

Fiscal Year (FY) 2004/FY 2005 Biennial  
Budget Estimates  
Defense Finance and Accounting Service  
(DFAS)



February 2003

**Defense Finance and Accounting Service  
Operations and Maintenance, Defense-Wide  
Fiscal Year (FY) 2004/FY 2005 Biennial Budget Estimate  
Appropriation Highlights**

	<u>FY 2002</u>	<u>Price</u>	<u>Program</u>	<u>FY 2003</u>	<u>Price</u>	<u>Program</u>	<u>FY 2004</u>	<u>Price</u>	<u>Program</u>	<u>FY 2005</u>
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
<b>Budget Activity 3: Training &amp; Recruiting</b>										
	8,570	94	-1,315	7,349	110	-7,459	0	0	0	0
<b>Budget Activity 4: Administration and Servicewide Activities</b>										
DoD Program Management Offices										
	5,457	60	558	6,075	91	-4,507	1,659	27	54,939	56,625
<b>Total</b>	<b>14,027</b>	<b>154</b>	<b>-757</b>	<b>13,424</b>	<b>201</b>	<b>-11,966</b>	<b>1,659</b>	<b>27</b>	<b>54,939</b>	<b>56,625</b>
<b>Defense Emergency Response Fund</b>										
	500									

**Narrative Explanation of Changes:**

DFAS Financial Management Education Training (FMET) Program Change (\$1.3 million) from FY 2002 to FY 2003, and FY 2003 to FY 2004 (\$7.4 million) is offset by the continued migration of funds from Operating and Maintenance, Defense Wide funding to DFAS Working Capital Fund.

DFAS incurred additional Anti-Terrorism and Force Protection related expenses due to the September 2001 Terrorist Attacks. Administrative and Service-wide Activities Program Change in FY 2002 \$4.0 million. Program increases from FY 2002 to FY 2003 related to Force Protection expenses.

**Defense Finance and Accounting Service**  
**Operation and Maintenance, Defense-Wide**  
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**Summary of Increases and Decreases**  
**(Dollars in Thousands)**

	<u>BA3</u>	<u>BA4</u>	<u>TOTAL</u>
<b>1. FY 2003 President's Budget Request</b>	<b>9,160</b>	<b>2,282</b>	<b>11,442</b>
2. Congressional Adjustments (Distributed)	0	5,900	5,900
3. Congressional Adjustments (Undistributed)	0	-29	-29
4. Congressional Adjustments (General Provisions)	0	-1,181	-1,181
5. Congressional Earmark Billpayers	-11	-7	-18
6. Program Changes	-1,800	-890	-2,690
<b>7. FY 2003 Appropriation Enacted</b>	<b>7,349</b>	<b>6,075</b>	<b>13,424</b>
<b>8. Revised FY 2003 Estimate</b>	<b>7,349</b>	<b>6,075</b>	<b>13,424</b>
9. Price Growth	110	91	201
10. Program Increases	0	0	0
11. Program Decreases	-7,459	-4,507	-11,996
<b>12. FY 2004 Budget Request</b>	<b>0</b>	<b>1,659</b>	<b>1,659</b>
13. Price Growth	0	27	27

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 (Dollars in Thousands)**

14. Program Increases	0	54,939	54,939
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This increase in O&M program is due to termination of the Defense Procurement Pay System (DPPS), which was supported by DWCF). DFAS, in conjunction with OUSD(C), is in the process of determining a correct breakout of this funding so that it can be distributed to the components affected by the termination of the DPPS.

15. Program Decreases	0	0	0
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<b>16. FY 2005 Budget Request</b>	<b>0</b>	<b>56,625</b>	<b>56,625</b>
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**Defense Finance and Accounting Service  
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**I. Description of Operations Financed:**

The Defense Finance and Accounting Service (DFAS) serves as the Executive Agent responsible for finance and accounting activities within the DoD. It is the single organization responsible for finance and accounting operations, procedures, and systems. DFAS provides finance and accounting management and operational support for appropriated, non-appropriated, revolving and trust funds. DFAS operations touch a large population of customers through the payment of civilian and military personnel, military retirees, and annuitants; and through the collection and disbursement of a wide variety of DoD funds for contracts, debt management, security assistance, transportation and travel. Additionally, DFAS has been designated the DoD program manager for the Financial Management and Executive Training Program, the Overseas Military Banking Program and the DoD Travel Card Program.

