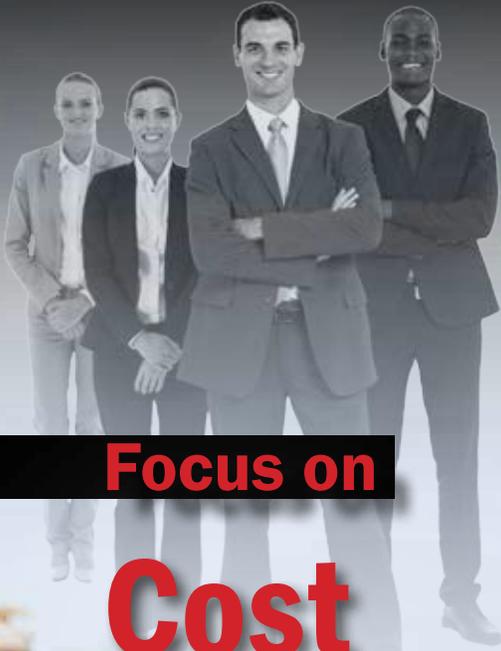


# RM RESOURCE MANAGEMENT

Information • Education • Professional Development



HIGHLIGHT P. 20  
COST MANAGEMENT  
TRAINING

Focus on

## Cost Management

GFEBs ★





# RIM RESOURCE MANAGEMENT

## **Recommended Readings from the Cost Management Community:**

1. USARPAC's Way Ahead, James A. Suster (March - April 2015 issue)
2. Fixed and Variable Cost, Hung Nguyen (Jan-Feb 2015 issue)
3. The Cost Management Steering Group, Tim Lawrence (Nov-Dec 2014 issue)
4. GFEBS Tips & Tricks: Managing Cost Reports in GFEBS BI (October 2014 issue)
5. Labor Tracking: Benefits and Practical Application, Erinn Smart (Feb 2014 issue)

Above articles can be found on the Cost Warrior milBook page via:  
<https://www.milsuite.mil/book/groups/cost-warriors/content?filterID=contents>

*This medium is approved for official dissemination of material designed to keep individuals within the Army knowledgeable of current and emerging developments within their areas of expertise for the purpose of professional development.*

By order of the Secretary of the Army:

**Raymond T. Odierno**

GENERAL, UNITED STATES ARMY  
CHIEF OF STAFF

ADMINISTRATIVE ASSISTANT  
TO THE SECRETARY OF THE ARMY

**Gerald B. O'Keefe**

DISTRIBUTION:  
ASSISTANT SECRETARY OF THE ARMY  
FINANCIAL MANAGEMENT  
AND COMPTROLLER

**Robert M. Speer**

MANAGING EDITOR, THE PENTAGON

**Editorial Team**

**Brandon P. Robinson,  
Roger A. Groll and  
Annette Washington - Comptroller  
Proponency Office**

DESIGN/LAYOUT,  
**Army Graphics**



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# RM

## RESOURCE MANAGEMENT

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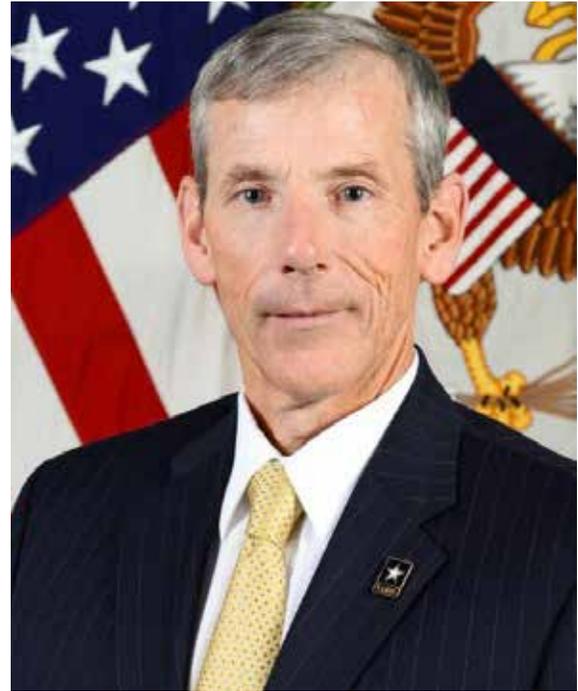
## A Message from the Assistant Secretary of the Army (Financial Management & Comptroller): Army Financial Transparency and Cost Management

By Mr. Robert M. Speer

Our transformational effort, known as the Army Financial Management Optimization (AFMO) is committed to transforming the Army Financial Management (FM) enterprise with best-in-class operations with greater efficiencies and capabilities across the Doctrine, Organization, Training, Material, Leader Development and Personnel (DOTML-P) domains.

The main objectives of the Army Financial Management Optimization (AFMO) initiative, as directed by the Secretary of the Army, are to achieve and sustain auditability; optimize operations, systems, and workforce; improve and sustain readiness in FM units; and provide better analysis for decision-making. The AFMO campaign plan contains seven lines of efforts (LOE) designed to enable the desired results across all four objectives. Two lines of effort include Cost Management (CM), a key enabler for achieving resource informed decision making, and will provide an Army cost framework and standardized CM business practices and processes. In support of these efforts, the Cost Management Steering Group was established to play a key role in providing strategic guidance to accelerate the implementation of CM capabilities across the Army at all levels of control and influence.

The Army cost framework includes the establishment and management of a cost and performance data structure within the Army Enterprise Resource Planning (ERP) systems that utilizes “Big data” capture strategies and the development of models and methods required



to fully support decision makers’ information needs. The data structure is derived from Army end-to-end processes which link activities and outputs to product and service outcomes that enable Army missions. This data structure will also provide the foundation for creating full transparency of costs and performance data across the Army enterprise, and enable the creation and synchronization of accurate and timely data, both financial and non-financial, that is relevant to leadership information needs. The integration and synchronization of Army ERP modules, namely cost management, funds management, and financial information, will also play a key role in establishing robust end-to-end data structures in support of the Planning, Programming, and Budgeting and Execution (PPBE) process.

Following the establishment of the data structure, big data capture strategies will be leveraged to integrate structured and unstructured sources of cost and performance data that will include data integrated across ERPs to generate relevant cost and performance information for analysis. This information will be leveraged by organizations and analysts to develop models that correlate costs to outcome performance in order to determine the real value of the investment and provide analysis, reports, and dashboards for leadership decision making. Cost management training



will be provided to further augment and strengthen workforce analytical skills and competencies in support of leadership resource informed decision making.

The standardized cost management processes and business practices will transform relevant cost and performance information into knowledge for improved leadership resource informed decision making and provide the foundation and capabilities for managing business operations more efficiently and effectively at all Army levels, and spans of control and influence. The implementation of Army cost management is fully on track with the AFMO campaign plan and Army senior leaders are proactively engaged and committed to guide,

influence, and accelerate the optimization of a high-performing Army organization with integrated cost and performance management analytical capabilities across the enterprise, ensuring Army's mission success as good stewards of the nation's resources.

I invite all resource and operational managers across the Army to join me in this important journey for the Army. I encourage you to become mentors and catalysts to provide the Army with cost management capabilities in support of better decision making for maximum value and highest performance in all Army products and services. Let's win together. **RM**

**Let's win together.**

*continued on pg. 3*

## The Proponency Corner: Why Take Cost Management Training?

*Proponency Team*

Senior Army leaders are continuing to put special emphasis on cost management as a tool for accomplishing our national security mission in a more efficient and effective manner. Cost management is a continual process that controls cost while improving operational performance.

Listed below are select training opportunities and tools to help hone your cost management skills. The full list of training options is available on the Cost & Performance Portal <https://cpp.army.mil>

### **TRAINING OPPORTUNITIES:**

**COST MANAGEMENT 101:** In an effort to take the cost management practices beyond initial deployment activities, DASA-CE has developed a multi-tier cost management course plan. Cost Management 101 is the foundation course offered to all cost practitioners. There are four modules that cover: basic costing principles, cost reports in GFEBS, key terms in Cost Management, and operations management.

- Section 1: Cost Management Overview
- Section 2: Cost Model Components
- Section 3: Cost Flow Methods

**Days: Self Paced**

**Target Audience:** Any individual interested in learning more about cost management and the tools Army has available. Individuals who already have degrees in Accounting and/or Business may take these courses as a refresher; however, the intended audiences for these courses are those unfamiliar with costing principles and performance management.

**How to Receive Training:** Self-taught Training: All of the Cost Management files are posted online on the Cost and Performance Portal (CPP) for organizations

to download (NOTE: You must be logged into AKO to access these slides).

### **COST MANAGEMENT CERTIFICATE COURSE**

**(CMCC):** This course is designed to teach students how to manage Army business operations efficiently and effectively through accurate measurement and thorough understanding of the “Full Cost” of doing business processes, products and services. Certificate holders will become consultants who are equipped to help decision makers, and provide the best value to customers and stakeholders.

Graduates will earn 12 graduate credits from the Darla Moore School of Business, University of South Carolina. The CMCC tuition, books, and fees are centrally funded by HQDA. HQDA will provide travel funding, although some restrictions may apply.

- **Week 1 Managerial Costing**— instruction in cost concepts and analysis techniques that include cost benefit, break-even, and variance analysis. Methodology for this module will include use of a managerial accounting textbook and consist of lectures, problem assignments, and a final analytical project.
- **Week 2 Operations Management**— covers fundamentals of design, management, and control of operational processes for cost management. Methodology for this module will consist of a combination of lectures, case studies, in-class problem solving, and management games.
- **Week 3 Cost Control**— covers leadership driven management. Methodology for this module will include case studies, readings, role playing, and discussion, along with a final exam case study. Topics will include control theory, practical examples of control issues and solutions, and Army case studies.
- **Week 4 Organizational Effectiveness for Cost Managers**— methodology for this module will include lectures, cases, group exercises, role playing, and readings. There will also be quizzes, response papers, and a final project. Topics will include systems thinking, interpersonal communication, listening, motivation, leadership, message framing, decision making, persuasion, power and social influence, and negotiation. This module will prepare students for the softer side of management, and teach them how to get results through people.

