Command Cost Model Document

AMC Logistic Support Activity (LOGSA)

Enterprise Resource Planning (ERP) Command Cost Model (CCM) Document — Command Series
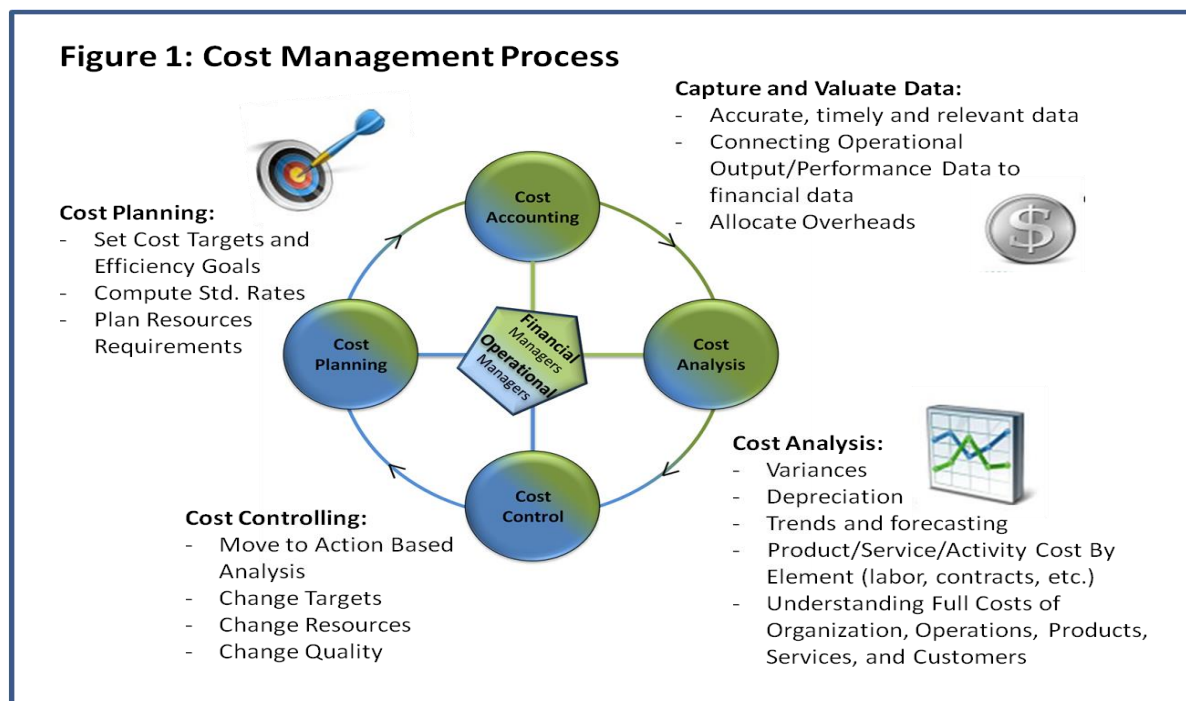
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Statement of Purpose

The purpose of the *ERP Command Cost Model (CCM)* document (hereinafter the "Cost Model") is to provide a <u>living document</u>, which contains the necessary information to be utilized as a reference guide to aid in the understanding of how the command's current Cost Model is represented in the multiple ARMY ERP platforms, such as the General Fund Enterprise Business System (GFEBS), Global Combat Support System (GCSS), and Logistics Modernization Program (LMP) ERPs. Each command's Cost Model and corresponding utilization of supporting capabilities within the ERP's has been adapted to meet the requirements of each command and the Army-Wide cost objectives. The Cost Model consists of the defined system master data and supporting transactions necessary to support the Cost Management Process (see Figure 1). Therefore the Cost Model consists of:

- identification of the cost objectives
- definition for the master data elements
- execution of various kinds of planning
- capturing of 'actuals'
- allocations/cost assignments and corresponding data loads necessary for driver data
- various reporting requirements