1. Executive and Professional Training - Provides executive, management and technical training for the DoD Financial community to upgrade skills and understanding of newly fielded DFAS financial and accounting operating systems.
2. DoD Program Management - Provides for the management oversight of the DoD Overseas Military Banking Program and Travel Card Program.
3. Force Protection - DFAS has incurred additional Anti-Terrorism and Force Protection related expenses due to the September 2001 Terrorist Attacks. Throughout DFAS our Security awareness has increased and, where required, been upgraded to ensure the safety of our workforce and infrastructure. In some instances this means increasing the Security workforce to match the minimum-security conditions established within the Federal Government and the Department of Defense. In addition to the security workforce, increasing security/force protection has included modification and upgrade of access control equipment and surveillance equipment, including exterior lighting and camera systems. Our Force Protection requirements also include constructing temporary barriers to make our facilities more terrorist resistant. DFAS has also acquired more additional sensitive intrusion detection systems and devises for physical and biological safekeeping.

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4. Defense Emergency Response Fund - During FY 2002, the \$500,000 DERF funds were applied to contract for Sector Characterization/Analysis & Assessment stage of CIP. Integrated vulnerability assessments for 8 DFAS sites (of the 26 DFAS sites plus other supporting sites necessary to complete assessment) were conducted and completed. The assets most critical to support the CINC were identified providing us a more stable protected environment. The Defense Infrastructure Sector Assurance Plan for CY 2002 was updated. Contract support includes travel to the DFAS sites, development of Sector Characterization/Vulnerability Assessments data, CIP Repository Database input, and support to the NSWC JPO/STC ODIN/ISSAC initiative. The contract/government team performed business process/function reviews to identify critical assets (inter and intra dependencies), identified single points of failure, and conducted vulnerability assessments. The results of assessments led to recommendations for mitigation and immediate protection to sites most vulnerable to the asymmetrical threats and support to the warfighter/National Security by ensuring continuity of Finance and Accounting operations (paying the soldier and the costs of war).

**II. Force Structure Summary: N/A**

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III. Financial Summary (Dollars in Thousands):

A.Subactivity Group	FY 2002 <u>Actuals</u>	FY 2003		Current <u>Estimate</u>	FY 2004 <u>Estimate</u>	FY 2005 <u>Estimate</u>
		<u>Budget Request</u>	<u>Appropriation</u>			
<b>Budget Activity 3:</b>						
1. Training & Recruiting	8,570	9,160	-1,811	7,349	0	0
<b><u>Budget Activity 4:</u></b>						
2. Administration and Servicewide Activities	5,457	2,282	3,793	6,075	1,659	56,625
<b>Total</b>	<b>14,027</b>	<b>11,442</b>	<b>1,982</b>	<b>13,424</b>	<b>1,659</b>	<b>56,625</b>
<b>Defense Emergency Response Fund:</b>						
	500	0		0	0	0

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IV. Financial Summary (Dollars in Thousands):

B. Reconciliation of Increases and Decreases:

	<u>BA3</u>	<u>BA4</u>	<u>Total</u>
1. <b>FY 2003 President's Budget Request</b>	9,160	2,282	11,442
2. Congressional Adjustments (Distributed): DERF Transfer-Financial Operations		5,900	5,900
3. Congressional Adjustments (Undistributed): Prorate Unobligated Balance Total Congressional Adjustments (Undistributed)		-29	-29
4. Congressional Adjustments (General Provisions): Section 8100-Prorate Management Efficiency Section 8103-Government Purchase Card Section 8109-Prorate Reduce Cost Growth of Info Tech Section 8135-Prorate Revised Economic Assumptions Total Congressional Adjustments (General Provisions)		-233 -828 -23 -97 -1,181	-233 -828 -23 -97 1,181
5. Congressional Earmarks: Section 8047--Indian Lands Prorate Indian Lands Total Congressional Earmarks	-11	-7	-18
6. Program Changes Financial Management Education Training DoD Overseas Military Banking and DoD Travel Card Program Total Program Changes	-1,800	-890	-2,690
7. <b>FY 2003 Appropriated Amount</b>	<b>7,349</b>	<b>6,075</b>	<b>13,424</b>
8. <b>FY 2003 Current Estimate</b>	<b>7,349</b>	<b>6,075</b>	<b>13,424</b>
9. Price Growth	110	91	201



