



# Command Cost Model Document

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## U.S. Army, Pacific (USARPAC)

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**1/31/2015**

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

Reference No. » CCM–OA82



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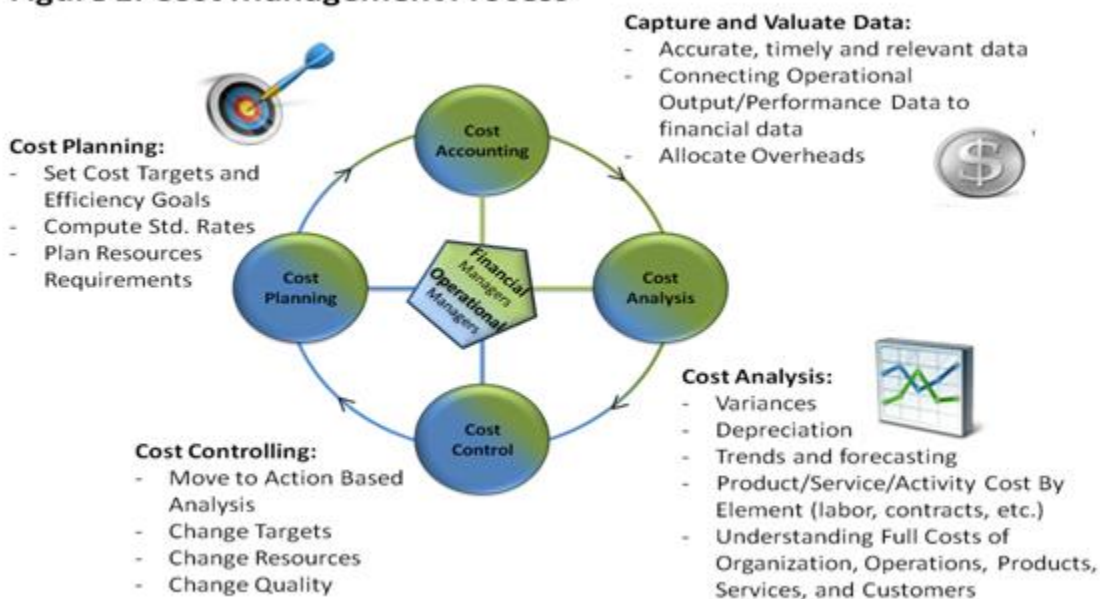


## Statement of Purpose

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 Army Pacific Command (USARPAC) is the Army Component Command to the U.S. Pacific Command (PACOM) Combatant Command engaged throughout the Asia-Pacific region. USARPAC sustains and protects the force and provides homeland defense for Hawaii, Alaska, Pacific Ocean, South Korea and Japan. USARPAC prepares the force for unified land operations, trains Active and Army Reserve for support of military operations and peacetime engagements, and responds to threats. Additionally, USARPAC provides administrative functions for U.S. Forces Korea while U.S. Forces Korea maintains operational control for combat.

## **Cost Management Objectives**

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### **Current Objectives**

The main cost objective for the USARPAC Cost Model is to associate costs to the 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 USARPAC Cost Centers supports the main cost objective. In addition to tracking to the organizations, tracking to Functional Cost Accounts (FCAs) is also required. The USARPAC Cost Model also includes the reflection of training events that are Commander's Exercise Engagement and Training Transformation (CE2T2).

### **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 USARPAC 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

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### Cost Centers

#### Overview

Cost Centers (CCs) represent the organizations (e.g. 61ST MAIN COMPANY) listed within the Modification Table of Organization and Equipment (MTOE) or Table of Distribution and Allowances (TDAs) entities (e.g. INSPECTOR GENERAL). Cost Centers are established to collect and manage costs incurred within an organization for the corresponding capacity output provided (e.g. Labor Hrs.) Cost Centers align to the UIC-Paragraph structure of the TDAs or the MTOE structured authorized UICs (e.g. Company A).

