Command Cost Model Document

U.S. Army North Command (USARNORTH)

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

Reference No. » CCM—OA8B

Table of Contents

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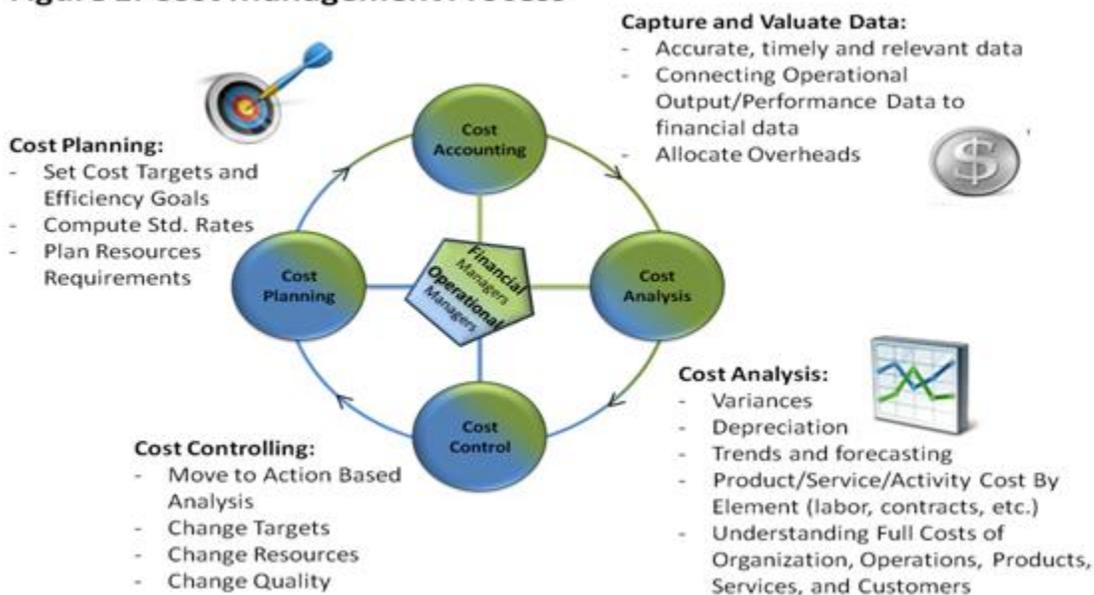
The intended audience of this document consists of readers already familiar with the ERP applications and the cost management concepts within the Cost Management Handbook.

Command Overview

The United States Army North Command (USARNORTH) is the Army Service Component Command to the United States North Command (NORTHCOM) Combatant Command. USARNORTH has responsibility for homeland defense and coordination of defense support to civil authorities. USARNORTH conducts Theater Security Cooperation activities to enhance security working with partner nations. Additionally, USARNORTH operates the Joint Force Land Component Command (JFLCC.)

Cost Management Objectives

Current Objectives

USARNORTH's cost management objective is to provide visibility to the support provided by the various organizations and specifically by the Defense Coordinating Element (DCEs) which are by region. Within the organizational view, USARNORTH is tracking specific technology efforts. Additionally, USARNORTH tracks costs to the Exercises, Functional Cost Accounts (FCAs) or Counter Narcotic events occurring.

Future Objectives

As conflicts and support requirements change within the area, 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. 323D ARMY BAND) listed within the Modification Table of Organization and Equipment (MTOE) or Table of Distribution and Allowances (TDAs) entities (e.g. ARNORTH DCE REGN I). 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).

Coding Logic

When GFEBS was first established there was a quasi-smart coded numbering logic to the Cost Centers reflecting the Fund Center that pays for those entities and then no logic afterwards, just a number to reflect the different branches, directorates etc. (e.g. 8BAA0005 – 8BAA0098.) As GFEBS matured, multiple issues were identified with this approach requiring a shift to a non-smart coded nomenclature; thereby, removing the Fund Center identification within the Cost Center numbering for other commands.

USARNORTH integrates with the Army's Global Combat Support System (GCSS-A) 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-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

USARNORTH'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. Table 1 below lists a summary of Activity Types utilized by USARNORTH.

- 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 USARNORTH.

  - 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. USARNORTH 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, USARNORTH 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.

  - Local National – USARNORTH does not have Local National (LN) Payroll and therefore does not utilize LN Activity Types.

