Command Cost Model Document

U.S. Africa Command (USAFRICOM)

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(DASA-CE)

11/26/2014

Enterprise Resource Planning (ERP) Command Cost Model (CCM) Document — Command Series
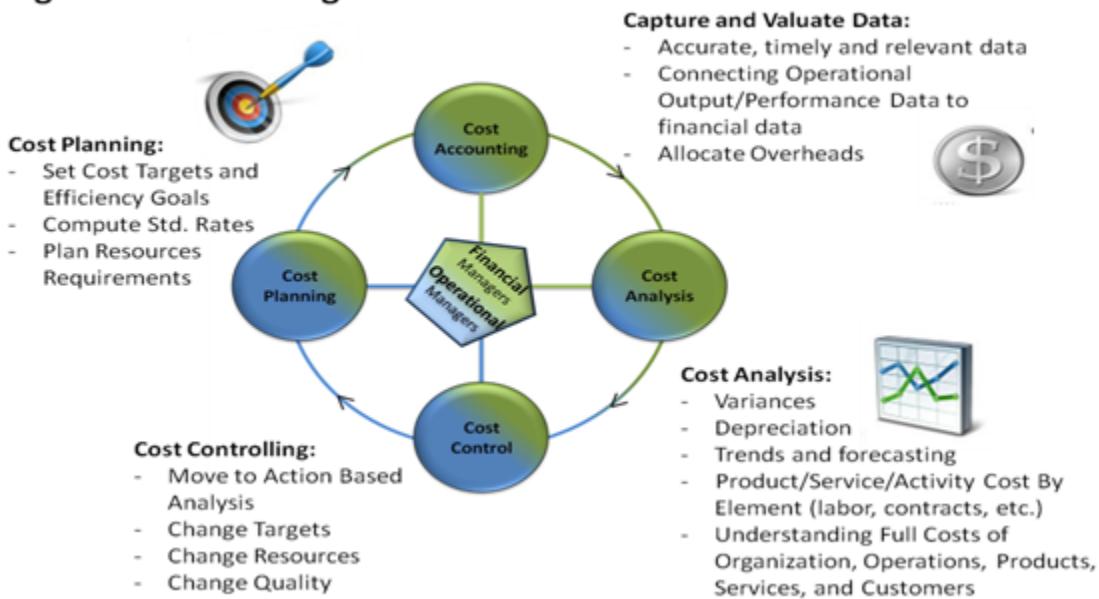
Reference No. » CCM—OA8K

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Statement of Purpose

The purpose of the *Command Cost Model (CCM) Document* is to provide a <u>living document</u> which contains the necessary information to be utilized as a reference guide to aid in understanding 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 Army (GCSS-Army) 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 Processes (Figure 1). Therefore the Cost Model consists of:

- Identification of cost objectives
- Definition of master data objects
- Execution of various kinds of planning (cost planning, product output planning, etc.)
- Capture of actual costs
- Perform Allocations / cost assignments, and track non-financial measures
- 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 Controlling:
- Move to Action Based Analysis
- Change Targets
- Change Resources
- Change Quality

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 Accounting · Cost Analysis · Cost Control · Cost Planning · Financial Managers · Operational Managers

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

United States Africa Command, (USAFRICOM) is one of six of the U.S. Defense Department's geographic combatant commands and is responsible to the Secretary of Defense for military relations with African nations, the African Union, and African regional security organizations. A full-spectrum combatant command, USAFRICOM is responsible for all U.S. Department of Defense operations, exercises, and security cooperation on the African continent, its island nations, and surrounding waters. USAFRICOM builds defense capabilities, responds to crisis, and deters and defeats transnational threats in order to advance U.S. national interests and promote regional security, stability, and prosperity. USAFRICOM's core activities consist of Operations, Exercises, and Security Cooperation Programs. USAFRICOM's Offices of Security Cooperation (OSC) are responsible for administering security cooperation programs as well as Combating Terrorism Fellowship Education programs in Africa.

USAFRICOM's operations and activities are predominantly direct funded with some reimbursable activities.

