DEPARTMENT OF THE ARMY
OFFICE OF THE VICE CHIEF OF STAFF

WASHINGTON DC 20310-0201

26 OCT 2001

REPLY TO
ATTENTION OF

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Cost Management / Activity Based Costing (CM/ABC) Implementation

1. The Secretary of the Army has reaffirmed the Army's intent to aggressively pursue the implementation of CM/ABC throughout the Army's 11 Business Areas. CM/ABC is a vital undertaking in order for the Army to effectively manage operations and achieve best business practices, enabling us to meet our people, readiness, and transformation objectives. Because of the importance of CM/ABC to the Army, I will personally be monitoring this initiative through Quarterly CM/ABC Reviews based on Business Area Status Reports, which will be provided to the Army Cost and Economic Analysis Center (CEAC) through individual Business Area Leaders.

2. To facilitate these Quarterly Reviews, it is necessary for all Business Areas to have finalized and approved implementation plans. Implementation schedules will be adhered to and monitored through the Quarterly CM/ABC Reviews. Milestones should be achievable and in sufficient detail to monitor progress. In addition to monitoring schedules, Business Areas will be required to provide measures on execution and results in accordance with a specific Quarterly Review format.

3. The first Business Area status reports will be based on FY01 results and submitted to CEAC by 30 November 2001. The reports should discuss implementation efforts to date, training undertaken, milestone schedules, significant actions resulting from CM/ABC, successes, obstacles, and challenges. Additional instructions for the Quarterly Review process will be provided by CEAC under separate cover.

4. CM/ABC is the underpinning for good cost and performance data and is necessary for generating efficiencies and improving products and services. I urge you to make CM/ABC a top priority in each of your Business Areas as a way of managing operations on a daily basis. We must continually strive to improve our business practices and I look forward to seeing success in our efforts.

JOHN M. KEANE
General, United States Army
Vice Chief of Staff

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