Figure 1: Cost Management Process

Cost Planning:
- Set Cost Targets and Efficiency Goals
- Compute Std. Rates
- Plan Resources Requirements

Capture and Valuate Data:
- Accurate, timely and relevant data
- Connecting Operational Output/Performance Data to financial data
- Allocate Overheads

Cost Analysis:
- Variances
- Depreciation
- Trends and forecasting
- Product/Service/Activity Cost By Element (labor, contracts, etc.)
- Understanding Full Costs of Organization, Operations, Products, Services, and Customers

Cost Controlling:
- Move to Action Based Analysis
- Change Targets
- Change Resources
- Change Quality

The intended audience of this document consists of readers already familiar with the ERP applications and the cost management concepts within the Cost Management Handbook.

Command Overview

This section of the AMC Command Cost Model document covers the portion of the AMC Cost Model associated with the U.S. Army Materiel Command Logistics Support Activity (LOGSA) only.

LOGSA provides logistics information support activities utilized to generate timely insight to a wide array of data supporting multiple analysis objectives. LOGSA supports the Army's material needs via its analytical tools and business intelligence (BI) solutions, which are capable of processing large volumes of critical logistical information daily on a worldwide basis.

Cost Management Objectives

Current Objectives

LOGSA's current cost objective is to track the costs of organizations and the work efforts those organizations perform.

Future Objectives

As information needs and support requirements change, objectives should continually be reviewed to ensure the Cost Model is providing the level of information required to make resource informed decisions and/or provide transparency for external reporting and requirements justifications.

Command Master Data

Cost Centers

Overview

Cost Centers (CCs) represent the organizations (e.g. Company A) listed within the Modification Table of Organization and Equipment (MTOE) or Table of Distribution and Allowances (TDAs) entities (e.g. LOGISTICS MGMT INFO BR). Cost Centers are established to collect and manage costs incurred within an organization for the corresponding capacity output provided (e.g. Labor Hours). Cost Centers align to the UIC-Paragraph structure of the TDAs or the MTOE structured authorized UICs (e.g. Company A). LOGSA has TDA related Cost Centers only.

Coding Logic

Currently, LOGSA is utilizing 3* series Cost Center numbers for the reflection of the organizations. LOGSA will integrate with the Army's Global Combat Support System (GCSS-A) ERP and therefore needs to have Federated 4* series Cost Centers. LOGSA Cost Centers will be converted to Federated 4* series Cost Center coding within FY15. To maintain consistency between GFEBS and GCSS-A, Cost Center changes are allowed under specific conditions. Creating a new Cost Center requires a unique combination of the UIC-Paragraph on an approved Force Structure document or a structure Derivative UIC (DUIC) to reflect the MTOE units (e.g. WXXXA0 for Company A).

Informational Fields

In addition to the Cost Center code, there are many other data elements defined on the Cost Center master data record that are utilized for reporting or interfacing with other systems, such as (but not limited to), Standard Hierarchy, Area of Responsibility, Name 4 and Interface Indicator (utilized if using ATAAPS for time tracking).

Activity Types

Overview

Activity Types, (i.e. Resource Pools) describes the kind of capacity of a specified resource within a Cost Center, typically measured in units of time, hours (HRS) or volume (BTUs), etc. Therefore, Activity Types (AcTypes) are used to assign capacity-related costs to consuming cost objects. Activity Types are used to plan, allocate and control costs. Activity Types are categorized as Labor Related versus Non-Labor Related. The most prevalent category is Labor Related which is structured to reflect the different types of Labor Related Resource Pools such as Civilians, Military, etc. Additionally, Non-Labor Related Activity Types are created as needed to reflect the capacity costs of Machines (e.g. Bulldozer $/Hour) or Facilities (e.g. $/Sqft).

Usage & Calculations

LOGSA's main capacity is work force, and therefore Labor Related. The transaction for associating the capacity consumed requires a *quantity* and *rate* to exist for the Cost Center and Activity Type. Refer to Table 1: Summary Utilization of Activity Types that lists a summary of Activity Types utilized by LOGSA.

