

BRAC Commission Visit Agenda

August 2, 2005

DCN: 7947



8:00 - 8:10

Introduction

Zack Gaddy

Director, DFAS

8:10 - 9:00

Mission Briefing

Nancy Zmyslinski

Site Director (DFAS Columbus)

9:00 - 10:00

Community Presentations

State and local officials/leaders

10:00 - 11:00

Tour of Buildings 21, 10 and 11

Commissioners and staffer, local officials,

Zmyslinski, other executives

11:00

Media Availability

First Community Bank

4300 E. Broad Street



DFAS BRAC Commission Update

Zack E. Gaddy
Director, Defense Finance
and Accounting Service

Nancy Zmyslinski
Site Director, Columbus

August 2, 2005



- 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 Columbus information
- The road ahead



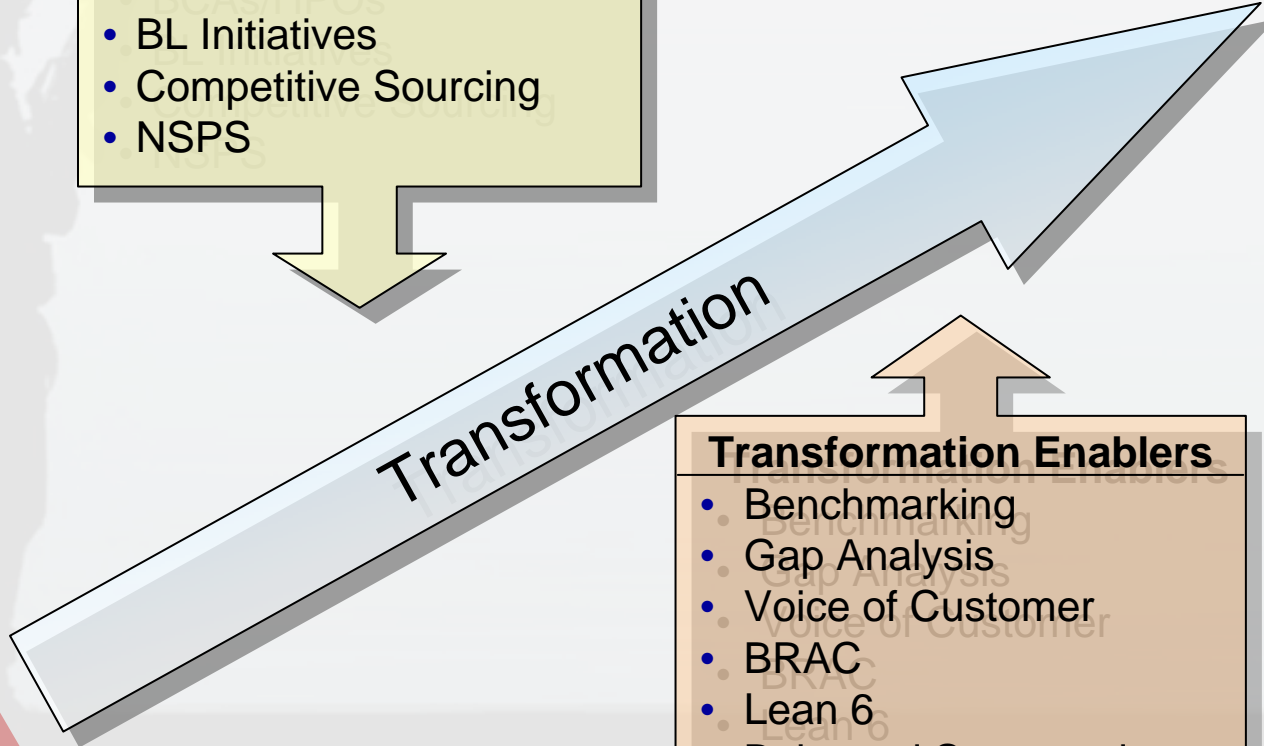
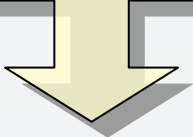
- DFAS transformation strategy designed to realize vision – “Best-value” for our customers through continuous process improvements
 - ✓ Best possible performance
 - ✓ Reduced cost
 - ✓ Great quality
- Business case analysis and enabling tools ensure fact-based decisions determine the best transformation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