**Days: 20 Training Days**

**Target Audience:**

**Military:** Officer: Major and above / Enlisted: Master Sergeant

**Civilian:** GS-13 and above

**Prerequisites:** Bachelor Degree (cannot be waived), three years of government service, a signed Continued Service Agreement and a Senior Leaders Endorsement (SES/GO)

**Application Documents:** All CMCC application documents and pre-test materials are available on the Cost Management Knowledge Center on the Cost & Performance Portal (<https://cpp.army.mil>)

All Applications must contain the following documents:

- CMCC Application for year of application
- Resume Parts I & II
- Statement of Interest
- CMCC Senior Leader Endorsement Form - Algebra

**Pre-Test Results**

Submit all applications and/or inquiries to: Ms. Vernell Lewis,

[Usarmy.pentagon.hqda-asa-fm.mbx.cost-mgmt-certificate-c@mail.mil](mailto:Usarmy.pentagon.hqda-asa-fm.mbx.cost-mgmt-certificate-c@mail.mil) or 703-614-3279

**COST MANAGEMENT BASIC COURSE (CMBC):**

DASA-CE has developed a pilot program to train and certify individuals for their involvement with cost management at all levels of planning and execution.

**Purpose of the Pilot Program**

Army Forces Command was looking for cost-management certified employees who are:

- Familiar with basic principles of cost management
- Familiar with fundamental cost, cost accounting, performance metrics, operations, cost analysis, and comparative analysis concepts
- Able to apply concepts to their daily work and in support of management.

**Recommended Audience**

This course is recommended for requirements and resource management employees involved in cost management and managerial decision making. There are no prerequisite courses; however, a prospective student's supervisor must approve the student's enrollment.

**Coursework & Duration:** Students take approximately one week of online training followed by one week of classroom training at a local facility. The classroom training will include a four-hour cost-benefit analysis class and three and a half days of additional courses taught by DASA-CE analysts.

Interested in Bringing CMBC to your organization?

Please contact Peter S. Kim, Special Assistant to the DASA-CE at [peter.s.kim.civ@mail.mil](mailto:peter.s.kim.civ@mail.mil), 703-692 4892. Mr. Kim will work with your office to tailor the program of instruction to your organization. The practical application of the technical components of cost management will be explained throughout the course materials in an example specific to the costing scenarios your organization will encounter.

**COST AND PERFORMANCE TOOLS AVAILABLE:****ARMY FINANCIAL BENEFITS REPORTING & TRACKING (AFBRT):**

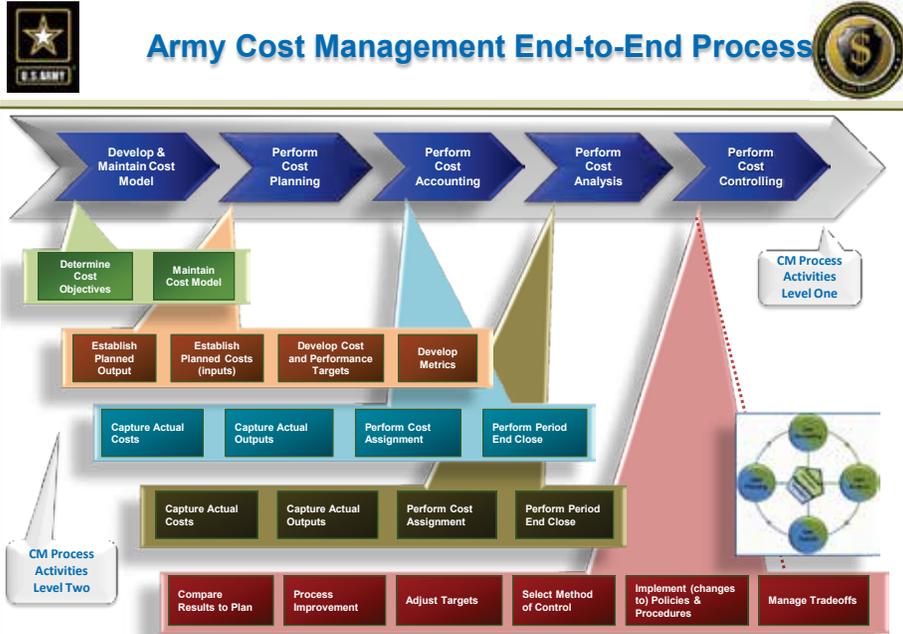
The National Defense Authorization Act of 2012 directs the Services to identify significant savings opportunities and report realization of savings as a result of financial benefits initiatives. AFBRT is intended to meet this requirement by:

- Providing a single repository to document and report all opportunities for financial benefits
- Validate projected savings estimates and provide to decision making bodies for review
- Track financial benefits throughout their lifecycle to ensure savings are actually realized, without compromising our ability to accomplish Army core missions

**Why use AFBRT?**

- Strengthens the Army story & demonstrates Army's improved management of programs
- Provides feedback on initial estimate to enable better forecasting
- Improves auditability, financial transparency & ac-curate reporting

## Army Cost Management End-to-End Process



- Validate Cost Estimate
- Track decisions on initiatives
- Track execution
- Baseline, Savings/Avoidance, and Investment/Implementation Costs

### How Does it Work & When do Organizations Submit?

- When funding for a requirement is requested that has claimed financial benefits in the out years
  - If the initiative claims either a cost savings or avoidance in excess of \$2M annually
  - If the PEG or another headquarters level entity directs a savings initiative
  - Command Users submit narrative, line of accounting data, estimates, and associated files
  - All submission materials are located at: <http://www.asafm.army.mil/Document.aspx>
- What's Next?

- AFBRT tool sends reviewed initiative to decision making bodies and records decision out-comes
- Actual execution recorded in GFEBS, with a feedback loop to AFBRT to verify accuracy of estimates and adjust future projections as necessary

**ARMY MILITARY CIVILIAN COST SYSTEM (AMCOS):** AMCOS is the Army's official manpower costing tool. It provides costs for Soldiers, Civilians and Contractors. It can provide top level costs by grade or rank or more detailed cost information by Area of Concentration (AOC), Military Occupational Specialty (MOS), Civilian Occupational Series, and Bureau of Labor Statistics Standard Occupational Codes.

AMCOS uses the OSD CAPE approved cost element structure from DoDI 7041.04. Using this approved cost element structure allows users to compare cost outcomes using different manpower types and from different services.

AMCOS provides the capability to cost the Active Army, Army Reserves, Army National Guard, and Contractor Cost Estimates.

- Predetermines cost savings with a sound analytical base
- Provides required information for programming and projected operational impacts
- De-conflicts overlapping initiatives
- HQDA & sub-organizations require submissions at their respective levels
- AFBRT has reviewed initiatives from organizations such as: TRADOC, 1st Army, ASA(ALI), CIO/G-6

### What is Submitted?

- Narrative:
- Financial Benefit initiative intent
- Operational & Financial benefits
- Operational Risks
- Project Risks & Contingencies
- Needed Changes/Investments/DOTMLPF
- Project Information:
- Sponsoring Command
- Initiative Type
- PEG(s) impacted
- POC(s)
- Resource Information:
- Line of Accounting & Cost Object data to:



## AMCOS

The Army Military-Civilian Cost System

For questions or suggestions, please contact us at [amcos@dalbrags.com](mailto:amcos@dalbrags.com)

AMCOS Lite allows you to view costs for specified personnel. The grid in the upper right hand corner shows the totals for appropriation for the selected Cost Summary.

**Notes:**  
 The Private Label Market feature is for quick estimates and not for reuse in depth analysis required for studies.  
 Did you know AMCOS now provides a QD total by State by Zip Code Crosscut?

• Please take note: OSD DODI 7043.04 Government and DoD cost elements have been added to AMCOS default summaries. If you do not need to include Government and DoD costs, please use Army totals.  
 • User MUST always click on the FLEET/TRADE "Refresh Cost Table" button in order to refresh the cost screen display and reflect the desired selection(s).  
 • **DISCLAIMER:** The color coding in for data visualization and does not represent DODAS (DA) or Army policy as to which manpower costs should be included. The costs to be included in any effort are determined according to application of DoDI 7043.04 "Estimating and Comparing the Full Costs of Civilian and Active Duty Military Manpower and Contract Support July 3, 2013."

APPN	E1	E2	E3	E4	E5	E6	E7	E8	E9
ARMY	\$84,181.88	\$85,538.51	\$83,942.30	\$99,741.06	\$13,301.30	\$11,647.55	\$179,670.83	\$45,578.18	\$176,761.95
DoD	\$12,304.00	\$13,004.00	\$13,894.30	\$13,994.30	\$13,994.30	\$13,994.30	\$13,994.30	\$13,994.30	\$13,994.30
FEDERAL	\$31,305.10	\$31,305.10	\$31,305.10	\$31,305.10	\$31,305.10	\$31,305.10	\$31,305.10	\$31,305.10	\$31,305.10
<b>Total</b>	<b>\$123,390.98</b>	<b>\$132,907.51</b>	<b>\$134,391.29</b>	<b>\$144,190.06</b>	<b>\$107,847.30</b>	<b>\$179,999.35</b>	<b>\$193,527.80</b>	<b>\$109,027.19</b>	<b>\$222,121.95</b>

APPN	Category	Element	E1	E2	E3	E4	E5	E6	E7	E8	E9
ARMY MVA	Military Compensation	Avg Cost of Base Pay (Military)	\$15,961.25	\$20,898.30	\$22,893.54	\$26,514.83	\$33,202.55	\$49,821.74	\$60,114.83	\$66,258.99	\$75,240.50
ARMY MVA	Military Compensation	Avg Cost of Base Allowance for Housing (in rank)	\$13,442.75	\$13,723.70	\$13,281.83	\$14,264.54	\$15,466.21	\$16,993.81	\$19,271.93	\$22,012.34	\$23,725.56
ARMY MVA	Military Compensation	Avg Cost of Base Allowance for Subsistence	\$4,552.52	\$4,532.30	\$4,552.92	\$4,552.92	\$4,552.92	\$4,552.92	\$4,552.92	\$4,552.92	\$4,552.92
ARMY MVA	Other Benefits	Avg Cost of Other Benefits	\$3,320.29	\$3,240.34	\$3,939.93	\$2,726.54	\$4,246.41	\$4,631.11	\$5,543.42	\$6,219.94	\$7,452.53
ARMY MVA	Recruiting Costs	Avg Recruiting Cost for MOS (New-to-lead)	\$9,844.58	\$9,211.45	\$8,135.63	\$6,455.88	\$2,470.88	\$9,161.38	\$7,284.55	\$6,868.82	\$9,696.31
ARMY MVA	Retired Pay Annual	Avg Cost of Retired Pay Annual	\$5,305.67	\$4,612.30	\$4,969.83	\$5,265.48	\$13,801.78	\$12,771.71	\$15,685.91	\$18,548.84	\$23,530.21
ARMY MVA	Service Readjustment Bonus	Avg Cost of Readjustment Bonus (A and B Authorized)	\$0.00	\$0.00	\$0.00	\$622.38	\$641.94	\$635.40	\$692.99	\$699.00	\$0.00
ARMY MVA	Separation Costs	Avg Cost of SB Separation Incentive	\$1,081.63	\$746.75	\$669.55	\$1,851.35	\$1,676.14	\$1,544.23	\$1,575.43	\$1,747.13	\$1,704.34
ARMY MVA	Special Pays	Avg Cost of Special Pays	\$306.79	\$997.50	\$964.11	\$869.67	\$970.14	\$972.32	\$1,023.61	\$949.44	\$952.24

### Why use AMCOS?

- **Versatile:** Provides high-level and detailed estimates of specific force structures.
- **Quick:** AMCOS can provide the full cost of Soldiers, Civilians, or Contractors in a short time
- **User Friendly:** AMCOS, & particularly the AM-COS Lite tool, are easy to use with no formal training. The user can look up the cost of manpower in a series of easy to use tables.

