, ME	Aroostook County, ME	-273	-170	-1.08%
Norfolk Naval Station, VA	Virginia Beach-Norfolk-Newport News, VA-NC Metropolitan Statistical Area	-314	-435	Less Than -0.1%
Oakland, CA	Oakland-Fremont-Hayward, CA Metropolitan Division	-50	-41	Less Than -0.1%
Omaha, NE	Omaha-Council Bluffs, NE-IA Metropolitan Statistical Area	-204	-225	Less Than -0.1%
Orlando, FL	Orlando, FL Metropolitan Statistical Area	-209	-205	Less Than -0.1%
Pacific (Ford Island) FL	Honolulu, HI Metropolitan Statistical Area	-203	-196	Less Than -0.1%

Patuxent River, MD	Lexington Park, MD Metropolitan Statistical Area	-53	-70	-0.23%
Pensacola NAS & Pensacola Saufley Field, FL	Pensacola-Ferry Pass-Brent, FL Metropolitan Statistical Area	-636	-1098	-0.82
Rock Island, IL	Davenport-Moline-Rock Island, IA Metropolitan Statistical Area	-235	-206	-0.19%
Rome, NY	Utica-Rome, NY Metropolitan Statistical Area	-292	-276	-0.36%
San Antonio, TX	San Antonio, TX Metropolitan Statistical Area	-335	-367	Less Than -0.1%
San Bernardino, CA	Riverside-San Bernardino-Ontario, CA Metropolitan Statistical Area	-120	-122	Less Than -0.1%
San Diego, CA	San Diego-Carlsbad-San Marcos, CA Metropolitan Statistical Area	-237	-254	Less Than -0.1%
Seaside, CA	Salinas, CA Metropolitan Statistical Area	-61	-62	Less Than -0.1%
St. Louis, MO	St Louis, MO-IL Metropolitan Statistical Area	-291	-316	Less Than -0.1%

**Community Infrastructure:** A review of community attributes indicates no issues regarding the ability of the infrastructure of the communities to support missions, forces, and personnel.

**Environmental Impact:** This recommendation has no impact on air quality; cultural, archeological, or tribal resources; dredging; land use constraints or sensitive resource areas; marine mammals, resources, or sanctuaries; noises; threatened and endangered species or critical habitat; waste management; or wetlands. An air conformity analysis may be needed at Buckley AF Base Annex. The approximately \$50,000 cost of this analysis has been factored into the payback calculation of this recommendation. This recommendation does not impact the costs of environmental restoration, waste management, and other environmental compliance activities.

Supporting Information – Attached.