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10. Program Decreases in FY 2003 Financial Management Education Training - Transfer to Working Capital Funds	-7,459	-4,507	-11,996
11. Total Program Decreases in FY 2003	-7,459	-4,507	-11,996
<b>12. FY 2004 Budget Request</b>	<b>0</b>	<b>1,659</b>	<b>1,659</b>
13. Price Growth	0	27	27
14. Total Program Decreases in FY 2004	0	0	0
15. Total Program Increases in FY 2004	0	54,939	54,939
<b>16. FY 2005 Budget Request</b>	<b>0</b>	<b>56,625</b>	<b>56,625</b>

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**IV. Performance Criteria and Evaluation Summary:**

**The Financial Management Education and Training Program (FMET)** focuses on meeting the training and education requirements of the Defense Departments financial management workforce through the development and delivery of functional and systems training. The program currently offers courses in Accounting, Vendor Pay, Military Pay, Contract Pay, and other financial fields. Course development integrates functional processes with system processes and ensures that courses reflect the current policies, processes and systems. The program delivers Instructor Led Training (ILT) to all required sites, and also uses Computer Based Training (CBT) and Web Based Training (WBT) delivery mechanisms. Under the FMET contract, 115 separate course titles have been developed, encompassing over 2800 hours of ILT training. Over 2700 iterations of training have been delivered to nearly 40,000 students. Career Learning Centers (CLCs) have been established at 19 DFAS locations. The CLCs provide multiple opportunities for career development through multi-media and other distance learning technologies. In FY 2001, Certified Government Financial Managers (CGFM) training was delivered to over 470 DFAS personnel and Enhanced Defense Financial Management (EDFM) training to over 380 DFAS personnel.

EVALUATION: Level 1 (Reaction) evaluations indicate that the training is of high caliber and value. Level 2 evaluations also indicate that transfer of learning has occurred as measured through pre and post tests. Use of Level 3 (Behavior Change) and Level 4 (Return on Investment/Expectation) evaluations are available but used sparingly.

**The Defense Financial Institution Services Office** manages the DoD Overseas Military Banking Program. This office oversees the day-to-day operations of a world-wide contract that provides banking products and services to authorized customers in overseas locations. This office also oversees the maintenance of regulations as they pertain to military banking and credit unions located on DoD installations. Performance is measured by periodic customer satisfaction surveys that ask if the products provided are meeting customer requirements.

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**Performance Criteria and Evaluation Summary: (Continued)**

**The Travel Card Program Management Office** provides fully qualified personnel to act as program managers for the 4 military services and the defense agencies, and serve as the Department of Defense's program manager and liaison with the General Services Administration and the Bank of America.

The Defense Finance and Accounting Service (DFAS) identifies, implements, and manages anti-terrorism and force protection requirements and activities at all DFAS locations through the use of security and force protection measures. Anti-terrorism and force protection activities include providing personnel and physical security, a security workforce (both contract and civilian labor), as well as the operation of access control and surveillance equipment, security cameras, and perimeter lighting and protection.