Cost Management Objectives

Current Objectives

The main cost objective for the USAFRICOM Cost Model is to associate costs to units. Currently, only direct costs are associated to a Unit regardless of funding source (e.g. depreciation cost for the utilization of the equipment and training ammunition). Given that the units are organizations, and Cost Centers are organizations within the Army ERP landscape, tracking all costs to USAFRICOM Cost Centers supports the main cost objective. In addition to tracking to the organizations, tracking to Functional Cost Accounts (FCAs) is also required. USAAFRICOM also tracks costs for the OSCs.

Future Objectives

To achieve the Army-wide objective of capturing full costs of organizations, the unit requires more than just understanding and capturing direct costs. Organizations within USAFRICOM need to capture shared (indirect) costs for the Units and should associate the benefit of those shared costs to the consuming unit (e.g. Battalion) at a minimum if a causal linkage can be established. For example, cell phones, strategic support contracts and facility usage can be

associated to the units based on number of soldiers or various appropriate cost drivers annually, quarterly or monthly depending on available information. Recently, understanding the Cost of Readiness has become an Army consideration. As items for Readiness are evaluated, commands will need to update their Cost Models to facilitate the information needed.

Command Master Data

Cost Centers

Overview

Cost Centers represent the organizations (e.g. Company A) for USAFRICOM or other supporting Table of Distribution and Allowances (TDAs) entities (e.g. USAFRICOM CG LEGAL). 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 Unit Identification Code (UIC)-Paragraph structure of the working TDAs or the Modification Table of Organization and Equipment (MTOE) structured authorized UICs (e.g. Company A). USAFRICOM has TDA related Cost Centers only.

Coding Logic

USAFRICOM integrates with the GCSS-Army ERP and therefore has Federated 4* series Cost Centers and is completely Federated requiring no additional changes to the current Cost Center numbering. To maintain consistency between GFEBS and GCSS-Army, 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 (AoR), Name 4 and Interface Indicator (utilized if using the Automated Time Attendance & Production System (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) or volume (BTUs). Therefore, Activity Types 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 and Military. Additionally, Non-Labor related Activity Types are created as needed to reflect the capacity costs of Machines (e.g. Bulldozer $/Hour) or Facilities ($/Sqft.)

Usage & Calculations

USAFRICOM's main capacity is work force and therefore labor hours. The transactions for associating the capacity consumed require a quantity and a standard rate to exist for the Cost Center and Activity Type. Table 1 lists a summary of Activity Type utilized by USAFRICOM.

- 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 encompassed all of the kinds of skills provided by labor resources utilized by USAFRICOM.

  - 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. USAFRICOM does not currently perform Time Tracking for Civilian labor hours and as such Labor Activity Types are needed only to support the payroll process.

  - Military – Currently, USAFRICOM is not tracking time related to Military labor hours and output worked within GFEBS. As part of the GCSS-Army deployment, it will be necessary to identify those military personnel who will be completing time on maintenance orders in GCSS-Army. Thus, prior to the GCSS-Army Wave 2 deployment FY15, it will be necessary to obtain a list of all Authorized Military for the UIC's and create an Activity Type Rate for Each combination of Military Rank (e.g. Activity Type E4, E5, O6) to unit Cost Center in order to support maintenance activities within GCSS-Army. MIL Activity Types are also supported within the FY15 MilPay Payroll interface into GFEBS.

- o Local National – USAFRICOM does have LN Payroll for the OSCs however it is not associated to organizational Cost Centers and therefore no LN Activity Types are utilized.

- o Contractor – USAFRICOM currently does not track contractor Labor Hours to outputs.

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

Table 1: Summary Utilization of Activity Types

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

Internal Orders

Overview

USAFRICOM does not utilize Internal Orders (IOs) within its Cost Model other than the required and automatic process for Payroll Leave process which uses IOs per UIC. USAFRICOM's IO type is ZAFR.

WBS Elements

The main cost collector, in addition to the Cost Center, for USAFRICOM is the WBS Element. WBS Elements are utilized to track the transparency, visibility, and activity of the efforts being supported. In summary, USAFRICOM uses WBS Elements to:

- Collect any reimbursable costs for services provided.