Transformation Roadmap



Transformation Initiatives

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



Transformation Enablers

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





- **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 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 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

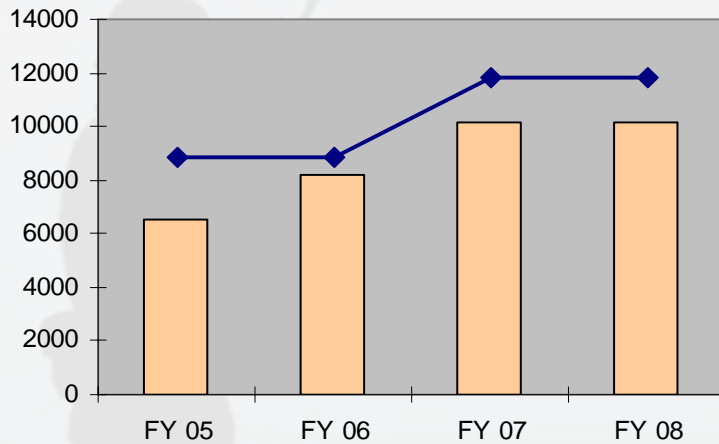
DFAS 2011*

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

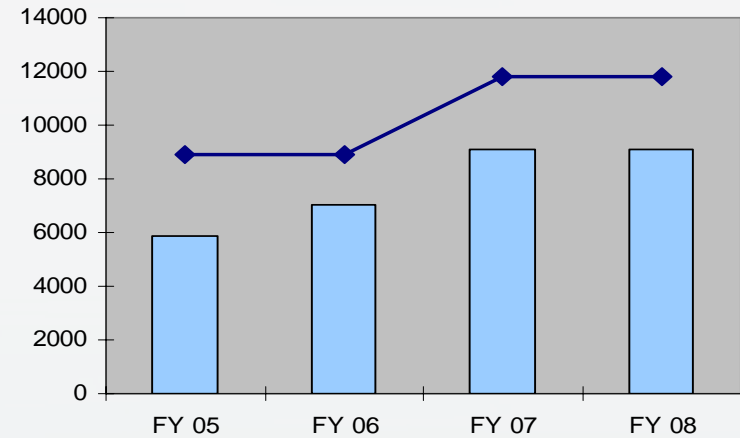
*Based on May 13, 2005 BRAC Recommendations



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



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

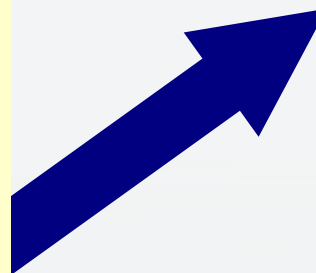


- Occupancy projections based on notional schedule
- Schedule will be upgraded based on implementation of Transformation timelines
- Strength calculated using the notional schedule and current contractor personnel (excluding Cleveland R&A and non-consolidated sites) and assumes:
 - Contractor population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



FY 2011 Footprint

Today's Footprint



- Fewer locations
 - ✓ 8 shown on May 13, 2005*
- $\leq 10K$ 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

