



DCN 7654

DEFENSE FINANCE AND ACCOUNTING SERVICE

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ARLINGTON, VA 22240-5291

AUG 12 2005
BRAC Commission

AUG 17 2005

Received

The Honorable Anthony J. Principi
Chairman
Defense Base Closure and Realignment Commission
2521 South Clark Street, Suite 600
Arlington, VA 22202

Dear Chairman Principi:

As the Director of the Defense Finance and Accounting Service (DFAS), I fully support the Secretary of Defense's recommendation for closure or realignment of the Defense Finance and Accounting Service (DFAS) from 26 to 3 anchor locations. This major consolidation will allow DFAS to optimally restructure our facilities and operations to achieve our strategic vision to be the best value provider of finance and accounting services to the people who defend America.

As I have previously briefed you and your staff, as well as Commissioners Newton, Skinner, and Coyle, BRAC is a critical component of our transformation strategy and will ensure we achieve the successes described below.

The existing 26 DFAS locations seriously restrict our ability to implement critical transformation initiatives that leverage the long-term benefits of economies of scale, economies of skills, and synergistic efficiencies resulting from consolidation of operations. DFAS is executing a transformation strategy based on in-depth analysis that identifies long-term improvements in processes, systems, functional organization and relationships. These improvements will enable us to modernize and streamline our operations similar to the ways that private sector finance and accounting operations have done over the past decade. The Secretary's recommendation to realign DFAS to three anchor locations enables us to meet our long-term goals and brings us in line with benchmark finance and accounting organizations by eliminating redundant operations at geographically separated locations.

Consolidating DFAS operations to the three specific locations in the Secretary's recommendation will allow us to leverage efficiencies of streamlined operations and to develop Centers of Excellence at each location. The anticipated efficiencies resulting from this operational restructuring will result in DFAS's significantly reducing its workforce below the 11,000 personnel projected in the current FY 2011 Program Objective Memorandum and provide additional cost savings for DFAS beyond the BRAC 2005 estimate. The efficiencies we are predicting will not be possible without the consolidation provided by the Secretary's BRAC recommendation. Additionally, the Secretary's recommendation enables DFAS to meet DoD Antiterrorist and Force Protection standards and requirements for strategic function redundancy. The recommended locations at Columbus, Indianapolis, and Denver will ensure our three major business lines will retain the necessary organizational integrity to support our DoD customers world-wide while executing the BRAC realignment.

The Secretary's recommendation for BRAC 2005 will allow DFAS to implement our original plan formulated in the early 1990s to consolidate at significantly fewer locations (3-5). Since completing our original consolidation almost 10 years ago, we have attempted to realign workload, reduce operating costs, and eliminate unnecessary and duplicative infrastructure. We have had limited results leading to excess infrastructure at all of our sites since we have not been able to close them. The Secretary's recommendation and BRAC 2005 provide a unique opportunity to focus on what "makes good business sense" to overcome those barriers causing stagnation and move towards real transformation as a Defense Agency.

Less than full implementation of the Secretary's recommendation will leave us with only a partial solution and will not fully capitalize on the available efficiencies from optimizing our operating locations. We will still be burdened with excess infrastructure that is neither desired nor needed to accomplish our mission. In view of the difficulties we previously faced in attempting to realign functions, I believe that there will be little chance for us to implement necessary infrastructure changes after BRAC 2005. Any increase in locations beyond the recommended three sites will force us to maintain a workforce at those sites far into the future.

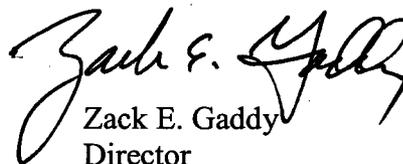
Furthermore, realignment or closure of our operating locations under BRAC will provide additional opportunities for our employees for relocation, promotion, early retirement or other government employment during the transition. These opportunities may not be available to our employees during possible future consolidation efforts if we are required to operate at more than the three recommended locations.

I am concerned that your staff has requested that DFAS and the Headquarters and Support Activities Joint Cross Service Group complete six additional COBRA runs involving new scenarios. These scenarios appear to focus on only one of the BRAC criteria – cost. A cost focused analytical approach that does not include all the criteria would not result in a reliable recommendation that complies with the BRAC statute.

Since DFAS is a Working Capital Fund organization and is financed by its customers rather than through direct appropriations, it is critical for us to continue to reduce our operating costs and return these saving to our customers. Implementing the Secretary's BRAC 2005 recommendation for DFAS will increase availability of more funds to directly support the men and women of the United States Armed Forces.

Thank you for allowing me to express my thoughts on this critical issue. I fully support implementing the Secretary's recommendation to consolidate DFAS at our three current locations in Columbus, Indianapolis, and Denver. I would be glad to meet with you or any other BRAC Commissioners to further discuss the benefits of the outlined actions. If I can be of further assistance, please do not hesitate to contact me.

Sincerely,


Zack E. Gaddy
Director