- Provide funding to other entities via the Direct Charge process**.**

- Track costs of CE2T2 training exercises – the different 7097.01 CE2T2 related exercises are required to be listed in the Attribute 1 field (e.g. EX4AN – AFRICAN LION) for the year the exercise is performed (e.g. 4 represents the FY14 portion of the exercise.) As such, WBS Elements are to be created each year (i.e. not rolled over) to ensure that a distinct WBS element exists for the year of execution for the exercise.

- Track costs of FCAs – a portion of the effort supported by USAFRICOM is related to FCA activities such as Counter Narcotics (e.g. Y9206 – USAFRICOM CN Operational Support)

- Track costs of Official Representation Funds (ORF) limit – since these ORF costs are associated with a particular Funded Program specific to the Limit.

- Track costs by OSC Country – such as OSC Morocco versus OSC Malawi.

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 USAFRICOM does not utilize SKFs to track non-Financial measure. For a CE2T2 exercise, the number of countries or soldiers involved would be examples of SKFs.

Cost Elements

Primary Cost Elements

Primary Cost Elements track initial expenditures within the system and are defined ARMY-wide. Therefore nothing specific for the USAREUR 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 USAFRICOM requirements.

Business Processes

Currently the USAFRICOM Cost Model does not use Business Processes to track cross-functional business activities.

Attributes (Custom Fields)

Several custom fields have been added to the various master data elements. Although these custom fields are not cost objects themselves, the field brings an additional cost view of information. Most of the custom fields are specific to a single master data element such as the Capability or Country added to the WBS Element. Several Custom Fields however have been added across the core cost object of Cost Center, Internal Order, and WBS Element to allow for a single view regardless of which cost object is utilized, e.g. FCA.

USAREUR utilizes the following custom fields:

- Attribute 1 – Exercise codes to be tracked for CE2T2 Funding.

- FCA – tracking FCA codes issued for tracking of Hurricanes and other events.

- Country – tracking which Nation is receiving the benefit of the support effort (e.g. Nigeria, Morocco.) See Table 2 for Sample Country Codes.

Table 2: Sample Country Codes

Country Code	Name	Nationality	Long name	Nationality (Long)
AO	Angola	Angolan	Angola	Angolan
CF	CAR	Central African	Central African Republic	Central African
CG	Rep.of Congo	Congolese	Republic of the Congo	Congolese
DZ	Algeria	Algerian	Algeria	Algerian
GH	Ghana	Ghanian	Ghana	Ghanian
KE	Kenya	Kenyan	Kenya	Kenyan
MA	Morocco	Moroccan	Morocco	Moroccan
ML	Mali	Malian	Mali	Malian
MZ	Mozambique	Mozambican	Mozambique	Mozambican
NG	Nigeria	Nigerian	Nigeria	Nigerian
RW	Rwanda	Rwandan	Rwanda	Rwandan
SO	Somalia	Somali	Somalia	Somali
TN	Tunisia	Tunisian	Tunisia	Tunisian
ZA	South Africa	South African	South Africa	South African
ZM	Zambia	Zambian	Zambia	Zambian
ZW	Zimbabwe	Zimbabwean	Zimbabwe	Zimbabwean

Planning

USAFRICOM 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 Line of Accounting (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). USAREUR 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, USAREUR 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

Military Payroll currently comprises a portion of USAFRICOM's overall cost of operations. Currently the MILPAY is not being recorded in GFEBS but is scheduled for FY15.

Local Nation Payroll (i.e. 6100.28B0) is captured within the USAFRICOM cost model for the payroll related to the OSCs. OSC related payroll posts to WBS Elements.

Labor

USAFRICOM currently does not track labor to products/services command wide. Therefore secondary cost elements such as 9300.0100 for 'LABOR CHARGE – REG' are not used to assign the cost of labor from USAREUR related Cost Centers to Orders and/or WBS Elements. Given that USAFIRCOM is a TDA-based Organizational Structure, GCSS-A Wave 2 maintenance labor will also not be impacting the USAFRICOM cost model.