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

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

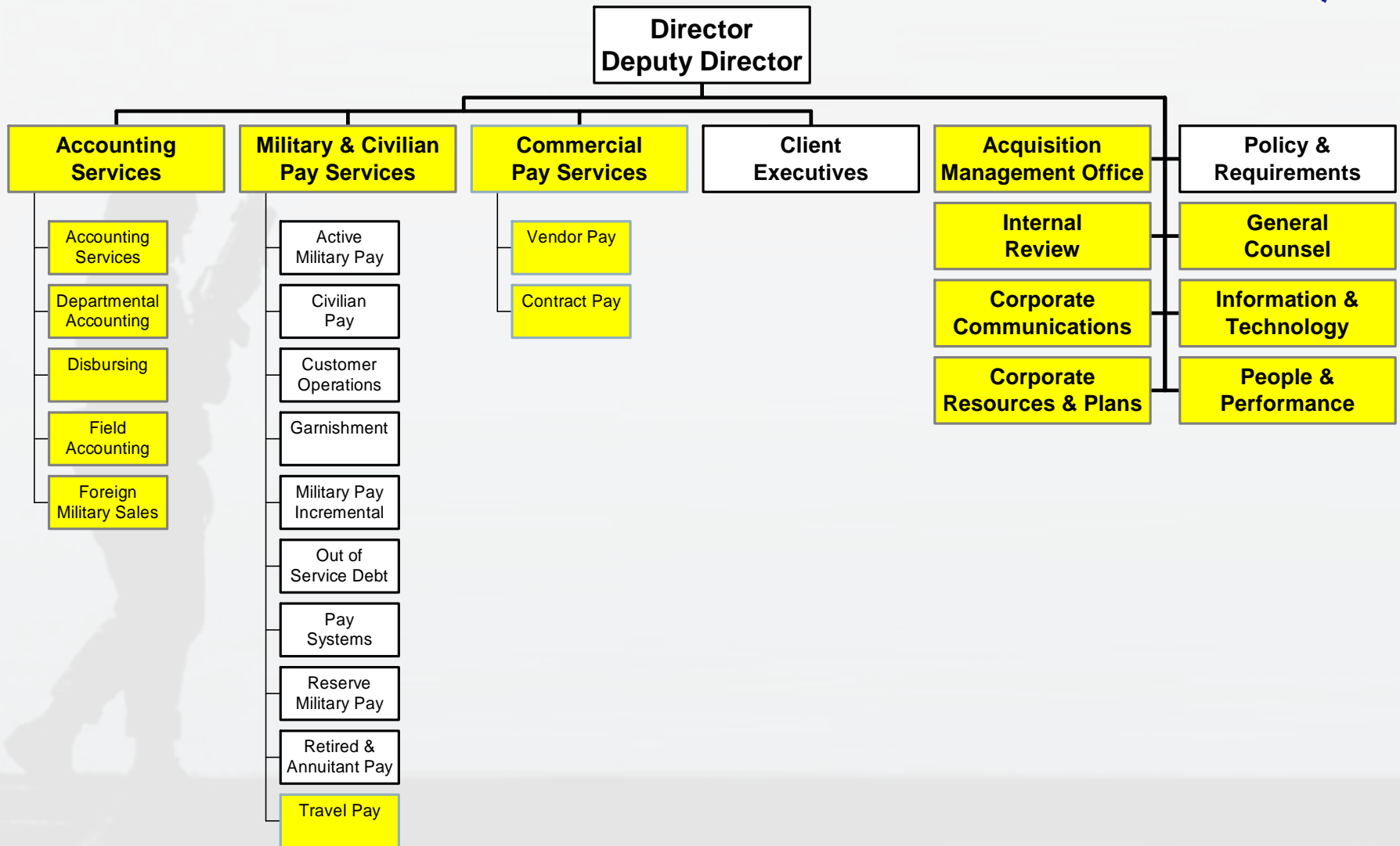


- Employee transition options include
 - ✓ Move with Work
 - ✓ DFAS will pay PCS costs for permanent employees who move with their work
 - ✓ Early PPP Registration
 - ✓ Retirement Seminars
 - ✓ VERA/VSIP
 - ✓ Severance Pay
 - ✓ Other Federal Agencies
 - ✓ Resume and Interviewing Assistance
 - ✓ Private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



- 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 Columbus
 - ✓ Nancy Zmyslinski, Director, Accounting Services, Defense Agencies

DFAS Organizations at Columbus



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



- **1988 -- Defense Logistics Agency Finance Center (DFC)**
Consolidated DLA's Accounting and Finance offices into Columbus
- **1991 -- Defense Finance and Accounting Service was established**
Capitalized DFC into Defense Finance and Accounting Service
- **2000 -- DFAS Business Evolution**
Commercial Pay - command and control at 23 DFAS sites from Columbus
- **2002 -- DFAS Defense Agencies**
Defense Agencies Accounting Command and control at 3 DFAS sites from Columbus



- Air Force
- Army
- Navy
- Marine Corps
- Defense Agencies to include Defense Logistics Agency
- Defense Contractors and Vendors



- **Audited Financial Statements**

- ✓ Improved delivery time on financial reports to Defense Agencies customers from 45 days to 21 calendar days.
- ✓ Earned unqualified or “clean” audit opinion, the highest mark available and demonstrates DFAS’ commitment to excellence in financial management.