Uses: Cost Benefit Analysis (CBAs), Weapon/Information System Cost Estimates, Lean Six Sigma Projects, Workforce Mix Analysis and various studies.

### How Does it Work?

- **Quick Access:** If users have an AKO account and a current CAC they can gain access to AMCOS in minutes.
- **High Level Cost Output:** Users can input how many Soldiers, Civilians, or Contractors they are costing by rank or grade and AMCOS will provide cost output without MOS or AOC or Series specified.
- **More Refined Cost Output:** AMCOS will provide more detailed cost output when users include the Military Occupational Specialty, Area of Concentration, or Occupational Series.

### Tools in AMCOS:

**AMCOS Lite:** For quickly looking up the cost of one Soldier, Civilian, or Contractor at a time. Provides cost tables by rank/grade and MOS, AOC, or Occupational Series.

### Project Manager:

Used for costing an organization (good for CBAs). Automatically updates when AMCOS is updated. Inflates out years in Budget/Then Year Dollars across the POM or for the lifecycle of a weapon/information system.

**Pay Plan Crosswalk:** Compares similar occupations between Civilians, Soldiers, and Contractor Cost Estimates.

**Inventory:** Provides 2014 end strength for Soldiers by specialty and years of service (YOS) and Civilians for specific occupations, pay plans by step.

**GS by Zip Code:** Assists users in identifying the proper locality pay to use. The user only has to enter the zip code.

**Pay Schedules:** Provides current pay tables for Soldiers & Civilians: Active Enlisted, Officer, & Warrant Officer; General Schedule; Wage Grade, Schedule, & Leader; National Guard Enlisted, Officer, & Warrant Officer; Reserve Enlisted, Officer, & Warrant Officer.

**FORCE AND ORGANIZATION COST ESTIMATING SYSTEM (FORCES)** is a comprehensive suite of web-based costing tools designed to provide realistic, current, and supportable cost estimates in a timely manner for a wide variety of Army unit life cycle events. FORCES is available to all Army agencies using a Common Access Card (CAC). To request access, go to: <https://www.osmisweb.army.mil>, then click on the FORCES icon.

## The suite consists of:

- FORCES Cost Model (life cycle costing)
- Army Contingency Operations Cost Model (Contingency/Training Operations costing)
- ARFORGEN Costing Tool (Army Force Generation phase costing)
- Cost & Factors Handbook (compendium of cost data and factors)

**Why use FORCES?** FORCES was first developed in 1988 to meet the needs of multiple users for a comprehensive force cost estimating model. The model had to be capable of developing realistic, current, and supportable force cost estimates in a timely.

Using data provided by numerous U.S. Army agencies, DASA-CE developed and distributed the Force and Organization Cost Estimating System (FORCES). The FORCES Cost Model (FCM) and Army Contingency Operation Cost Model (ACM) provide users with the capability to retrieve the official and most current U.S. Army cost estimating data to produce cost estimates for various events in a force unit life cycle.

**How Does it Work?** Army Contingency Operations Cost Model (ACM) is specifically designed to assist planners in determining requirements for contingency operations and to plan for training and exercise deployments.

Using cost data developed within FORCES, this model provides analysts with the capability to retrieve the official and most current U.S. Army cost estimating data. The analyst can use the model to develop cost estimates for any of the six identified phases of the operation, to include:

- Pre-Deployment
- Deployment
- Operations & Sustainment
- Redeployment
- Reconstruction
- Demobilization

Maximum flexibility has been built into the model. The analyst can modify any and all of the cost factors, either globally or for individual units. Force packages are unconstrained and can be built from the bottom up. The number of personnel and the type/quantity of equipment can be modified as required.

## LEAN SIX SIGMA (LSS) & THE RESOURCE MANAGER (RM):

is a process improvement methodology that focuses on eliminating waste and reducing variation. It is a disciplined, organizational approach to achieving continuous process improvement and performance excellence. Problem solving methodologies entailed consist of: lean (focus on speed & waste elimination) & six sigma (focus on quality and statistical process control). Projects are conducted using cross functional teams.



**Why is the RM a Team Member?** RM is key to approve financial benefit estimates and oversight to develop financial benefit estimates. The RM must:

- Determines the type of financial benefit
- Develops cost estimates for the project
- Identifies information, data sources, and approach to develop cost and revenue estimates
- Ensures accurate financial data is entered

## How does a RM Help LSS? Estimates & Validates Financial Benefits:

- Serves as a part-time Team Member
  - Assists with the initial financial benefit estimate
  - Validates the financial benefit estimate at project completion
  - Validates the financial benefit estimate during project implementation & execution
  - Ensures Financial Benefits are entered into the AFBRT tool, at: <http://www.asafm.army.mil/Document.aspx> or <https://www.eprobe.army.mil>
- Contact US Army LSS Training Center for further details: <https://www.us.army.mil/suite/page/413478>



## Achieving Better Decision Making Through Increased Army Financial Transparency and Cost Management Capabilities

By: Mr. Mort Amari

**ABSTRACT:** The Army is committed to financial transparency, achieving greater efficiencies and delivering best-in-class products and services. Army leaders from all Financial Management (FM) and non-FM organizations are actively engaged in driving FM transformation by implementing Cost Management (CM) capabilities across all levels and spans of control and influence. CM analytical decision support capabilities help maximize the use of limited resources and improve performance. Recent developments in Army Financial Management Optimization (AFMO), the formation of the Cost Management Steering Group, standardized cost management processes, and Army enterprise ERP cost framework illustrate the commitment of Army senior leaders. These developments will guide, influence, and accelerate the optimization of the FM enterprise into a high-performing organization with integrated, enterprise-wide cost and performance management analytical capabilities that ensure the Army's mission success as good stewards of the nation's resources.

The Army is committed to implementing Cost Management capabilities across all levels, and spans of control and influence to help augment financial transparency, achieve greater efficiencies and deliver best in class products and services. Army leaders from all FM and non-FM organizations are actively engaged in driving FM transformation and they are increasingly benefiting from CM analytical decision support capabilities that help maximize limited resources and improve organizational performance. The Cost Management Steering Group plays a key role in providing leadership guidance to the Army Financial Management Optimization (AFMO) efforts across the enterprise to help accelerate and enable the effective integration of these CM capabilities.



AFMO is a comprehensive FM enterprise transformation initiative, as directed by the Secretary of the Army to achieve four key objectives: achieve and sustain auditability; optimize operations, systems, and workforce; improve and sustain readiness in FM units; and provide better analysis for decision making. Cost Management is a key enabling capability to achieving better analysis for resource informed decision making and therefore it is part of the AFMO campaign plan. A total of seven lines of efforts (LOE) provide a complete roadmap required to achieve the desired results across all four objectives with two LOEs enabling Cost Management capabilities. These are: 1) Standardized CM business practices and processes and 2) Army cost framework.

### Standardized CM business practices and processes

The standardized cost management business practices and processes provide resource managers and operational managers with relevant cost and performance knowledge and business intelligence to manage and maximize value in their business operations while delivering products and services more efficiently and effectively. The CM capabilities include cost modeling, cost planning, measurement, analyses, and control methods integrated across Army's end-to-end processes. The results are improved resource informed decision making that allow Army leaders to target and manage improvements, and reallocate savings to better resource Army mission requirements. These capabilities also effectively link the Army's products and services total costs and performance to the costs of processes, activities, inputs, and outputs consumed.

*continued on pg. 11*



Non-financial and financial data along with metrics are essential enablers and are acquired through data capture strategies designed to convert data into knowledge and business intelligence in support of improved leadership resource informed decision making. This in turn provides the necessary financial transparency and capabilities for leaders to make better decisions at all Army levels, and spans of control and influence.

## **The Army cost framework**

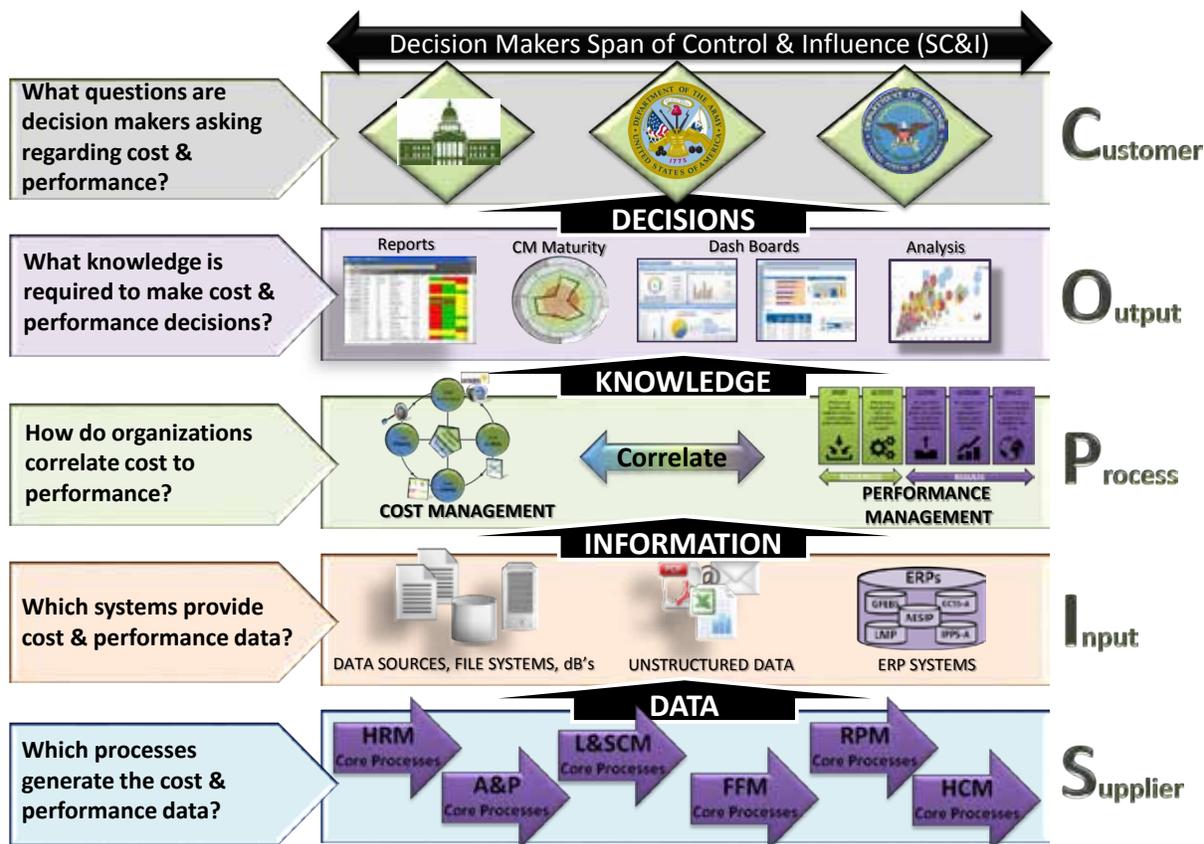
The Army cost framework provides: 1) the cost and performance data structure, 2) “Big data” capture strategies, and 3) methods for developing cost models and analyses within the Army Enterprise Resource Planning (ERP) systems to fully support leadership’s cost and performance information needs and decisions. The data structure is derived from the Army end-to-end processes that generate all products and services. This provides the foundation for financial transparency through the anatomy of the Army’s data, including all relevant financial and non-financial data associated with the activities and outputs consumed. This also provides leaders with full access to accurate and timely data and “Big data” capture strategies used to convert relevant data into information, which enables knowledge and business

