



REPLY TO  
ATTENTION OF

DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY  
FINANCIAL MANAGEMENT AND COMPTROLLER  
109 ARMY PENTAGON  
WASHINGTON DC 20310-0109

OCT 12 1999

MEMORANDUM FOR THE UNDER SECRETARY OF DEFENSE  
(ACQUISITION AND TECHNOLOGY)

UNDER SECRETARY OF DEFENSE  
(COMPTROLLER)

SUBJECT: Strategic Plan for Implementing Cost Management/Activity Based  
Costing (ABC)

The Army recognizes the need for improved Cost Management as mentioned in the USD(A&T) Memorandum on Defense-Wide Implementation of Activity Based Costing/Management (ABC/M) dated July 9, 1999. We fully support Cost Management as a process of continuous improvement that simultaneously focuses on cost and performance to gain efficiency and improve operations through informed decision making. We will pursue ABC, as necessary, to support Cost Management implementation.

The Army Strategic Plan for Implementing Cost Management/ABC is enclosed. Cost Management will be implemented in each of the 11 major business areas that support mission readiness. Each business area will individually assess the applicability of ABC for providing the necessary cost measurement information to manage cost. We view ABC as a tool for the local manager, enabling a better understanding of operational cost and performance for improved decision making.

We have set an aggressive goal to complete implementation in all business areas within three years. We will build off of lessons learned from our early Cost Management/ABC initiatives, develop training material, and establish a Cost Management/ABC Course to rapidly train personnel from each business area. We look forward to participating in this Defense-wide initiative to improve cost management.

  
Helen T. McCoy  
Assistant Secretary of the Army  
(Financial Management and Comptroller)

Enclosure