



# Command Cost Model Document

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## Office of the Chief Army Reserve (OCAR)

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**(DASA-CE)**

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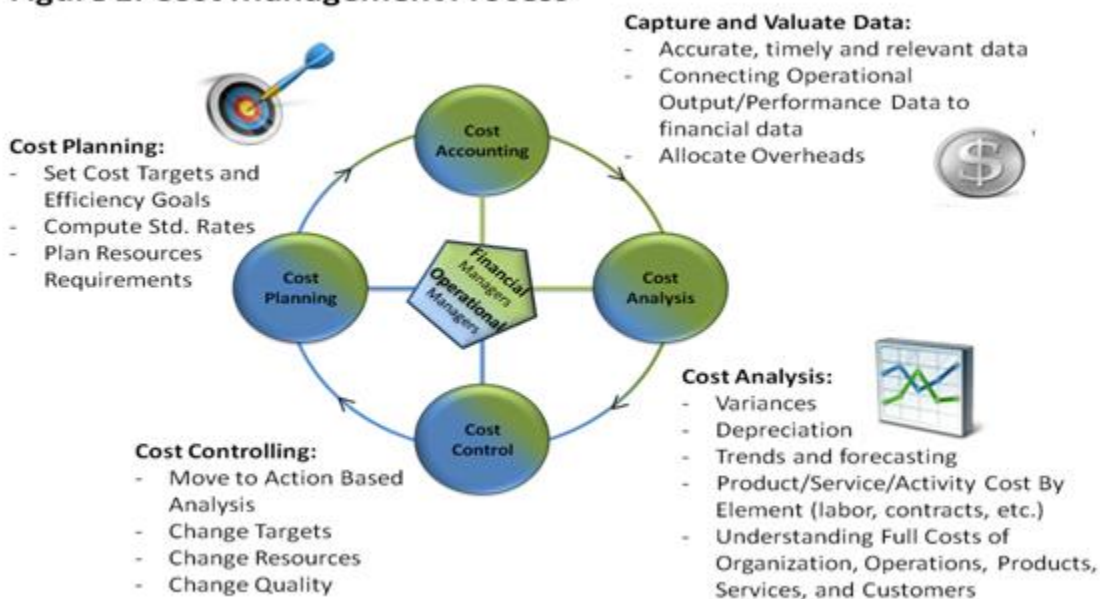


## Statement of Purpose

The purpose of the *ERP Command Cost Model (CCM)* document (hereinafter the “Cost Model”) is to provide a living document, 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**

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The Office of the Chief Army Reserve (OCAR) consists of a specialized staff of advisors responsible for the development and execution of the Army Reserves policies, programs, and plans. The OCAR administers the Army Reserves personnel, operations and funding and also provides advice and support on a wide range of issues to the Chief of Army Reserves.

## **Cost Management Objectives**

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### **Current Objectives**

OCAR's cost management objective is to provide visibility to the support given by its various organizations. Capturing the costs of the organizations identifies the cost for macro processes, such as force management, legislative affairs, retention and transitioning, etc.

### **Future Objectives**

Management oversight and direction is a necessary function to ensure strategic objectives are fulfilled. These efforts are indirect costs, which should be associated to the final end-product of an organization (e.g. Brigade Combat Team) or associated to the cost of an enterprise's end-to-end processes (e.g. Budget-to-Report).

## **Command Master Data**

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### **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. COMPTROLLER). 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). OCAR has TDA related Cost Centers only.

## Coding Logic

OCAR 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, 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

OCAR's main capacity is work force, and therefore Labor Related. The transactions for associating the capacity consumed require a *quantity* and *rate* to exist for the Cost Center and Activity Type. Table 1 below lists a summary of Activity Types utilized by OCAR.



- 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 OCAR.
  - 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. OCAR 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, OCAR is not tracking time related to Military labor hours and output worked within GFEBS. However, MIL Activity Types are supported within the MilPay Payroll interface.
  - Local National – OCAR does not have Local National (LN) Payroll and therefore does not utilize LN Activity Types.
  - Contractor – OCAR currently does not track Contractor labor hours to outputs.
  
- Non-Labor Activity Types – Currently, OCAR 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	No
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**

OCAR utilizes three Internal Orders (Order Type ZRC1) within its Cost Model:

- Distinguish specific programs (e.g. NATIONAL AWARENESS PROGRAM versus AMBASSADOR PROGRAM)
- Official Representation Funding (ORF)

These Internal Orders (IOs) roll over from year to year.

## **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 OCAR, outside of the organizational Cost Centers, is the WBS Element in order to track the transparency, visibility, and activity of the efforts being supported. In summary, OCAR uses WBS Elements to:

- Collect any reimbursable costs for services provided
- Provide funding to other entities via the Direct Charge process
- Official Representation Funding (ORF)
- Track interest and penalties



## **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, OCAR 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 OCAR command has been developed related to Primary Cost Elements.

### **Secondary Cost Elements**

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

## **Business Processes**

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

## **Real Property**

OCAR does not have Real Property and therefore this cost object is not present within the OCAR cost model.





## **Attributes (Custom Fields)**

Currently, OCAR is not using any of the Custom Fields added to the base SAP master data elements of Cost Centers, Internal Orders, and WBS Elements.

## **Planning**

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OCAR currently does not utilize any Cost Planning capabilities.

## **Capture Actuals**

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### **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).

OCAR 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, OCAR 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>.

### **Labor**

OCAR currently does not track labor to products/services command wide. Therefore, Secondary Cost Elements, such as 9300.0100 Labor Charge are not seen assigning the cost of labor from OCAR-related Cost Centers to Orders and/or WBS Elements.



OCAR might receive the benefit of Labor Charges associated to an activity performed against Direct Charge-related WBS elements in the future. Therefore, OCAR entities should understand the Secondary Cost Elements related to Labor Activity Types to understand the charges, if 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**

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

## **Perform Allocations/Cost Assignments**

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Various kinds of Allocations/Cost Assignments can be supported within the Cost Model. OCAR currently does not utilize Allocations/Cost Assignments.

## **CM Data Load**

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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, OCAR Cost Centers do not receive data loads given OCAR consists of TDA related UICs versus MTOE units.



## Reporting

No specific reports are associated for the OCAR 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(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_DISPLAY_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_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	CJ13	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 below lists items for consideration for updating/improving the OCAR 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	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
2	Allocations & Assignments – GFEBS	Generate Overhead Allocations.	Associate centralized and Indirect costs to the benefiting Process or consumer.	QX FY15
3	Non-Financial Measures	Determine what Metrics OCAR 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