#### Coding Logic

USARPAC 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

USARPAC'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 Type utilized by USARPAC.

- 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 USARPAC.
  - 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. USARPAC 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, USAREUR 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 Centers 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 – USARPAC does have Local Nationals that utilize the special Local National specific Activity Types. See Payroll and Labor sections for further information on Local Nationals.
  - Contractor – USARPAC currently does not track Contractor labor hours to outputs.
  
- Non-Labor Activity Types – Currently, USARPAC 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 | 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

USARPAC utilizes Internal Orders (Order Type ZUS1) within its Cost Model to track the cost of various events, such as:

- Purpose of travel (e.g. Emergency Leave, Student Travel, Witness, etc.)
- Official Representation Funding (ORF)
- FCA reporting (e.g. F1211–OEF-DEPLOYMENT/REDEPLOYMENT)
- Pre-deployment versus Reconstitution (e.g. F1211–AFGHAN PREDEPLOY, F1211–AFGHAN RECON)

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

- Collect any reimbursable costs for services provided (e.g. National Maintenance Program (NMP) Support)
- Track costs by Rotation, (e.g. ROT 14-07 2/25 SBCT HAWAII)
- Provide funding to other entities via the Direct Charge process
- Tracking counter narcotic costs
- Manage Official Representation Funding (ORF)
- Track costs of CE2T2 training exercises (ATTR1s) – the different 7097.01 CE2T2 related exercises are required to be listed in the Attribute 1 field (e.g. EX4CG – COBRA GOLD) for the year in which 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 exist for the year of execution for the exercise.
- Capture costs related to Task Forces (TF), such as TF Brooklyn versus TF Talon
- Track costs of FCAs – a portion of the effort supported by USARPAC is related to FCA activities such as F2401 – NORTH KOREAN THREAT (DIRECT COST)
- Collect costs for specific events, such as the PAMS CONFERENCE, G3 CONFERENCE, etc.
- View costs by Country – many of the WBS Elements are codes that indicate the country where the costs are incurred (e.g. India, Cambodia, Philippines, 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 USARPAC 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 USARPAC 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 USARPAC requirements.

## **Business Processes**

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

## **Real Property**

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

## **Attributes (Custom Fields)**

Currently, USARPAC is using several Custom Fields added to the base SAP master data elements of Cost Centers, Internal Orders and WBS Elements:

- Attribute 1 (ATTR1) field – contains Exercise codes to be tracked for CE2T2 Funding.
- Functional Cost Account – tracking FCA codes issued for tracking of Hurricanes and deployment related events.

USARPAC is not currently utilizing, but should consider using the Custom Field for a Country added to the WBS Element. Table 2 below provides sample Country Codes which were seen on several USARPAC WBS Elements captured within the description:



Table 2: Sample Country Codes

| Country Code | Name        | Nationality | Long name   | Nationality (Long) |
|--------------|-------------|-------------|-------------|--------------------|
| AU           | Australia   | Australian  | Australia   | Australian         |
| CN           | China       | Chinese     | China       | Chinese            |
| IN           | India       | Indian      | India       | Indian             |
| KP           | North Korea | Korean      | North Korea | Korean             |
| KR           | South Korea | Korean      | South Korea | Korean             |
| MN           | Mongolia    | Mongolian   | Mongolia    | Mongolian          |
| MY           | Malaysia    | Malaysian   | Malaysia    | Malaysian          |
| NP           | Nepal       | Nepalese    | Nepal       | Nepalese           |
| NZ           | New Zealand | New Zealand | New Zealand | New Zealand        |
| PH           | Philippines | Filipino    | Philippines | Filipino           |
| SG           | Singapore   | Singaporean | Singapore   | Singaporean        |
| TW           | Taiwan      | Chinese     | Taiwan      | Chinese            |

## Planning

USARPAC 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).