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

- Non-Labor Related Activity Types – Currently, USARNORTH 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	Yes
Labor	Local Nationals	No
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

USARNORTH does not utilize Internal Orders outside of the Order Type ZUFL Internal Orders automatically generated by UIC to support the Unfunded Leave process.

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 USARNORTH is the WBS Element in order to track the transparency, visibility and activity of the efforts being supported. In summary, USARNORTH uses WBS Elements to:

- Provide funding to other entities via the Direct Charge process
- Manage Official Representation Funding (ORF)
- Collect any reimbursable costs for services provided
- Capture costs for specific Counter Narcotic efforts
- Track costs of Functional Cost Accounts (FCAs) – (e.g. F4129 – PRESIDENTIAL INAUGURATION SUPPORT (DIRECT COST), F4656 – COLORADO FLOODS 2013 (REIMBURSABLE COST))
- Track costs of Commander's Exercise Engagement and Training Transformation (CE2T2) training exercises. 7097.01 CE2T2 related exercises are required to be listed in the Attribute 1 Field (e.g. EX4VG – VIGILANT SHIELD) 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 (not rolled over) to ensure that a distinct WBS Element exists for the year of execution for the exercise

- Track costs of software/hardware upgrades and maintenance (e.g. SOCET GXP GEOANALYSIS SOFTWARE, MULTI-FUNCTION PRINTER-COPIER (43) MAINT, TRIPWIRE SECURITY MAINT, AUDIO VISUAL SYSTEMS MAINT, 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, USARNORTH 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 USARNORTH 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 USARNORTH requirements.

Business Processes

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

Real Property

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

Attributes (Custom Fields)

Currently, USARNORTH uses Attributes/Custom Fields that have been added to the base SAP master data elements of Cost Centers, Internal Orders and WBS Elements:

- Attribute 1 Field (ATTR1) contains Exercise codes to be tracked for CE2T2 funding
- Functional Cost Account Field (FCA) issued for tracking of hurricanes, counter narcotics and deployment related events.

Planning

USARNORTH 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).

USARNORTH 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, USARNORTH 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 USARNORTH's overall cost of operations. Currently the MILPAY appropriation is not being recorded in GFEBS but is scheduled for FY15.

Labor

USARNORTH does not track Civilian Labor to products/services command wide. Therefore, Secondary Cost Elements, such as 9300.0100 for 'LABOR CHARGE – REG' are not currently used to assign the cost of labor from USARNORTH-related Cost Centers to Orders and/or WBS Elements.

USARNORTH does receive the benefit of Labor charges associated to an activity performed against Direct Charge-related WBS Elements.   Therefore, USARNORTH entities should understand Secondary Cost Elements related to Labor Activity Types to become familiar with these charges when they are received from other supporting organizations.

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

USARNORTH receives depreciation postings for capital 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 Operating and Support Management Information System (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 Cost Allocations/Assignments can be supported within the Cost Model. USARPNORTH currently does not have any recurring cost allocations occurring.

CM Data Load

There are several Army-wide systems interfacing cost management data such as GCSS-A for tactical equipment utilization or the Worldwide Ammunition Reporting System (WARS) interface to provide the cost of training ammo for a unit. Currently, USARPNORTH Cost Centers do not receive data loads.

Reporting

No specific reports are associated for the USARNORTH command only. Table 2 below provides a sample list of common Cost Management related reports used for all commands:

Table 2: 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_DISPLAY_RPTR_0000	Display individual or all Cost Center 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_DISPLAY_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 (AcType) Price Report	KSBT/ EPS_EC_CM_ECC_DISPLAY_RPTR_0000	Displays AcType Rates associated to a Cost Center.
Actuals – CCs	Cost Centers: Actual/Plan/Variance	S-ALR_87013611/ EPS_EC_CM_ECC_DISPLAY_RPTR_0000	Actual $s for Cost Centers and AcType, SKF Quantities.
Actuals – IOs	Orders: Actual/Plan/Variance	S-ALR_87012993/ EPS_EC_CM_ECC_DISPLAY_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_DISPLAY_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 3 list items for consideration for updating/improving the USARNORTH Cost Model:

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

Table 3: 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	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
3	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
4	Allocations & Assignments – GFEBS	Generate Overhead Allocations.	Associate centralized and Indirect costs to the benefiting DCE for total cost by DCE.	QX FY15
5	Allocations & Assignments – GFEBS	Review no training ammo is correct.	Ensures total costs of units is captured.	QX FY15
6	Non-Financial Measures	Determine what Metrics USARNORTH 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