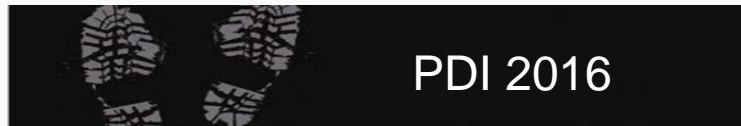Army Cost Management

Mr. Michael Ramsey

Acting Deputy Assistant Secretary of the Army
(Cost & Economics)
1 June 2016

"We continue to challenge the status quo, enabling the institutional Army to perform its activities smarter, faster, and at a reduced cost to provide more resources for readiness."

2015 Army Posture Statement

PDI 2016

Agenda

- Cost Management Direction and Guidance
- Linking Outcomes to Costs – the Cost Management Framework
- Enterprise Cost Management Initiatives:
  - Cost of Training Readiness (COTR)
  - Installation Management Data Integrity Program (IMDIP)
- People are Our Most Important Resource - Cost Management Training

Army Cost Management

Army Cost Management

A Cost Culture entails developing – through **leadership**, **education**, **discipline**, and **experience** an understanding of the importance of:

- making cost-informed decisions
- making effective trade-off decisions to achieve the best possible use of limited resources
- holding people accountable for understanding and being able to explain the costs of their organizations' inputs, processes, products, services, and outcomes
- focusing on continuously improving the efficiency and effectiveness of operations

Culture: Common Beliefs and Behavior in an Organization

Army Cost Management
Vision, Mission, and Goals

VISION
*An Army that considers, acknowledges, and controls cost across the Enterprise to **provide best value**.*

MISSION
Strengthen resource informed decisions that optimize available resources to accomplish the Army mission.

GOALS - *How to Accomplish our Mission*

*1. **Establish an Army-wide GO/SES Cost Management Steering Group (CMSG)** to align with and enable the Army Leadership priorities.*

*2. **Enhance analysis capabilities, cost and performance data** to make the **best informed decisions for the Army**.*

*3. **Leverage the Enterprise Resource Planning (ERP)** systems in support of the resource-informed decision making process.*

*4. Strengthen CM capabilities through **training, best practices, and Knowledge Management to achieve a cost culture.**.*

make *Resource-Informed Decisions*; the Army vision for Cost Management.

Moving toward full implementation of Cost Management is challenging and will take time. The Army's resource management professionals and operational managers must be prepared to face this challenge together in a joint effort to achieve success.

I have directed the Deputy Assistant Secretary of the Army for Cost and Economics (DASA-CE) to lead the implementation of Cost Management

The Army Cost Management Strategic Implementation Plan represents the Army's commitment to pro... to Army leaders and their performance constrained budget decisions in an ef... way.

Army cost manage... as it enables reso... making for maximu... It greatly enhances... and budget formula... can have a greater... the future.

The Army's enter... (ERP) systems, i... Enterprise Busine... Global Combat Support System-Army (GCSS-A), the Logistics Modernization Program (LMP), and the upcoming Integrated Personnel and Pay System-Army (IPPS-A) provide Senior Leaders and Commanders the information they need to

The Army's enterprise resource planning (ERP) systems, including General Fund Enterprise Business System (GFEBS), Global Combat Support System-Army (GCSS-A), the Logistics Modernization Program (LMP), and the upcoming Integrated Personnel and Pay System-Army (IPPS-A) provide Senior Leaders and Commanders the information they need to make *Resource-Informed Decisions*; the Army vision for Cost Management.

Assistant Secretary of the Army,
Financial Management and Comptroller
ASA (FM&C)

Army Cost Management

Army Directive 2016-16
Changing Management Behavior:
Every Dollar Counts

Army Cost Management

SECRETARY OF THE ARMY
WASHINGTON

1 5 APR 2016

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Army Directive 2016-16 (Changing Management Behavior: Every Dollar Counts)

1. The Army has a budget the size of a Fortune 500 Top 10 company. Although the Army is not a business and does not aspire to be one, we exist for one purpose: to fight and win the Nation's wars. We must be innovative and good stewards of taxpayer dollars.