intelligence required to make decisions. Structured and unstructured sources of cost and performance data are integrated across ERPs to generate relevant cost and performance information for analysis using CM methods and practices. Organizations and analysts develop models that correlate costs information to outcome performance in order to determine the real value of the investment and provide analysis, ‘Cost of’ reports, and dashboards for leadership decision making.

Both Cost Management LOEs provide a full spectrum of DOTMLPF-P capabilities across the Army. This includes a comprehensive roadmap to training the Army workforce to further augment and strengthen the Army’s analytical decision support skills and competencies in support of leadership resource informed decision making. The implementation of these capabilities are on track and senior leaders are engaged and committed to guide, influence, and accelerate the optimization of the FM enterprise. This will transform the Army into a high-performing organization with integrated cost and performance management analytical capabilities across the enterprise, ensuring Army’s mission success as good stewards of the nation’s resources.



## Cost Management & Performance Management



*About the Author:*

Mr. Mort Anvari is a member of the Army Senior Executive Service. As Director of Programs and Strategy and the Lean Six Sigma Deployment Director at office of Assistant Secretary of the Army Financial Management and Comptroller, Mr. Anvari is responsible for providing policy direction and guidance to the Army on the conduct of mission, force, installation, and personnel costing in support of the Army cost management end-to-end process implementation.

Mr. Anvari at the office of Deputy Assistant Secretary of the Army for Cost and Economics leads evaluation of all matters concerning cost control, output and performance metrics for Army programs. He defends cost products at appropriate Army, Department of Defense, and Office of Management and Budget corporate reviews. He represents the Army to senior cost and economic officials in government, academia, and the private sector and fosters improved understanding of Army cost and economic issues through public speaking in military, academic and professional forums.

He directs independent cost and economic studies, cost benefit analysis reviews, risk and uncertainty analysis in support of major defense programs. As the Army Financial management Lean Six Sigma Deployment Director, Mr. Anvari is responsible for implementation of all Army financial management process improvement initiatives.

Mr. Anvari is a prolific publisher having produced numerous articles on cost, risk, and systems analysis. He has continued his passion for teaching as an adjunct professor at local universities in Washington DC, where he taught project management, operating systems, networking, systems analysis, , and cost management. Mr. Anvari developed and maintains an excellent project and cost management educational web site, [www.anvari.net](http://www.anvari.net) or <http://b222767.temppublish.com> which is greatly referenced by students and military decision-makers.

**RM**

## Cost of Readiness

*By Joe Gordon*

The Department of the Army currently has difficulty articulating the relationship between resourcing levels and Army readiness to external stake holders like the Department of Defense and Congress. These entities need to be able to understand what Army readiness is and how budget decisions affect readiness. While the fielding of the General Fund Enterprise Business System (GFEBS) has provided much more visibility as to how the Army executes its funding, linking costs with readiness remains a challenge. Lag times exist before the impact on readiness of reductions or increases in funding become apparent. Reductions in the number of depot overhauls, for example, can eventually impact equipment readiness and training readiness. The Army needs to go beyond thinking about readiness in terms of existing readiness metrics and expand the view of readiness to include outputs tied to resources.

There are initiatives in progress to develop approaches for assessing the costs of readiness: the cost of training readiness Operational Planning Team (OPT) (G-3/5/7; the PA&E and ASA (FM&C), which addresses the cost of training readiness; and a more overarching RAND study for the ASA (FM&C) assessing the costs of strategic readiness.

The cost of training readiness OPT has developed a map of the Planning, Programming, Budgeting, Execution (PPBE) process as it pertains to training readiness and identified friction points that occur. It also has proposed courses of action to improve the process of generating more accurate requirements for desired levels of readiness. The OPT established a cost structure for training to provide a consistent methodology to represent unit training costs. The cost of training structure provides a standardized cost structure for training that can link unit training activities to cost. The end state of this effort is to provide the Army with an institutional process that informs senior leaders of the costs associated with training readiness to include leader development.

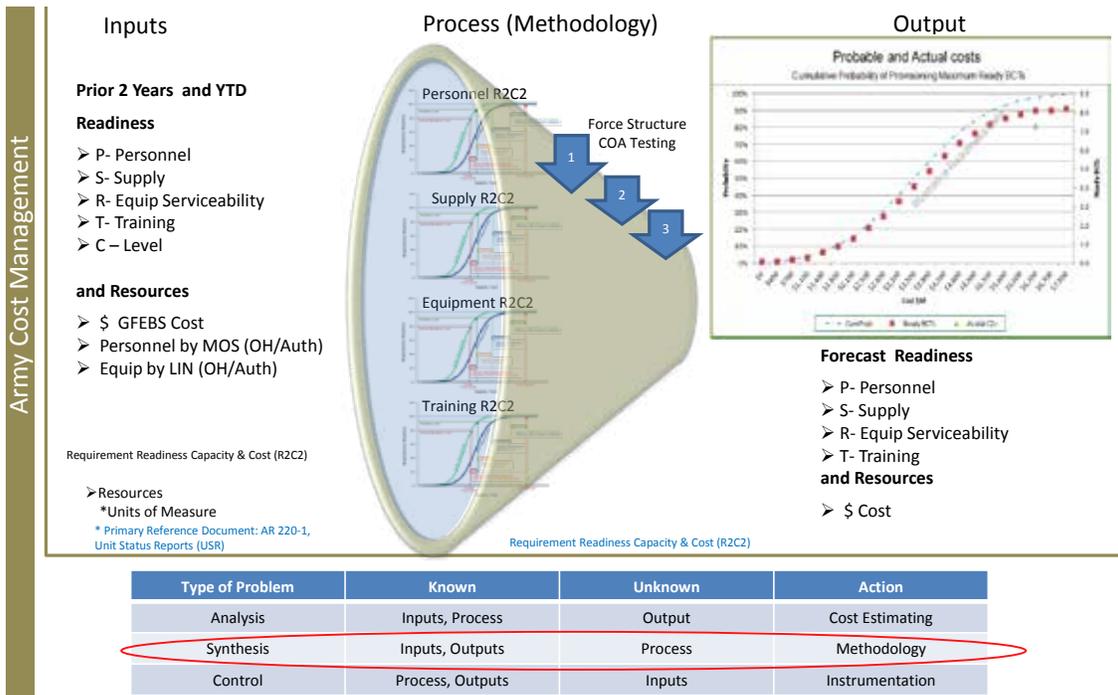
The Army has a long standing readiness reporting structure. However, this structure does not adequately inform the planning and programming enterprise

within the HQDA Staff. Commands have the flexibility to subjectively assess training readiness, leaving a broad range of readiness open for scrutiny and a requirement for the Staff to interpret “trained and ready” for a large portion of the Army. The G-3/5/7 is working towards establishing objective T-level assessments to correlate training activity and cost with readiness levels. The objective T-Rating initiative will establish a more objective T-Rating assessment that allows the linkage between resources (inputs) and training readiness (outputs).



The Army plans and programs resources in a different manner than it budgets and executes resources. Resources are generally assessed annually and requirements are collected from a broad range of available sources. The Army Staff tends to lose oversight of resources as Major Commands distribute and utilize those resources. The establishment of the Training Governance and Common Operating Picture (COP) will facilitate an institutional governance process that influences Army training readiness and PPBE. It will use existing and future readiness metrics—the end state being a training enterprise forum informed by a COP decision support tool. The new training model will serve as the basis for the development of unit training plans, planning assumptions and resource requirements.

The RAND study is focused on an approach to link costs and readiness for other significant portions of the Army budget. The goal is to develop a high-level model relating both generating force capability and capacity and operational Army capabilities and resource levels to Army readiness. Currently, it is difficult to explain how funding levels for generating force activities—such as base operations, individual training or research, development,



test and evaluation (RDTE), which consume a significant portion of the Army’s resources, affect readiness. Existing Army readiness reporting focuses on the manpower, equipment, and training status of operational Army units in the near term. However, most generating force functions affect unit readiness in the longer term. New capability requirements may not be fielded for years and the ability to regenerate capacity is not addressed by the current readiness construct.

The Army lacks a conceptual model of readiness that links its institutional capabilities to man, train, organize and equip forces with operational readiness that can be used as a basis for establishing the cost of readiness when engaging external stakeholders. The RAND effort will investigate other services’ readiness models to identify paradigms applicable to the Army. The ultimate goal of this effort is to generate a model that identifies the complex relationships between operational Army unit training and resource levels and generating force capability and readiness in selected time frames. This conceptual model would serve as a basis for assessing the costs of attaining targeted levels of readiness to perform selected operational missions.

In this era of constrained resources, the Army needs new strategy-based approaches and tools that identify readiness outputs with associated costs. These will give Army leaders the ability to measure the impacts of varying levels of funding on readiness.