- **Clean Audit Opinion for Five Customers** --Defense Finance and Accounting Service, Defense Contract Audit Agency, Defense Commissary Agency, Department of Defense Inspector General, and Defense Threat Reduction Agency have received an unqualified audit opinion.

- **System Accomplishments/Enhancements** --DFAS is working in partnership with the Defense Logistics Agency to implement the Business System Modernization (BSM) and Fuels Accounting System (FAS) initiatives.

- **Transferred Defense Commissary Agency Europe workload**

- **Employee Growth and Development**

- ✓ Certifications
- ✓ Mentoring and Coaching
- ✓ Developmental Assignments
- ✓ Professional Organizations

- **Entry Level Professional Programs** -- Comprehensive training program for entry level professionals and summer interns.



- **Workload Transfer**

- ✓ Transferred Marine Corps Vendor Pay workload from Kansas City. Reduced percentage of overaged invoices from 25.31% in March 2004 to 2.30% in June 2005.
- ✓ Transferred Air Force Vendor Pay sites (San Bernardino, Omaha, Dayton, and Orlando) customer service workload to Columbus, which improved support and service to our customers and reduced costs.
- ✓ Transferred Defense Commissary Agency Europe workload.
- ✓ Vendor Pay capitalized 105 Air National Guard units which was completed in FY 2005.

- **Contract Pay Overaged Drastically Reduced** -- Record low of 1.04% for overaged invoices in May 2005.

- **Department of Defense Value Engineering Awards**

- ✓ Electronic File Room - DoD outside of DFAS has “Read Only” access to EDM.
- ✓ Audit Control Language - Automated method of examining payment vouchers in the Computerized Accounts Payable environment.



- **Billion Dollar Days** -- Twelve days in FY 2004 and fifteen days in FY 2005 when disbursements exceeded a billion dollars.
- **Defense Commissary Agency Europe Workload Transfer** -- Disbursing increased workload, which drastically increased volume of foreign currency payments.
- **New Printers** -- Increased speed of check printing to at least 17,000 per hour from previous maximum of approximately 6,000 per hour.
- **Print Site** -- Columbus is one of two DFAS check printing sites.
- **Disbursements and Collections** -- Total Fiscal Year 2004 disbursements were \$149 billion and total Fiscal Year 2004 collections were \$21 billion.



- **Overseas Banking** -- Responsible for ensuring availability of banking and credit union financial services on military installations worldwide to authorized military personnel, their dependents, and DoD civilian employees. Provide oversight and management of the Overseas Military Banking Program and serve 250,000 authorized customers located in ten foreign countries.
 - ✓ New Global Telecommunication network to replace legacy technology.
 - ✓ New Image-Based Teller system which is faster and easier to use to process customer transactions.
 - ✓ Implemented online banking so customers can gain access to their finances 24 hours a day worldwide.
 - ✓ Opened new bank in Kwajalein Atoll, Marshall Islands.
 - ✓ Changed fee structure to offer free regular checking, no check cashing fee for accountholders and no standing payment fees for accountholders.
- **Workload Transfer**
 - ✓ Consolidated the Civilian Army and Army Material Command Permanent Change of Station workload into Travel Operations.
 - ✓ Consolidated the DeCA Europe Civilian Permanent Change of Station and Military/Civilian Temporary Duty workload into Travel Operations.



- **Centralized Fax Receiving Point**

- ✓ DFAS Columbus serves as the centralized receiving point for customer faxes, which are processed into Electronic Data Management
- ✓ On average over 100,000 faxes are processed each month, for a total of over 450,000 fax pages.

- **Enterprise Local Area Network Reengineered**

- ✓ The current Enterprise Local Area Network architecture is being reengineered to take full advantage of current technology and industry best practices.
- ✓ The goal is to provide DFAS with world class service while reducing costs.
- ✓ Columbus has received and installed new domain controllers.