DFAS conducts operations at 26 primary locations both CONUS and OCONUS. During FY 2002, DFAS began conducting site vulnerability assessments at DFAS locations. Eight site assessments were completed in FY 02 with the remaining site assessments being performed during FY 03. The site vulnerability assessments identified specific weaknesses and deficiencies in the anti-terrorism and force protection equipment and activities at each location such as the need for improved perimeter fencing, window glazing for blast mitigation, installation and/or upgrade of exterior lightening and surveillance camera systems as well as access control equipment, i.e., x-ray machines, magnetometers, and mail/package scanning equipment. The installation and/or upgrade of this equipment is necessary to address the deficiencies identified during the site assessments. Each DFAS location must maintain an anti-terrorism and force protection plan, which is reviewed and exercised annually. The annual review and exercise of these plans in conjunction with the OSD requirement for DFAS to conduct site vulnerability assessments on a three-year cycle will provide the basis for evaluating the DFAS response to tenets of the anti-terrorism and force protection program.

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 Summary of Price and Program Changes

		<u>FY 2002</u>	<u>Foreign</u>	<u>Price Growth</u>		<u>Program</u>	<u>FY 2003</u>
		<u>Program</u>	<u>Currency</u>	<u>Percent</u>	<u>Amount</u>	<u>Growth</u>	<u>Program</u>
			<u>Rate Difference</u>				
<b><u>BA-3: Training and Recruiting:</u></b>							
989	Other Contracts	8,570	0	1.1%	94	-1,315	7,349
	<b>Total</b>	<b>8,570</b>	<b>0</b>	<b>1.1%</b>	<b>94</b>	<b>-1,315</b>	<b>7,349</b>
		<u>FY 2003</u>	<u>Foreign</u>	<u>Price Growth</u>		<u>Program</u>	<u>FY 2004</u>
		<u>Program</u>	<u>Currency</u>	<u>Percent</u>	<u>Amount</u>	<u>Growth</u>	<u>Program</u>
			<u>Rate Difference</u>				
989	Other Contracts	7,349	0	1.5%	110	-7,459	0
	<b>Total</b>	<b>7,349</b>	<b>0</b>	<b>1.5%</b>	<b>110</b>	<b>-7,459</b>	<b>0</b>
		<u>FY 2004</u>	<u>Foreign</u>	<u>Price Growth</u>		<u>Program</u>	<u>FY 2005</u>
		<u>Program</u>	<u>Currency</u>	<u>Percent</u>	<u>Amount</u>	<u>Growth</u>	<u>Program</u>
			<u>Rate Difference</u>				
989	Other Contracts	0	0	0%	0	0	0
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0</b>	<b>0</b>

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 Summary of Price and Program Changes

**BA-4: Administration and Servicewide Activities:**

	<u>Foreign</u>		<u>Price Growth</u>		<u>Program</u>	<u>FY 2003</u>
	<u>FY 2002</u>	<u>Currency</u>	<u>Percent</u>	<u>Amount</u>	<u>Growth</u>	<u>Program</u>
	<u>Program</u>	<u>Rate Difference</u>				<u>Program</u>
989 Other Contracts	5,457	0	1.1%	60	558	6,075
<b>Total</b>	<b>5,457</b>	<b>0</b>	<b>1.1%</b>	<b>60</b>	<b>558</b>	<b>6,075</b>
	<u>Foreign</u>		<u>Price Growth</u>		<u>Program</u>	<u>FY 2004</u>
	<u>FY 2003</u>	<u>Currency</u>	<u>Percent</u>	<u>Amount</u>	<u>Growth</u>	<u>Program</u>
	<u>Program</u>	<u>Rate Difference</u>				<u>Program</u>
989 Other Contracts	6,075	0	1.5%	91	-4,507	1,659
<b>Total</b>	<b>6,075</b>	<b>0</b>	<b>1.5%</b>	<b>91</b>	<b>-4,507</b>	<b>1,659</b>
	<u>Foreign</u>		<u>Price Growth</u>		<u>Program</u>	<u>FY 2005</u>
	<u>FY 2004</u>	<u>Currency</u>	<u>Percent</u>	<u>Amount</u>	<u>Growth</u>	<u>Program</u>
	<u>Program</u>	<u>Rate Difference</u>				<u>Program</u>
989 Other Contracts	1,659	0	1.6%	27	54,939	56,625
<b>Total</b>	<b>1,659</b>	<b>0</b>	<b>1.6%</b>	<b>27</b>	<b>54,939</b>	<b>56,625</b>