*About the Author:*  
 Mr. Gordon is currently assigned as the Chief of the Unit Mission Costing Division, Program and Strategy Directorate, Deputy Assistant Secretary of the Army for Cost and Economics. He is responsible for managing the Army’s Visibility and Management of Operating and Support Costs (VAMOSOC) Program via the Army Operating and Support Management Information System (OSMIS). His Division develops cost factors used to determine operating tempo (OPTEMPO) training requirements in support of the planning, programming, budgeting and execution process. The Unit Mission Costing Division provides force costing models, data and support for the Army and DoD. These force costing tools include the Force Costing Model, the Army Contingency Operations Cost Model and the Cost and Factors Handbook. His Division also provides OSD cost factors for use in their contingency operations cost model that generates supplemental requirements and aviation reimbursable rates; as well as ground reimbursable rates for the Army National Guard. **RM**

## Steering the Army towards a Cost Culture: Cost Management Steering Group (CMSG)

By *Tim Lawrence & Erinn Smart*

Implementing a Cost Culture is key to integrating effectiveness and efficiency into the Army's day-to-day business practices. As a commander or decision-maker, with a bucket of resources, you are charged with meeting your mission, contributing to the Army's overall mission, and ensuring that you do it within the fiscal restraints.

The Deputy Assistant Secretary of the Army- Cost & Economics (DASA-CE) is the process owner for cost management and the champion for a cost culture. In addition to establishing a training program, DASA-CE, the process owner, has published policies and guidance on cost management. The Army needs to ensure that it continues to build a strong foundation in implementing a cost culture, one that can be sustained and continually improved upon. In order to meet this task, the Army leadership initiated an Enterprise-wide group to tackle just this matter.

On October 22, 2014, the Under Secretary of the Army directed the Assistant Secretary of the Army for Financial Management and Comptroller (ASA (FM&C)) to establish the Cost Management Steering Group (CMSG), "as a forum to inform and influence the implementation of cost management policy, strategy, key capabilities, and best practices that align and enable Army Leadership priorities."

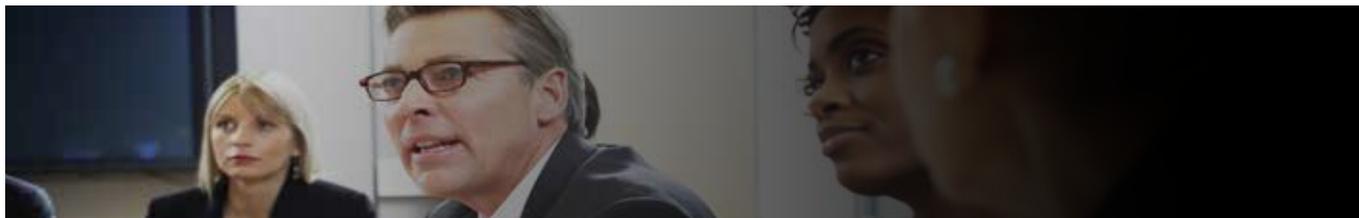
The CMSG is a General Officer/Senior Executive Service (GO/SES) steering group comprised of GO/SEs from twenty-five Army organizations, chaired by the DASA-CE. The CMSG will meet quarterly to provide guidance and understanding to the Under Secretary of the Army on Army enterprise-level cost management needs, priorities, performance metrics, capability gaps and recommendations required for more agile, effective and efficient decision making processes.



In November, the DASA-CE hosted the inaugural CMSG meeting. Twenty-four GO/SES representatives from across the Army attended. The Honorable Mr. Robert Speer, ASA (FM&C), opened the meeting by emphasizing the importance of cost information from every perspective across the Army in making the right decisions and using the rights tools.

The executive-level group has already addressed several key cost management deliverables and topics. One of the first deliverables reviewed by the CMSG was the Cost Management Strategic Implementation Plan (CMSIP). The CMSIP outlines several long term goals and objectives for integrating cost management into Army organizations. The plan introduces several key tasks for implementing cost management practices. Since the Army will no longer collect the Cost Management Maturity Model (CM3) metrics, the options for more value-added metrics was introduced. The Army has renewed its focus on results-based performance management, so with the feedback from the organizations, the plan will better incorporate objective Specific Measurable Actionable Relevant and Timely (S.M.A.R.T.) metrics.

As the Army continues to implement our Enterprise Resource Planning (EPR) Systems, there is a need to document established ERP cost models. When the Army deployed General Fund Enterprise Business System (GFEBS), each organization was setup with a cost model. The Army has a Standard Cost Modeling approach- Cost by Organization, Product/Service, and Customer. All organizations have models that meet their unique requirements using this construct. For example, Army Materiel Command (AMC), starting in FY15, uses the Command Defined Field, an attribute field in GFEBS, to provide transparency into the reimbursable customer



source of funding. NETCOM uses the Attribute 1 field in GFEBS to track NETCOM-defined services within an Installation Status Report (ISR).

The Cost and Performance Management Division of DASA-CE is recording these structures in Command Cost Model (CCM) documents. These documents serve a two-fold purpose: 1) they are a reference guide to aid in the understanding of utilization of cost master data and transactions supporting cost management practices; and 2) they serve as a baseline for reviewing possible enhancements to better capture the cost of products and services. The offices in DASA-CE have started to work with commands to document and discuss possible enhancements to both local cost models as well as Headquarters, Department of the Army staff to enhance the Standard Army Cost Model on enterprise-wide cost initiatives.

Labor is a large portion of the Army budget. Therefore, Army is moving forward with an effort to combine time and attendance with the cost of labor to a specific job or project. The CMSG action officers are documenting command requirements for the Army Standard Labor Time Tracking (ASLTI) business case analysis. The ad-hoc action officer working group has made huge strides since it started meeting in December. The working group has identified 52 unique labor tracking requirements to date.

The CMSG has also been a venue for the community to share their best practices and lessons learned. At the February session, the CMSG members learned about the cost management training programs at FORSCOM and USARC. The CMSG members have demonstrated that their Cost Management programs and successes are an integral part of their leadership's resource informed decision making across all levels for mission readiness at best value. The DASA-CE encourages those interested in presenting at the quarterly meetings to contact the Cost and Performance Management Division. On the topics

of cost management training, DASA-CE informed the members that the Cost Management Certificate Course (CMCC), a four week resident graduate certificate, recently changed venues from The Naval Post Graduate School to the University of South Carolina. Two classes were scheduled for Fiscal Year 2015, the first class began on March 23rd and the second class began on July 13th.

During the May session, it was decided that the CMSG will act as the Study Advisory Group for ASLTI, and also provide input on developing the Army Financial Management Optimization Line of efforts 2c: Standardize Business Practice and Processes – Cost Management and 6 Establish Army Cost Framework. The session focused on the “Top Ten” cost management challenges and decided to begin with incorporating cost management training into non-financial training centers and courses throughout the Army. In addition, the U. S. Army Corps of Engineers gave an overview of cost management functions including labor tracking inside the Corps of Engineers Financial Management System and the U. S. Army Installation Management Command discussed cost and performance goals including the better utilization of GFEBS. The next CMSG is scheduled for August 12, 2015 at the Pentagon. During this session, the group will continue the “Top Ten” cost management challenges discussion, the Army CMSIP working group will present the CMSIP final draft, the Cost Managed Organizations (CMO) working group will present the CMO concept and much more.

Cost management is a vital and strategic Army capability that requires leadership engagement to synchronize, accelerate, and maximize available resources. Accurate and reliable information and best practice sharing across the Army will create an understanding of costs while promoting more agile, efficient, and effective decision making. The CMSG is the forum which will make this a reality.



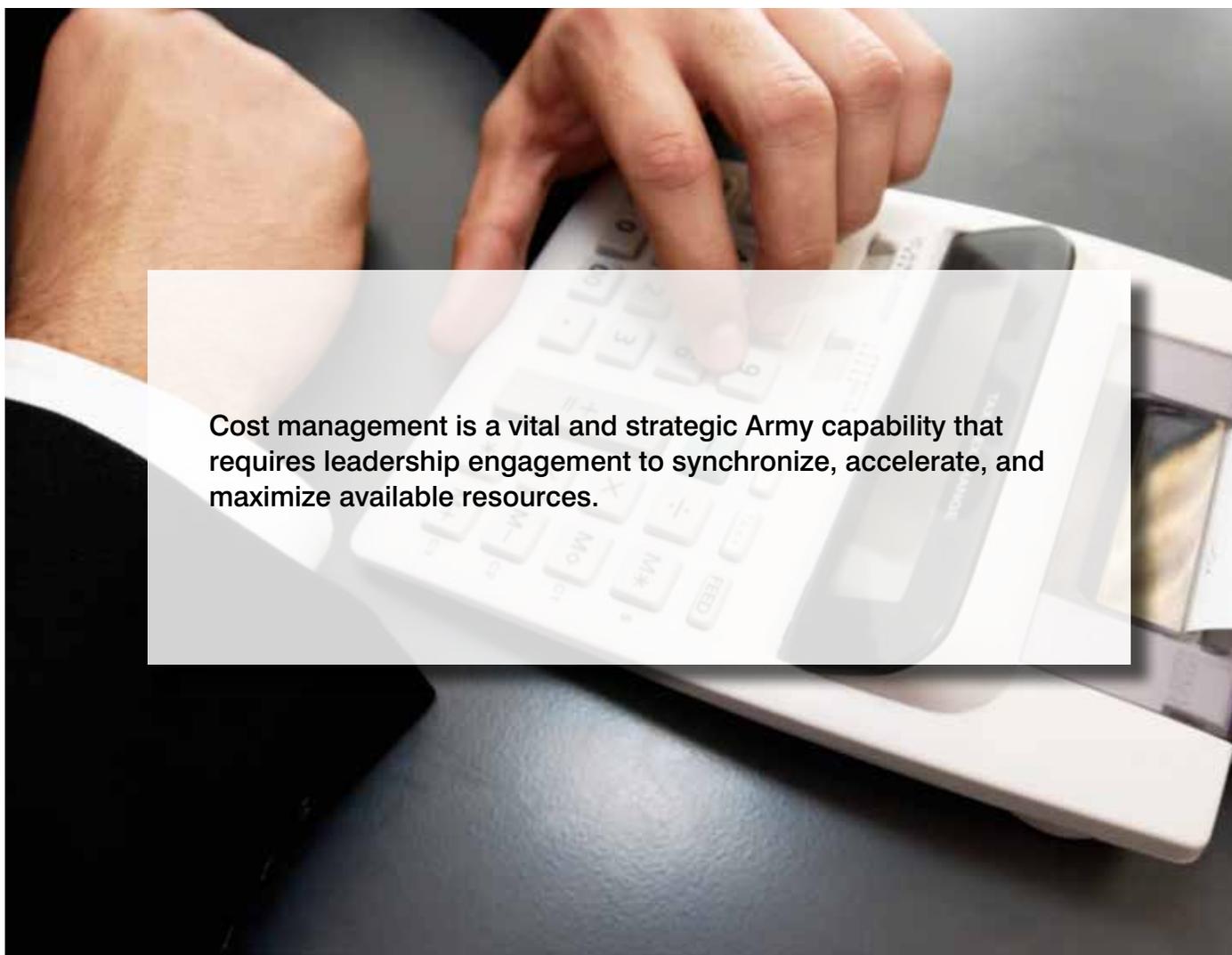
*About the Author(s):*

*Tim Lawrence is a Senior Operations Research Analyst for FM&C, DASA – Cost and Economics. He serves as a senior Army cost analyst responsible for the overall studies/analyses conducted in the areas of Cost and Performance Management. He retired from the Army in 2014, as a Lieutenant Colonel with more than 20 years of service and 15 years of experience in the Operations Research/Systems Analysis field.*

