

Defense Finance and Accounting Service

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 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.

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 percent or 1,776,000 Gross Square Feet (GSF) in administrative space and 69 percent or 526,000 GSF in warehouse space with many locations lacking adequate threat protection as defined in DoD AT/FP Standards. Finally, the three locations have potential to 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 \$282.1M. The net of all costs and savings to the Department during the implementation period (FY06-FY11) is a savings of \$158.1M. Annual recurring savings to the Department after implementation are \$120.5M, with an immediate payback expected. The Net Present Value of the costs and savings to the Department over 20 years is a savings of \$1,313.8M.

Economic Impact on Communities: Assuming no economic recovery, this recommendation could result in the maximum potential job reductions (direct and indirect) over the 2006-2011 period, as follows:

Region of Influence	Direct Job Reductions	Indirect Job Reductions	Total Job Reductions	% of Economic Area Employment
Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Division	408	308	716	Less Than 0.1
Charleston-North Charleston, SC Metropolitan Statistical Area	368	607	975	0.3
Cleveland-Elyria-Mentor,	1,028	847	1,875	0.1

Region of Influence	Direct Job Reductions	Indirect Job Reductions	Total Job Reductions	% of Economic Area Employment
OH Metropolitan Statistical Area				
Dayton, OH Metropolitan Statistical Area	230	195	425	Less Than 0.1
Kansas City, MO-KS Metropolitan Statistical Area	613	549	1,162	Less Than 0.1
Lawton, OK Metropolitan Statistical Area	233	207	440	0.7
Lexington-Fayette, KY Metropolitan Statistical Area	45	27	72	Less Than 0.1
Aroostook County, ME	241	150	391	1.0
Virginia Beach-Norfolk-Newport News, VA-NC Metropolitan Statistical Area	314	435	749	Less Than 0.1
Oakland-Fremont-Hayward, CA Metropolitan Division	50	41	91	Less Than 0.1
Omaha-Council Bluffs, NE-IA Metropolitan Statistical Area	235	259	494	Less Than 0.1
Orlando, FL Metropolitan Statistical Area	209	205	414	Less Than 0.1
Honolulu, HI Metropolitan Statistical Area	206	199	405	Less Than 0.1
Lexington Park, MD Metropolitan Statistical Area	53	70	123	0.2
Pensacola-Ferry Pass-Brent, FL Metropolitan Statistical Area	637	1,100	1,737	0.8
Davenport-Moline-Rock Island, IA Metropolitan Statistical Area	235	206	441	0.2
Utica-Rome, NY Metropolitan Statistical Area	291	275	566	0.4
San Antonio, TX Metropolitan Statistical Area	335	367	702	Less Than 0.1
Riverside-San Bernardino-	120	122	242	Less Than 0.1

Region of Influence	Direct Job Reductions	Indirect Job Reductions	Total Job Reductions	% of Economic Area Employment
Ontario, CA Metropolitan Statistical Area				
San Diego-Carlsbad-San Marcos, CA Metropolitan Statistical Area	240	257	497	Less Than 0.1
Salinas, CA Metropolitan Statistical Area	61	62	123	Less Than 0.1
St Louis, MO-IL Metropolitan Statistical Area	293	318	611	Less Than 0.1

The aggregate economic impact of all recommended actions on these economic regions of influence was considered and is at Appendix B of Volume I.

Community Infrastructure Assessment: A review of community attributes indicates no issues regarding the ability of the infrastructure of the communities to support missions, forces, and personnel. There are no known community infrastructure impediments to implementation of all recommendations affecting the installations in this recommendation.

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. This recommendation will require spending approximately \$0.01M for environmental compliance activities. This cost was included in the payback calculation. This recommendation does not otherwise impact the costs of environmental restoration, waste management, and environmental compliance activities. The aggregate environmental impact of all recommended BRAC actions affecting the bases in this recommendation has been reviewed. There are no known environmental impediments to implementation of this recommendation.