- **Improved Visitor Notification System** -- An on-line base wide Visitor's Notification System. This effort improves security screening and tracks the high volume of visitors to DFAS.
- **Security Improvements**
 - ✓ Implemented Lenel Security System -- Converted building 21 from Pegasys Security System to Lenel Security System. Issued over 2,087 security badges to DFAS Government personnel, 250 badges to contractor personnel, and created 950 visitor badges.
 - ✓ A new alarm system was installed, which protects against unauthorized access into secured areas.
 - ✓ Installed anti fragmentation film on all windows in building 21, which improved DFAS building safety and security against external events.
 - ✓ Completed barricade project which provides additional required standoff of parked vehicles.
 - ✓ Installation of Loading Dock Barrier -- Installed loading dock barrier to building 21, which prevents unauthorized vehicles access to the building without proper clearance.



- **DFAS Business Lines and Number of On Site Personnel**
(HR Flash Report - EOM May 2005)
- **Total Number of Employees - 2,052**
 - Commercial Pay Services
 - Accounting Services (Defense Agencies)
 - Information & Technology
 - Military/Civilian Pay Services
 - Corporate Resources
 - Acquisition Management
 - Corporate Organizations
- ✓ **Total Contractor Personnel - 118**
(Contractors – As of March, 2005)
- **Status of Retirement Eligible Employees as of May 31, 2005**
 - ✓ **Eligible For Retirement - 751 - 37%**
 - Optional - 385 -19%
 - Early - 366 -18%

DFAS Columbus Facilities Statistics



- DFAS is a tenant at the Defense Supply Center Columbus
 - ✓ Property owned by the Army and managed by Defense Logistics Agency
- DFAS assigned space - 681K square feet¹
 - ✓ Includes administrative and warehouse space in 3 buildings
 - ✓ Construction completed on Building 21 in 1999
- Excess space available
 - ✓ Vacant workstations - approx 700 (building 21 and building 11, section 6)
 - ✓ Vacant, excess space in buildings - about 800 seats (buildings 10 and 11)
 - ✓ Total capacity - 3,700 seats
- COBRA estimated MILCON - \$3.8M (*MILCON not required*)
- Strong host installation Force Protection program

¹ DFAS Facilities Database - Effective 31 May 2005

Unique Services ONLY at DFAS Columbus



- Commercial Pay
 - ✓ Single DoD site for Contract Pay
 - ✓ Contract Debt Management Office (DMO)
 - ✓ Internal Revenue Service 1099 Reporting
 - ✓ Primary Payment office for Marine Corps
- One of two DFAS printing sites
- State of the art training and conference center
- Selected as the DoD training site for all NSPS training
- Business relationship and co-location with our Defense Logistics Agency customer
- Partnership between DSCC and DFAS to maximize facility strength

- 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



Fact Sheet
DFAS Columbus, Ohio
Available Administrative Space

<u>DFAS-Columbus -- Building 21</u>	<u>Workstations</u>
Available workstations	650
<u>DFAS-Columbus -- Building 11 Section 6</u>	
Available workstations	<u>50</u>
Total Available DFAS workstations	700
<u>Building 20 (DSCC Operations Center):</u>	
Available workstations	<u>150</u>
<u>Total Available Workstations @ Zero Cost</u>	850
<u>Building 10 Reactivation (Estimate 130 Workstations per Section)</u>	
Available workstations	400
<u>Building 11 Reactivation (Estimate 130 Workstations per Section)</u>	
Available workstations	<u>400</u>
<u>Total Workstations w/ Renovation Cost</u>	800
<u>Total Available Workstations (Bldgs. 10, 11, 20, and 21)</u>	1,650

Note:

- 1. Buildings 21 and 11 contain 118 contractor workstations (potentially available)**
- 2. Building 20 contains 360 contractor workstations (potentially available)**