*Ms. Erin Smart serves as a Senior*

*Operations Research Analyst in the Army Budget Office at HQDA. She is a Lean Six Sigma Master Black Belt candidate and a 2012 Defense Comptrollership Program (DCP) graduate. Her previous experience includes assignments with the HQDA, DASA-Cost & Economics; HQ, Forces Command G-8; and HQDA, DCS-G8.”*

**RM**



**Cost management is a vital and strategic Army capability that requires leadership engagement to synchronize, accelerate, and maximize available resources.**

# The Army Financial Benefits Reporting & Tracking (AFBRT) Initiative: Integrating Financial Benefit Decisions into the Planning, Programming, Budgeting, and Execution Process

By: *Katie Caldwell and Eric Eichborn*

## Background:

As funding becomes constrained and spending comes under increased scrutiny across the government, more attention is being paid to what Agencies are doing to save money. The Army's major stakeholders have demanded more accountability, identification of tradeoffs, and evidence that we are actively pursuing efforts to save money and demonstrate real savings. The Army's processes for managing savings initiatives, however, presented obstacles which hindered our ability to adequately estimate and realize those savings.

One of the process issues that the Army faced was that there was no follow-up on initiative outcomes. Without following-up on an initiative and tracking how it executed, there is a risk that a program could experience cost growth or not meet its initial savings targets. We also lose the ability to flexibly adjust our programming and budgeting decisions accordingly if we do not track how these initiatives actually perform. This is particularly important with larger initiatives, such as those in the information technology (IT) arena. While changes in program performance for large programs may be reflected in updates to system cost estimates, there may be impacts on business processes or other systems that are not considered, particularly if we are assuming we could consolidate or reduce functionality of other systems.



As a result, Army decision-makers may be placed in the position where they must base decisions on data that is flawed; this could be particularly problematic if a requirement is to be offset by an assumed efficiency that never pans out. Likewise, an overly optimistic savings estimate for an initiative could lead to a shortfall that the Army would be left scrambling to cover.

Without a process to properly document and track the investment and sustainment costs, as well as savings, we cannot adequately assess whether a particular project was effective. This has been particularly true of process improvement projects and IT investments.

Another issue is that some claims of savings have been made that did not actually materialize. External stakeholders could direct a reduction based on an assumption that the Army has realized significant savings when in fact it has not. Advertising non-existent savings opens the Army to embarrassment and erodes its credibility.

Due to reduction in total funding, the Army is already taking significant risks, and this trend is unlikely to reverse itself anytime soon. It is imperative that the Army is able to quickly and accurately identify areas where real savings opportunities exist and reallocate those savings to higher priority needs.



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## The Genesis of the Army Financial Benefits Reporting Tool (AFBRT):

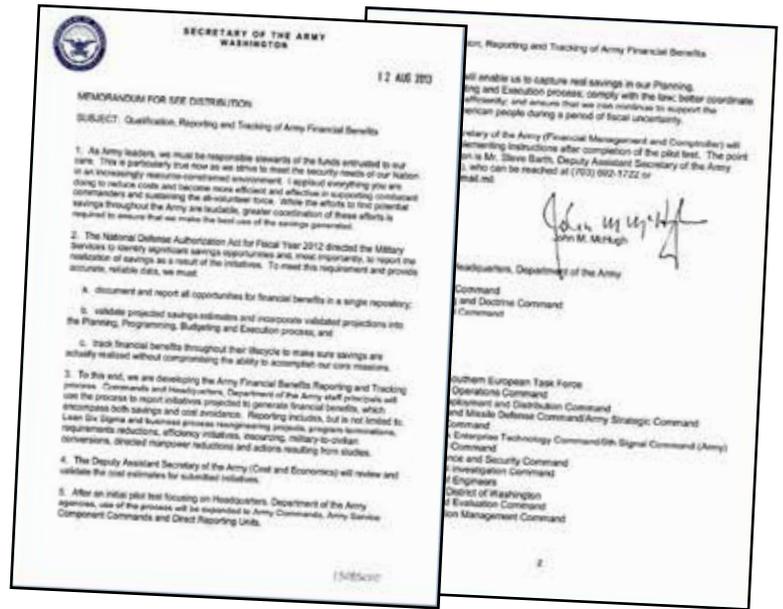
The National Defense Authorization Act of 2012, section 1054, and the Government Accountability Office Performance and Accountability Report of 2012, directed the services to identify significant savings opportunities and report the realization of savings as a result of financial benefits initiatives. Historically, the Army did not have a single process to thoroughly consolidate, review, and/or integrate financial benefit decisions across the Planning, Programming, Budgeting, and Execution (PPBE) process to track the realization of savings. The Assistant Secretary of the Army, Financial Management and Comptroller (ASA(FM&C)), Military Deputy, LTG(R) Martz, directed a project to develop a single reporting and tracking tool for all Army financial benefits initiatives. This project, known as the Army Financial Benefits Reporting Tool (AFBRT), has subsequently been championed by the ASA(FM&C), Mr. Speer, and Military Deputy, LTG Dyson.

AFBRT is an enterprise-wide initiative that standardizes and consolidates the review and tracking of savings initiatives. The AFBRT team has made significant modifications to policies, processes, and technology.

### Policy:

In August of 2013, the Secretary of the Army signed the “Qualification, Reporting and Tracking of Army Financial Benefits” memorandum. This memo directs Commands and Headquarters, Department of the Army staff principals, to use the AFBRT process to report initiatives projected to generate financial benefits. It was followed, in December of 2013, by an ASA(FM&C) Implementation Guidance memo. Guidance was also issued in the Army Program Guidance Memorandum (APGM), requiring savings initiatives to be included in the programming phase.

We are currently working with other stakeholder organizations to establish policies and guidance specific to their organizations. In all cases, however, the general requirements of submitting savings initiatives through AFBRT, validating the savings, and tracking the execution of initiatives will remain.



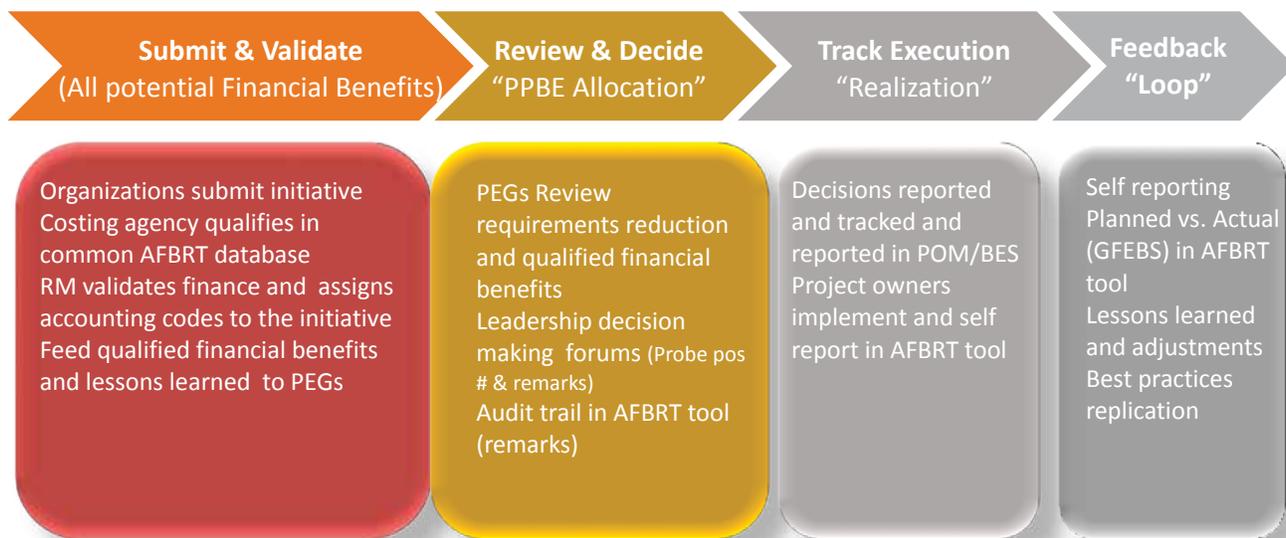
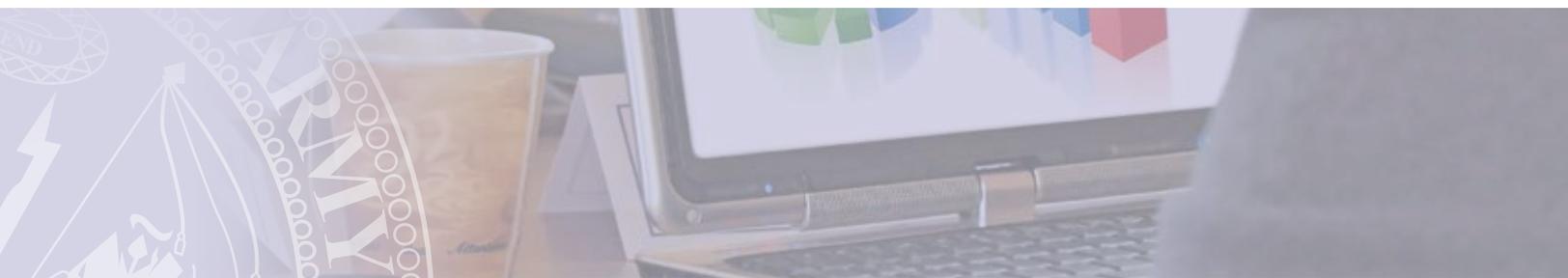
### Process:

The AFBRT process provides a tool for resource managers and analysts to fully accomplish their assigned mission and functions. The process is broken into four main phases:

**1. Submit and Validate:** An organization submits a narrative describing the initiative and the program(s) affected as well as any operational impact of the proposed efficiency. Validation provides an approved cost estimate for implementation and benefits realized over time—tied to specific programs and cost objects—and looks for any redundancies with another initiative.