- Labor Related Activity Types – the Labor Related Activity Types have been defined for the ARMY as a whole, based on various Pay Plans and Series and encompasses all of the kinds of skills provided by labor resources utilized by LOGSA.

- o Civilian – For all Civilian related labor charges, the payroll costs remain on the Cost Center where the Primary expense posting occurs. For entities tracking Civilian Labor to products/services, then Civilian Labor Activity Types are utilized to perform time tracking. LOGSA does currently perform Time Tracking for Civilian Labor hours and as such Labor Activity Types are needed to support both the payroll and labor tracking processes.

- o Military – Currently, LOGSA is not tracking time related to Military labor hours and output worked within GFEBS.

- o Local National – LOGSA does have Local National (LN) Payroll associated to organizational cost centers; therefore, LN Activity Types are utilized. LOGSA is not performing Time Tracking for Local Nationals. See **Error! Reference source not found.** section for further information on LN Payroll.

- o Contractor – LOGSA currently does not track Contractor labor hours to outputs.

- Non-Labor Related Activity Types – Currently, LOGSA does not utilize non-Labor Related Activity Types to assign out cost of capacity.

TABLE 1: SUMMARY UTILIZATION OF ACTIVITY TYPES

Type	Area	Utilized
Labor	Civilians	Yes
Labor	Military	No
Labor	Local Nationals	Yes
Labor	Contractors	No
Non-Labor	NA	No

Internal Orders

Overview

Orders are a type of cost object utilized to capture the cost of an event (e.g. maintenance request, reason for travel) or a repetitive service (e.g. Military Card Processing). There are various kinds of Orders, such as Internal Orders (IOs) and Plant Maintenance Orders (PMOs). Within each kind of Order there are various Order Types which support the segregation of like-kind events.

Command Usage

LOGSA utilizes Internal Orders (Order Type ZKOR) within its Cost Model to support the Korean Payroll process which requires a Default Line of Accounting (LOA) for Korean Payroll interface (e.g. LCSLCS STAT IO-AOAP, LSA). The Korean Payroll LOA Internal Order is a statistical Internal Order (STAT IO) to support Labor Cost Sharing (LCS). STAT IOs cannot be posted to as a single cost

collector and require another cost collector on the posting as well such as a Cost Center or a WBS Elements. STAT IOs are utilized when costs need to be tracked by more than one cost object or view such as the Cost Center should be posted to Korean Payroll as well.

WBS Elements

Overview

Work Breakdown Structure (WBS) Elements are utilized to identify the sub-activities required to perform a Project. Additionally, WBS Elements are utilized to support the reimbursable processes (via the Sales Orders or the Direct Charge processes) for services provided within and external to the Army.

Command Usage

The main cost collector for LOGSA is the WBS Element in order to track the transparency, visibility and activity of the efforts being supported. In summary, LOGSA uses WBS Elements to:

- Collect any reimbursable costs for services provided
- Provide funding to other entities via the Direct Charge process
- Track costs of Functional Cost Accounts (FCAs), such as F4813– RESET - FIELD MAINTENANCE (EXAMPLES: CONTAINMENT SYSTEMS TECHNICAL SUPPORT, UNIT MAINTENANCE, LOGISTICAL SUPPORT), F1201– OPERATION ENDURING FREEDOM, or F1209– OEF-LOGCAP, etc.

Statistical Key Figures (Non-Financial Measures)

Statistical Key Figures (SKFs) represent the non-financial measures a command might want to track to support performance reporting and/or to be utilized to support Allocations. Currently, LOGSA does not utilize SKFs to track non-financial measures.

Cost Elements

Primary Cost Elements

Primary Cost Elements track initial expenditures within the system and are defined ARMY-wide. Therefore, nothing specific for the LOGSA command has been developed related to Primary Cost Elements.