USAFRICOM does receive the benefit of Labor charges associated to an activity performed against Direct Charge-related WBS Elements. Therefore USAFRICOM entities should understand the Secondary Cost Elements related to Labor Activity Types to understand the charges they receive from other supporting organizations (e.g. AMC-CECOM INFO SYS ENGR COMM providing support for an USAFRICOM C4S Direct Charge related WBS Element.)

Non-Pay/Labor

Costs not related to payroll or labor tracking are also captured within the cost model. These costs require the individual initiating the action to indicate the organization or event (e.g. IO or WBS Element) receiving the benefit of the expense. For example, Purchase Requisitions (PRs)/Purchase Orders (POs) generated to reflect a contract or a Defense Travel System (DTS) travel order are created and cited against the cost object those costs are supporting.

Depreciation

USAFRICOM receives depreciation postings for capitalized equipment tracked within the Property Book Unit Supply Enhanced (PBUSE) system. PBUSE is being subsumed by GCSS-Army as a part of the GCSS-Army Wave 2 rollout FY15 – 17.

In the interim, PBUSE interfaces with GFEBS to provide all transactional data to financially reflect the capital equipment acquisitions, destruction, lost and transferred. GFEBS utilizes the asset transactions in conjunction with depreciation schedules or equipment usage data received from OSMIS to determine the Usage-Based Depreciation to post as the non-budget relevant cost of the equipment associated to each Organization or Unit (Cost Center.)

Perform Allocations/Cost Assignments

Various kinds of Allocations/Assignments can be supported within the Cost Model. USAFRICOM currently utilizes allocation-related Cost Elements to implement the Payroll Self-MIPRing process for the SOCAFICA payroll which cannot be posted to directly. An Assessment Cycle is created each year with the identified WBS Elements necessary to move all the Special Operations Command (SOCOM) funded Payroll which originally posted directly to the Cost Centers. The USAFRICOM Assessment Cycle is a part of the Month-End close process and moves the Payroll from all the appropriate Cost Centers to the REIMB WBS Element for billing.

CM Data Load

There are several Army-wide systems interfacing cost management data such as GCSS-Army for tactical equipment utilization or the Worldwide Ammunition Reporting System (WARS) interface to provide the cost of training ammo for a unit. Currently, USAFRICOM Cost Centers do not receive data loads given USAFRICOM consists of two TDA related UICs versus MTOE units.

Reporting

No specific reports are associated for the USAFRICOM command only. Table 3 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 Center(s)	KS03 and KS13/ EPS_EC_CM_ECC_DISPLY_RPTR_0000	Display individual or all Cost Centers Master Data within a Group (e.g. use the last 4 of the Fund Center to get all Cost Centers associated with the Cost Center Hierarchy of that Fund Center.)
Master Data - IOs	Display Internal Order(s)	KO03 and KOK3 / EPS_EC_CM_ECC_DISPLY_RPTR_0000	Display individual or all Internal Order Master Data
Master Data - WBS s	Project Info System: WBS Elements	CN43n	Displays all Project s and WBS Element Master Data
Plan – AcType Rates	Activity Type 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

Table 4 list items for consideration for updating/improving the USAFRICOM 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 Center Department Field and/or Area of Responsibility for code validation (Information originally assigned is currently missing)	Ensures all information is available in reports utilized	Q1 FY15
2	Master Data	Review Cost Center Hierarchy for additional folders not needed	Ease of Reporting	Q1 FY15
3	Master Data	Review 0100 Exercise Funding Related WBS Elements for ATTR1 Exercise Codes	Compliance to DOD7097.01 Appendix 5-CE2T2-ARMY-0100 Regulation for reporting Exercise Execution	Q1 FY15
4	Master Data	Review WBS Elements for Country Code	Allows for automatically reporting by country	Q1 FY15
5	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.	Q2 FY15
6	Master Data	Review Cost Centers for Federation and GFMDI	Aligns structures to future automated approach for maintenance of Cost Centers	Q2 FY15
7	Assignments & Allocations – GFEBS	Generate Overhead Allocations	Associate centralized and Indirect costs to the benefiting Country	QX FY15
8	Non-Financial Measures	Determine what Metrics USAFRICOM 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