**2. Review and Decide:** Senior Leaders make decisions on whether to include these initiatives in the Army budget and the Program Objective Memorandum (POM).

**3. Track Execution:** Analysts assign unique identifiers to track initiatives in the General Fund Enterprise Business System (GFEBS). This allows for a potential revision to forecast based on actual execution and provides feedback to decision makers. It also identifies and documents replication opportunities and demonstrates the actual financial benefits across the Army.



**4. Review and feedback:** Where necessary, reviews of programs that deviate significantly from target can be initiated, and adjustments to initial targets can be made.

**Technology:**

Beginning in 2014, DASA-CE coordinated with representatives of several existing functional systems to determine best fit at lowest cost. Each system was evaluated to investigate capabilities, determine what data elements it already captured, minimize manual work, and assess each system’s ability to be modified and estimated associated costs.

The AFBRT team created a rapid prototype of a web-based tool to test the AFBRT process in ePROBE. They created a new data model for initiatives, which links initiatives to programs, specific categories of costs, and resource projections. The AFBRT tool also links initiatives to strategic priorities.

**Impacts on the PPBE Process:**

Several billion dollars in claimed savings initiatives have already been reviewed through AFBRT. The AFBRT team is currently working to review other high profile savings initiatives in training, sustainment, installations, and IT. These reviews have already proven useful and given senior leadership a more accurate assessment of the savings likely to be realized.

HQDA now requires all claims of savings to be properly reviewed and tracked in AFBRT before being reported to any external entities. Letting external stakeholders know that we are thoroughly reviewing, recording, and tracking our savings initiatives helps build confidence that the Army will effectively manage the resources in which it is entrusted.

With AFBRT, we are able to determine how well our initial estimates of both costs and savings predicted actual outcomes, allowing us to refine our estimating techniques and cost models. Additionally, we are reducing risk through AFBRT by requiring all savings initiatives to be logged in one central repository, and requiring all initiatives to identify affected organizations and programs.



Going forward, AFBRT will focus on reviewing initiatives that have potential cost savings earlier in their lifecycle. There are also plans to further develop the online tool, adding some new features such as milestone tracking, detailed cost category information, and metrics reports.

Through AFBRT, the Army can now effectively and efficiently track and record financial benefits for managerial accounting and auditability. It provides a catalyst for financial benefits because savings realized will be attributable to specific organizations and the Army enterprise as a whole. It will increase transparency and allow leaders to make better resource-informed decisions. Now senior leaders can direct efficiencies to the Army's highest priorities, improving readiness.

Armed with valid information, Army leaders can better defend and execute the budget, and tell the Army's story.

*About the Authors:*

*Ms. Katie Caldwell is Division Chief for Installation & Personnel Costing Division within the Deputy Assistant Secretary of the Army for Cost & Economics (DASA-CE). She is responsible for independent cost analyses, factors, and models associated with Installation services, infrastructure, and Military and Civilian personnel. She is a Certified Defense Financial Manager and is DAWLA Level III certified in Business-Cost Estimating.*

*Mr. Eric Eichhorn is an Operations Research Systems Analyst in the Installation & Personnel Costing Division within the Deputy Assistant Secretary of the Army for Cost & Economics (DASA-CE). He received the American Society of Military Comptroller's Meritorious Resource Management Award, the ASA(FM&C) Resource Management Civilian Award, and the ASA(FM&C) Civilian Capstone Award for his achievements related to AFBRT. **RM***

## Army Cost Management Training, A Brief History

By: Peter S. Kim



For over a decade, the Office of the Deputy Assistant Secretary of the Army for Cost & Economics (DASA-CE) has supported the Army with cost management training opportunities. This effort to provide vital training resources coincided with the fielding of GFEBS. In GFEBS Army leaders now had a

tool to manage resources by tracking the cost of outputs and services. Its inherent ability to provide cost accounting and cost reports has widely been accepted by the Army as a means to increase managerial acumen.

Many Army leaders also saw the timing of the GFEBS fielding as an opportunity to push for a change in Army culture, to propagate cost management best practices and financial stewardship. This Cost Culture message was another catalyst driving the Army toward the implementation of cost management.

At this point, the Army Senior Leaders had endorsed Cost Culture, invested in cost management ERP technology, and mandated the use of better cost information in decision making. However, the Army did not have the workforce necessary to implement many of these changes. As the organization functionally responsible for cost management, DASA-CE saw the need to train the Army workforce in cost management concepts and implementation.

Prior to the GFEBS fielding, DASA-CE had traveled to various commands to teach Cost Management principles (CM 101) to the resource management community.

DASA-CE worked on creating programs at the Army Finance School. It also established graduate level training in coordination with the Naval Postgraduate School. Since then, Forces Command has implemented a basic cost management certification program that includes the CM 101 training.

The Army Finance School currently offers The Principles of Cost Accounting and Management (PCAM), Intermediate Cost Accounting and Management (ICAM), SAP Business Analytics, and SAP TERP 10 certification course. In order to properly capture useful data and utilize the full capabilities of GFEBS, the Finance School continues to focus on training geared towards better cost management.

As the Army moved towards resource informed decision making, various Army communities requested the development of Cost Benefit Analysis (CBA) instruction. DASA-CE developed a four hour introductory course, versions of which are widely used by various Army classes and schools as well as instructors outside of the Army. The requests for more detailed instruction resulted in a four day version of the class based on lessons learned from Department of the Army level decisions using CBA. The course focused on real life examples and best practices tracked at headquarters. To further empower Army personnel and organizations, DASA-CE posted instruction material, analysis examples, and other tools online at the Army Cost Performance Portal.

The Cost Management Certification Course (CMCC) teaches the principles and implementation of managerial accounting to mid-to-senior level employees. It is a compressed portfolio of business classes where students earn twelve graduate level credits. The Naval Postgraduate School of Business established both residential and distance learning formats and ran the course for over five hundred students through 2014. Recently, the Army moved the course to the University of South Carolina's new Darla Moore School of Business building. The CMCC continues to focus on MBA components most relevant to changing how Army organizations view and use cost information to improve management.

With new found skills and knowledge, graduates of the CMCC and other cost-focused individuals worked on creating a community to share best practices and push towards implementing cost management within the Army. A monthly community newsletter called the Cost Warrior Newsletter highlights cost management implementation successes and ongoing efforts. A Cost Warrior blog site is hosted on milBook. Cost Warriors also conference in by telephone in a monthly roundtable format where guest speakers share stories about their experiences and efforts.

The efforts to date have yielded a community of cost management practitioners working towards improving management capability and tools within the Army. As the Army continues to embrace the importance of cost in managerial roles, the training will increase capabilities within the Army and deliver increased warfighting and support capabilities at better value.

*About the Author:*

*Peter Kim is the technical advisor to the Deputy Assistant Secretary of the Army for Cost and Economics. He consults and advises the DASA on cost analysis and policy matters. Areas of focus are decision analysis and behavioral dynamics. While at the HQDA, he has helped author several policies on cost benefit analysis and cost management. Prior to joining the government, Peter's industry roles included program management, operations research, strategy and marketing. He is a graduate of the University of Chicago and West Point where he was commissioned as an Army aviation officer.***RM**



## An Interview with Mr. Mort Anvari - DASA Cost & Economics

*Mr. Mort Anvari (Director, Programs & Strategy Directorate)*

(General Question about the Directorate)

**1. Like the rest of the federal government, the Army is operating in a constrained budget environment and is facing difficult decisions on how to best allocate its limited resources. What is DASA-CE doing to inculcate and sustain a cost culture mindset across the Army?**

Many believe that cost culture and cost management started with constrained resources and budget reductions. But the Army has been a pioneer in the implementation of cost culture and cost management since 2007 when Under Secretary of the Army, Mr. Nelson Ford, coined the term “cost culture”. At that point, cost analysts were deployed for the first time into theater to work alongside the operational manager to understand the requirements, the cost of war, and how to reduce the Army’s Costs. During contingency operations in theatre, there is less understanding of the requirements and cost estimating an essential component of cost management is difficult. By getting closer to commanders in the field, we were able to understand the requirement and improve our cost estimating.

Another important component of cost management is cost accounting. In the past, stove-piped organizations and disparate data sources made execution based cost forecasting almost impossible. Today, the Army leadership and ERPs focus on an enterprise perspective with 17 end-to-end processes interacting with each other. As a result, financial transparency has increased drastically, particularly with respect to the interpretation and allocation of cost information. We have been able to do this through better systems, improved processes, training, and senior leader awareness. Army leadership has made cost management one of the Army high priorities. Our cost analysis models and tools complemented our cost estimates and cost accounting and positioned Army for more effective cost control.

Finally, there has been a tremendous amount of success in cost management training. Over two thousand Personnel have been trained and now are capable of conducting Cost Benefit Analysis or CBA. When any decision over \$10M is being considered, it must include a CBA, which is a big breakthrough in resource informed decision making. We have also developed tools such as Army Financial Benefit Reporting and Tracking (AFBRT), which requires that any organization claiming a savings report those savings in AFBRT to track progress for Army to reallocate resources from real savings to other Army priorities that are short on funding. Even though we still have some challenges in creating a cost culture -I believe the Army is ahead of the curve implementing cost management and financial transparency compared to all other federal agencies.

**2. The high degree of budget uncertainties underscores the importance of cost management. Which DASA-CE best practices are being followed to ensure accurate and reliable cost estimates are being developed and aligned with cost and performance management?**

What we do to improve the accuracy of cost estimates gets back to cost management and closing the Planning (cost estimate), Programming, Budgeting and Execution, or PPBE, cycle by providing execution feedback to improve the Army cost estimating activities. The Army ERPs, GFEBS and GCSS-Army, are examples of best practices to ensure proper data collection. Our analytical tools are becoming sharper and the quality of cost analysis in the Army has also greatly improved. Army Financial Management Optimization or AFMO was implemented with the goal of enhancing auditability and optimizing the financial management workforce and operations. AFMO has also given us the opportunity to focus on the Army cost framework and cost data architecture which has improved the quality of Army cost estimating. One of AFMO’s objectives is improved resource informed decision making influenced by understanding cost and performance metrics. From this framework we have been able to link processes in different organizations to data that is needed to provide information for decision makers. Early on, cost management was more in the promoting stage, but now most organizations see the benefit as leaders are becoming more accountable.