Secondary Cost Elements

Secondary Cost Elements are utilized to track cost flows from initial expenditure to final cost objects. There have not been any Secondary Cost Elements generated specifically to address LOGSA requirements.

Business Processes

Currently the LOGSA Cost Model does not use Business Processes to track cross-functional business activities or Activity-based Costing.

Real Property

LOGSA does not have Real Property and therefore this cost object is not present within the LOGSA Cost Model.

Attributes (Custom Fields)

Currently, LOGSA uses Custom Fields added to the base SAP master data elements of Cost Centers, Internal Orders and WBS Elements:

- Functional Cost Account – tracking FCA codes issued for tracking of Hurricanes and deployment related events.

- Command Defined Field – Starting in FY15, AMC has issued policy on utilization of the Command Defined Field in order to provide transparency into the reimbursable customer source of funding. See Table 2: Sample of AMC-wide Command Defined Field Values for sample values (not all-inclusive list). The AMC General Funds Customer Codes are 5 alphanumeric digits and are representative of organizations only (e.g. the fund center requesting such as A5XA0 or external entities). Within GFEBS, the AMC Customer Code must be populated on all WBS Elements that will execute reimbursable funds. The AMC Customer Code must be input as the FIRST five characters in the "Command Defined Field" of the execution level WBS Elements. Additionally, the AMC MSC/LCMC must input the LAST four digits of the supplying Funds Center immediately after the AMC Customer Code.

TABLE 2: SAMPLE OF AMC-WIDE COMMAND DEFINED FIELD VALUES

Customer Defined Code	Customer	Description
A5XB0	PEO Ammunition	PEO Ammunition - includes all Fund Centers A5XB*
A5XC0	PEO Aviation	PEO Aviation - includes all Fund Centers A5XC*
D4A00	Air Force	Air Force
D4C00	Defense Advanced Research Projects Agency (DARPA)	Defense Advanced Research Projects Agency (DARPA)
F5A00	Department of Agriculture (USDA)	Department of Agriculture (USDA)
N6A00	Private Industry	Private Industry
N6B00	Academia/Universities	Academia/Universities

Planning

LOGSA currently does not utilize any Cost Planning capabilities.

Capture Actuals

Payroll

Civilian Payroll will be disbursed out of the Defense Civilian Payroll System (DCPS) with financial transactions being recorded on a bi-weekly basis. The Budget LOA is defined within the Human Resources (HR) master data record for each employee.   One item to note is the Funds Center for the paying Budget LOA is actually determined by the Funds Management business logic (i.e. FMDERIVE – a custom table inside the ERP platforms that associate Cost Management master data with Funds Management master data).

LOGSA is responsible to maintain both the Faces-to-Spaces document identifying the association of Activity Types to Cost Centers and the calculations of the Rates. Additionally, LOGSA maintains the HR LOA within ERPs and requests updates to the FMDERIVE related business rules necessary for payroll to post against the correct funding. For more information on Faces-to-Spaces see http://www.opm.gov/oca/10tables/indexGS.asp .

In additional to Civilian Payroll, LOGSA also has direct Korean Local Nationals payroll.

Labor

LOGSA currently tracks Civilian labor hours daily to products/services command wide. Therefore, Secondary Cost Elements, such as 9300.0100 LABOR CHARGE – REG are seen assigning the cost of labor from LOGSA-related Cost Centers to Orders and/or WBS Elements.

Non-Pay/Labor

For Non-Pay/Labor costs, the individual initiating the budget execution action needs to indicate the organization and/or event (e.g. Internal Order or WBS Element) receiving the benefit of the non-payroll expense.

Depreciation

LOGSA does not currently have real property or equipment that meets capitalization requirements; therefore, no Depreciation is included within the Cost Model.

Perform Allocations/Cost Assignments

Various kinds of Cost Allocations/Assignments can be supported within the Cost Model. LOGSA currently does not have any recurring Cost Allocations/Assignments occurring.

CM Data Load

Currently, LOGSA does not have any external systems that need to be imported as cost drivers for allocations.