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

USARPAC has Local National Payroll via the Korean payroll. The Korean payroll is treated as both Direct and Indirect; therefore, posts against the Standard payroll accounts of 6100.1100 - 6100.12ZZ (similar to DCPS) and also the Foreign National pay accounts of 6100.2800 – 6100.28ZZ. Local Nationals do not reside in the GFEBS HR PERNO master record, but within the source Pay system. There is a Local National Faces-to-Space document utilized for identification of the employee to their Cost Center and Activity Type located on the same website listed above.

## **Labor**

USARPAC 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. However, with GCSS-Army Wave 2 deployment to USAREUR, Maintenance Labor for maintenance of a Unit's equipment will be captured and tracked by both the providing Unit of the maintenance activity and the benefiting Unit. Therefore, the Cost by Maintenance Order, Cost by Performing Maintenance Unit, Cost by Equipment, and Cost by Unit Owning the Equipment will all be supported within GCSS-Army.

USARPAC might receive the benefit of Labor Charges associated to an activity performed against Direct Charge-related WBS elements in the future. Therefore, USARPAC 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**

USARPAC 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**

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Various kinds of Cost Allocations/Assignments can be supported within the Cost Model. USARPAC currently does not have any recurring cost allocations occurring, other than the NMP Reimbursable Billing process. NMP utilizes 9100.S003 NMP BILLED – LABOR to relieve the Cost Centers for worked performed and should be billed to AMC.

## **CM Data Load**

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Currently, USARPAC Cost Centers receive a non-budget relevant Training Ammo cost generated via the Worldwide Ammunition Reporting System (WARS) interface. The WARS interface is utilized to associate costs of training ammunition to the Units in order to more accurately report the total cost of a Unit. The interface runs on a monthly basis for the data from the prior month. Information provided via the interface relates to:

- DODAAC – Department of Defense Activity Address Codes – will indicate the ASP (Ammunition Supply Points) issuing the ammo.
- DODIC – Department of Defense Identification Codes – will indicate the type of ammo issued.
- Quantity – will indicate how much of a particular type of ammo has been moved between an ASP and a Unit.
- Price – will indicate the latest acquisition cost for each Unit of a particular type of ammo.



- WARS Transaction Code – is a 3-digit code which will indicate whether the ammo was issued to the Unit or returned to the ASP.

## Reporting

No specific reports are associated for the USARPAC command only. Table 3 below 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/<br>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 /<br>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/<br>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/<br>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/<br>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/<br>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 4 below lists items for consideration for updating/improving the USARPAC 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 0100 Exercise Funding Related WBS Elements for ATTR1 Exercise Codes  | Compliance to DOD7097.01 Appendix 5-CE2T2-ARMY-0100 Regulation for reporting Exercise Execution.   | QX FY15  |
| 2    | Master Data                       | Evaluate the consistent utilization of WBS Elements capturing Training Exercises                                      | Full costs associated to the Cost of Readiness – specifically Training for Readiness.  | QX FY15  |
| 3    | Master Data                       | Move Unit supply requisitions to post to Cost Center not WBS Element.   | Cost Centers are the reflection of the UICs for a Unit and utilized to automatically report Cost by Unit. WBS Elements do not have a UIC associated and therefore under reporting of supply requirements can occur.                      | QX FY15  |
| 4    | Master Data                       | Review WBS Elements for utilization of Country Code.  | Allows for automatically reporting by Country.   | QX 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 and Cost of Unit to be by UIC code. | QX FY15  |
| 6    | Master Data                       | Review Cost Centers for Federation and GFMDI.   | Aligns structures to future automated approach for maintenance of Cost Centers.  | QX FY15  |
| 7    | Allocations & Assignments – GFEBs | Generate Overhead Allocations.  | Associate centralized and Indirect costs to the benefiting Unit or training event.   | QX FY15  |
| 8    | Non-Financial Measures            | Determine what Metrics USARPAC 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  |