*continued on pg. 23*

	Planning (6-10 Years)	Programming (5 Years)	Budgeting (1-2 Years)	Execution (Current Year)
HQDA	Apply Cost Planning	Apply Cost Planning and Cost Analysis	Apply Cost Analysis and Cost Control	Apply Cost Accounting and Cost Analysis
Command /DRU		Apply Cost Planning	Apply Cost Planning and Cost Analysis	Apply Cost Accounting, Cost Analysis and Cost Control
Operational Activity			Apply Cost Planning	Apply all Four Steps of Cost Management

When you look at all the functions with multiple objectives in constrained environments for analysis and planning, it becomes very complex and I think the knowledge that is now being generated within our analysis community is very usable. We are in a predictive analytical phase in support of decision making. This field, even though well understood for many years, was not equipped with the right data and tools to perform the job - now it is. Now we have processes and tools in place and leadership support. At the same time, the challenge of constrained resources has been a forcing function which gives the needed emphasis.

**3. What specific actions is DASA-CE taking to ensure the cost culture business initiative is institutionalizing cost management principles and practices? Please elaborate on specific training, governance, costing tools available and results (i.e., GFEBS and other ERP systems affects on AFMO).**

DASA-CE has taken many actions to enable a cost culture in the Army. We have provided cost management strategic guidance and published manuals and guides to support the financial community. Specific actions include resolving issues as they arise such as how reimbursable transactions should be managed in GFEBS for better data quality. We provide cost management solutions along with needed training, standard operating procedures, or new policy. A tool we support is Cost Benefit Analysis or CBA. This decision making requirement was a major change for the

Army. AMC, TRADOC and FORSCOM have seen the value in CBAs and have institutionalized them at lower dollar threshold and established an internal CBA review process. The dialogue that a CBA creates is the most important part of resource informed decision making. Discussions about courses of actions that might result in lower-cost or a higher benefit are valuable to Army.

DASA-CE also provides cost management knowledge online and the Cost & Performance Portal for cost and performance data. We also provide courses like cost management certification training that was previously taught at the Naval Post Graduate School and now is being taught at University of South Carolina. This course has generated a large number of graduates from different backgrounds and we have labeled them the Army “Cost Warriors”. The Cost Warriors have a monthly cost management roundtable discussion and a publication for the resource and operational management communities. Cost management is one of top Army priorities and DASA-CE is the functional proponent for this initiative. In general, we strive to have a better understanding of the cost culture challenge—from process, system, data quality and decision making perspectives so we can continue to support the Army.

**4. Please highlight how costs savings and improvements in business Operations will be captured and tracked, and the challenges of this process?**

Capturing and tracking cost savings is a big challenge. NDAA 2012 requires the DoD to track their cost saving initiatives and annually report them to GAO. The Secretary of Army directive requires all savings be documented in Army Financial Benefit Reporting and Tracking system or AFBRT. This system will validate and provide projected cost savings information to the programming evaluation groups or PEG for their consideration and reprogramming. Using GFEBS as an example of the benefits tracking challenge, the Army is now asking why we are not saving what we initially thought as a result of the brown out of the legacy financial management systems as originally planned. The legacy systems such as STANFINS and over 50 other systems should now be phased out according to the original plan as they were included in the projected savings. However, due to auditability requirements and other external factors, these legacy systems are still maintained and the cost savings

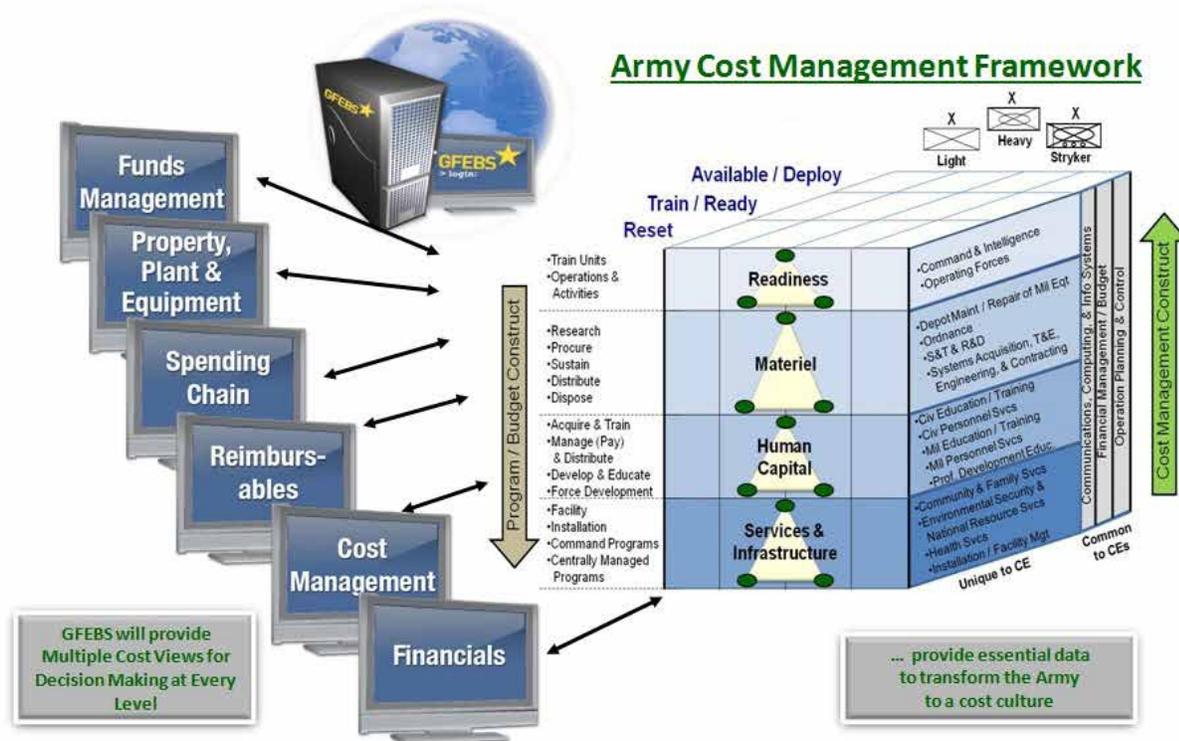
have not completely been realized. The perception that the initial saving estimate was not reliable misses the reality that the quality of the cost estimate depends on the questions being asked and assumptions being made at the time of study.

**5. What questions are decision makers asking regarding Cost & Performance?**

In the past enterprise financial information was not readily available. However, the utilization of financial information can only be enhanced and complemented by performance metrics. If we don't have performance metrics, financial information cannot be used optimally. Our leadership is realizing this capability and now they're asking questions like "What is the cost of readiness?" They are not only interested in how much it costs to be ready, but what are the costs associated with the readiness of training, personnel, supply, etc. Another great question is "what is

the cost of recruiting?" which again is metrics oriented. The methodology that we use to answer these questions is fairly simple. We begin by identifying the decision maker's span of control and influences as well as their information needs; making sure that those needs are realistic and actionable. We are trying to understand decision-makers at different levels with different information needs and tailor our approach for that type of decision. We determine who the decision-makers are and ask them what types of gauges of information are needed in their dashboard display to make the decision. Once we identify the cost information or generic financial information and performance metrics associated with the decision maker, we have to ask what systems contain that information and what processes provide that information. Linking cost and performance metrics create a cause-and-effect relationship or correlation between cost information and performance metrics.

## GFEB Technology Enables Cost Management



Decision makers can then increase or decrease either the performance metrics or financial information to be able to see the impact. So that's the ideal world.

We have seen a lot of success stories in different organizations and I was surprised to learn that we have several thousand SMS (Strategic Management System) users and dashboard type models from FORSCOM, TRADOC and AMC. We found out that the Army as a whole has become quite aware of the relationship between financial and performance metrics so we fine-tune it and try to create somewhat of a standard approach.

## **6. As the Lean Six Sigma (LSS) Deployment Director for Army, how do you see LSS aligning with Cost Management?**

LSS aligns with cost management in a very integrated way. The cost management cycle consists of four stages: Cost Planning, Cost Accounting, Cost Analysis, and Cost Control. Practitioners in cost management use LSS and other CPI tools during the final two stages of the CM cycle. During cost analysis, LSS can support the identification of root causes that increase cost. With cost controls, savings can be realized and reallocated. The information from the cost management effort can also provide feedback to the Planning cycle. The results of LSS will be an improved product or service, better financial management, and full application of the AFMO initiative. Internally, within our financial management organizations, we are doing funds control process mapping, implementing GFEBS managed spend plans, root cause analysis on unmatched transactions, and many more LSS projects focused on improving Army's financial processes. After we map these processes we then look at it from the cost management perspective.

## **7. Do you believe the adoption of LSS and/or cost-savings/cost-avoidance is against the current DoD mantra of "spend all"?**

The "spend all" mantra comes from aligning requirements to a budget. If those budgeted resources are executed optimally to your spend plan, then the "spend all" mentality is working. LSS allows leadership to improve on processes they assumed would require a certain level of resources and if savings can be realized, these additional resources can be reallocated to other Army priorities or UFR's within the organization that controls those resources. All of the Army initiatives that I mentioned earlier--like Cost Management, Performance Management, AFMO, GFEBSs and LSS--are

designed to enable resource informed decision making so that all the resources provided to the Army by Congress are fully utilized to optimize cost with mission requirements.

## **8. What career advice would you provide to someone entering Army's Cost & Economics field?**

The need for analysis and in particular cost analysis is increasing in the defense industry. I think the job of cost analyst is rewarding. It is intellectually challenging and provides continuous learning. Simply having a state of mind that includes a cost-benefit analysis mentality can help a lot of decision-makers. Finally, I want to add that cost management or cost analysis is a support field; we're not selling the requirement. We're not the ones, in some cases, saying how but rather we are the ones able to identify different options, different courses of action regarding cost and effectiveness for leadership to make decisions.

## **9. Which course did you take in your background that helped shape you decision to enter this field?**

I took courses in engineering economics, linear and nonlinear optimization from the University of Michigan at the school of industrial systems engineering. However, the course that had the most impact on my decision to enter in cost analysis field was the cost analysis for decision-making or CADM from the Army Logistics Management College, now Army Logistics University. The CADM course brought everything together for me and I started to realize that I needed to take the decision support message to the community and our young analysts about what it takes to be a systems, process, and enterprise thinker. I also share how valuable this knowledge is to an organization and what personal satisfaction they get from the understanding cost Management process and functions. **RM**

## ACC 15-III April 20 – May 8, 2015

(left to right)



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*\* Class Leaders*

A man in a blue shirt is standing at the front of a meeting room, gesturing with his hands as if presenting. He is looking towards the audience. In the foreground, the backs of several audience members' heads and shoulders are visible, showing they are seated and listening. The room has a whiteboard or screen in the background.

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