Reporting

No specific reports are associated for the LOGSA command only. Below Table 3: Sample List of Common Cost Management Reports provides a sample list of common Cost Management related reports used for all commands.

TABLE 3: SAMPLE LIST OF COMMON COST MANAGEMENT REPORTS

GFEBS ECC Reports			
Area	**Report Name**	**T-Code/ROLE**	**Benefit**
Master Data – CCs	Display Cost Centers (CCs)	KS03 and KS13/ EPS_EC_CM_ECC_DISPLY_RPTR_0000	Display individual or all Cost Center(s) Master Data within a Group (e.g. use the last 4 digits of the Fund Center to get all Cost Centers associated with the Cost Center Hierarchy of that Fund Center).
Master Data – IOs	Display Internal Orders (IOs)	KO03 and KOK3 / EPS_EC_CM_ECC_DISPLY_RPTR_0000	Display individual or all Internal Order Master Data.
Master Data – WBSs	Project Info System: WBS Elements	CN43n	Displays all Projects and WBS Element Master Data.
Plan – AcType Rates	Activity Type (AcType) Price Report	KSBT/ EPS_EC_CM_ECC_DISPLY_RPTR_0000	Displays AcType Rates Associated to a Cost Center.
Actuals – CCs	Cost Centers: Actual/Plan/Variance	S-ALR_87013611/ EPS_EC_CM_ECC_DISPLY_RPTR_0000	Actual $s for Cost Centers and AcType, SKF Quantities.
Actuals – IOs	Orders: Actual/Plan/Variance	S-ALR_87012993/ EPS_EC_CM_ECC_DISPLY_RPTR_0000	Actual $s for Internal Orders and SKF Quantities.
Actuals – WBS	Display Project Actual Costs Line Items	CJI3	Cost Line Item Postings to WBS Elements.
Actuals – Costs	Display Actual Cost Document	KSB5/ EPS_EC_CM_ECC_DISPLY_RPTR_0000	CO Document Actual Costs for Transactions that have posted.
GFEBS BI Reports			
Area	**Report Name**	**T-Code/ROLE**	**Benefit**
Actuals – Costs	Cost by Reports	Cost by Cum Report / Cost Management Reporter.	BI Report displaying costs with various Attributes.

Considerations for Cost Model Updates

Below Table 4: Improvements to Command Cost Model lists items for consideration for updating/improving the LOGSA Cost Model.

Notional example only – to be built with Command based on priorities

TABLE 4: IMPROVEMENTS TO COMMAND COST MODEL

Code	Category	Description	Benefit	Timeline
1	Master Data	Review Cost Centers for Federation and GFMDI.	Aligns structures to future automated approach for maintenance of Cost Centers.	QX FY15
2	Master Data	Review Internal Order ZUFL for Unfunded Leave automatic payroll process.	Ensures Unfunded Leave is tracked appropriately and reported accurately.	QX FY15
3	Master Data	Evaluate RESP CC on WBS Elements to support Settlements.	All WBS Elements have to be net zero eventually. Costs are assigned back to a Cost Center for the organization responsible or to follow-on products/services. Allows for deactivation of master data.	QX FY15
4	Master Data	Review reimbursable related WBS Elements for Command Define field accuracy.	Ensures compliance with AMC Command reporting requirements.	QX FY15
5	Actuals	Eliminate Payroll postings to WBS Elements.	Ensures Manpower reporting is correct. Payroll Accounts should not be used to move Payroll costs to a WBS Element; only a Secondary Cost Element such as 9300.01VR LABOR VARIANCE should be utilized.	QX FY15
6	Allocations & Assignments – GFEBS	Generate Overhead Allocations.	Associate centralized and Indirect costs to the benefiting organizations or activities.	QX FY15
7	Non-Financial Measures	Determine what Metrics LOGSA utilizes for performance and identify if they can be associated within the Cost Model.	Alignment of Output/Measures with costs for efficiency/effectiveness reporting.	QX FY15