Low Cost Space Available
No Milcon Required

RENOVATION COST DATA

Historic Data

Bldg./Sect.	Cost	Occupant	Remarks
11-3 (14,280 USF)	\$360,000 (FY97)	DLA Customer Support Office Columbus	<ul style="list-style-type: none"> • Significant minor construction (new walls) • Specialized spaces • Configured to accommodate 125+ associates • \$25.00 per SF
11-4 (17,072 USF)	\$173,000 (FY98)	DLA Customer Support Office Columbus	<ul style="list-style-type: none"> • Some minor construction (new walls) • Configured to accommodate 125+ associates • \$10.00 per SF
11-5 (18,903 USF)	\$681,000 (FY00)	DLA Training Center	<ul style="list-style-type: none"> • Formerly DLA Civilian Personnel Support Office • Very specialized space (\$495,000 new construction) • Configured to accommodate 100+ associates • \$36.00 per SF
10-13 (18,608 USF)	\$204,000 (FY04)	Navy Recruiting District – Ohio	<ul style="list-style-type: none"> • Currently accommodates approx. 40 individuals • Provides space for planned expansion • \$11.00 per SF

Projected Cost (\$/SF) – Renovation of Existing Administrative Space

Bldg. 10

Cost (\$/SF) = (Repair HVAC + Paint + Carpet + Repair Ceiling/Lighting) / Total Area
 = **\$7.50 /SF** (FY05) – Maintenance and Repair Only
 = Approximately \$150,000/Section (FY05)
 = Approximately \$450,000 for 3 Sections (FY05)

Bldg. 11

Cost (\$/SF) = (Replace HVAC + Paint + Carpet + Replace Ceiling/Lighting) / Total Area
= **\$21.00 /SF (FY05)** – Maintenance and Repair Only
= Approximately \$450,000/Section (FY05)
= Approximately \$1,350,000 for 3 Sections (FY05)

***ASSUMES NO ADDITIONAL HARDWALL CONSTRUCTION
EXCLUDES COST TO PURCHASE/INSTALL FURNITURE
EXCLUDES COMPUTER/PHONE/LAN INSTALLATION***

NO MILCON FUNDING REQUIRED

INFORMATION PAPER

July 25, 2005

SUBJECT: DFAS Site Visit Questions

PURPOSE: Provide information requested by the Commission in preparation for the upcoming site visits to DFAS Columbus, DFAS Denver, DFAS Indianapolis

DISCUSSION

- **CURRENT MISSION:** Provide responsive, professional finance and accounting services for people who defend America.
- **UNIQUE MISSION:** The mission at DFAS Central sites is consistent regardless of the location. What is unique are the customers serviced at the sites. DFAS has demonstrated an ability to relocate workload and processes that are seamless to the customer. (Site directors will discuss the customer base at each of the sites as outlined in the briefing charts.)
- **TRANSFER OF MISSION:** DFAS has experience in transferring workload through the original capitalization, consolidation and more recently through transformation.
- **STAFF TRANSFERS:** Historically, less than 10% of the DFAS personnel relocate when functions are transferred. Historical experience gained when DFAS capitalized finance and accounting functions from the services, consolidated functions into the central and field sites, and during more recent realignments of work from Europe to Rome and Lawton, Seaside to Lawton, Kansas City to Columbus
- **RETIREMENT ELIGIBILITY:**

Site	Full Retirement	Early Retirement
Columbus	19%	18%
Denver	20%	35%
Indianapolis	19%	26%

- **ACTUAL VS. AUTHORIZATIONS:** As a working capital fund organization, DFAS focus is on funded workyears, not authorizations.
- **EXCESS CAPACITY:** Capacity expressed in terms of seats rather than square footage as pockets of excess space spread throughout the assigned business areas is not measured as excess rather it is attributed to the business function utilizing the area. There are many opportunities to add additional workstations in these areas. Excess capacity is measured in terms of vacant workstations (user ready) or mathematically derived by using a factor of 160 square feet per person.

Site	Current Population ¹	Vacant Workstations	Build Out Required	Potentially Available Tenant Space ²	Total Projected Capacity ³
Columbus	2,208	707	768	0	3,683
Denver	1,427	745	0	1,230	3,402
Indianapolis	2,987	801	610	315	4,713
Total:	6,622	2,253	1,378	1,545	11,798

¹ Current population: as of June, 2005 (civilian/military/contractors) at sites listed

² Tentatively identified to realign under BRAC 2005

³ Total capacity based on current configuration of space and workstations

- **FORCE PROTECTION:** See attached Information Papers for the DFAS Columbus, DFAS Denver, and DFAS Indianapolis

Prepared by: Jan Nordsiek, 317-510-2336