2. To serve as good stewards of taxpayer dollars and ensure the highest level of readiness, we must adapt management practices to make sure every dollar we spend counts toward fielding a trained and ready force. The purpose of this directive is twofold: adapt financial management practices and improve outcomes.

3. As an Army, we often focus on budget execution independent of outcomes and without an accurate understanding of the true costs of our processes. This approach leads to bad business practices, a reluctance to establish measures of effectiveness and efficiency, "use or lose" fund execution, and harvesting savings from commands who find new and innovative ways to operate. Skeptics contend headquarters policies drive these practices but leaders control these behaviors and can change our culture.

4. Effective 1 July 2016, Army commanders and leaders at every level, including Principal Officials of Headquarters, Department of the Army, will:

   a. establish and track annual performance measures at two-star/Tier 2 Senior Executive Services headquarters and above. These measures will support the organization's mission and be singularly focused on achieving the highest level of readiness with the greatest efficiency. Additional information on this subject is in Army Regulation 5-1 (Management of Army Business Operations).

   b. avoid using budget execution data and obligation rates as the primary measure of fiscal success. Instead, tie resource expenditures to outcomes. Today, the Army measures readiness without identifying the required resources to produce it. Moving forward, leaders will establish performance measures that tie inputs to outcomes. Most importantly, leaders should identify the specific levels of readiness they expect to achieve given the resources provided.

   c. identify and manage total costs of critical processes, especially when funding is divided among multiple commands and sources. For example, develop activity-based costing mechanisms (that is, military, civilian, and contract labor; operations and

On 15 Apr 16, SecArmy directed: Army commanders and leaders at 2Star HQ level and above will**:**

- ❑ Establish & track **annual performance measures…focus** on the **highest level** of **readiness** with the **greatest efficiency;**

- ❑ Tie **resources expenditures** (costs) to **outcomes** and levels of **readiness**;

- ❑ Identify and manage **total costs**;

- ❑ **Eliminate 'use or lose'** funding practices;

- ❑ **Reward** leaders & organizations who demonstrate **exemplary stewardship & innovative ideas.**

Can we focus the energy of this directive to advance the Army toward a "cost culture"?
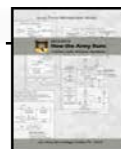
AFMO Campaign Plan Lines of Effort
"Driving Change in Financial Management across the Army Enterprise"

Army Cost Management

AFMO Campaign Plan

LOE 1:	**Systems** Domain
LOE 2:	Business **Processes**
LOE 3:	**Organizations**
LOE 4:	FM Professional Workforce
LOE 5:	**Internal Controls** Environment
LOE 6:	Army **Cost Management**
LOE 7:	**Strategic Management** & Communications

AFMO Objectives

(1) Achieve and Sustain **Auditability**

(2) Deliver **FM Operations** Efficiently and Effectively

(3) Improve and Sustain **Readiness** in FM Elements

(4) Provide Financial Information and Business Analytic Support for Improved **Decision Making**

AFMO End State

An integrated **effective** and **efficient** end-to-end financial management **enterprise** operation, **optimized** to provide necessary **resources** to meet the **Army's missions** with proper **stewardship** and **accountability** of resources and providing **accurate** and **timely** financial information and **analysis** for actionable **decision making** that will receive a favorable Financial Statement **clean audit opinion**.

How Are We Going to Get There?

Army Cost Management Strategic Implementation Plan (CMSIP)

I — **Align strategic goals with cost objectives, framework, and reporting**

II — **Integrate analytical capabilities in key decision making forums**

III — **Utilize the CM Framework to leverage the Enterprise Resource Planning (ERP) for better decision making**

IV — **Document & sustain audit ready CM process**

V — **Establish, Sustain, & Recognize Cost Managed Organizations (CMO) through training, best practices, and knowledge management**

U.S. Army Cost Management Strategic Implementation Plan 2015-2025

Agenda

- Cost Management Direction and Guidance
- **Linking Outcomes to Costs – the Cost Management Framework**
- Enterprise Cost Management Initiatives:
  - Cost of Training Readiness (COTR)
  - Installation Management Data Integrity Program (IMDIP)
- People are Our Most Important Resource - Cost Management Training

Army Cost Management

# End to End Process View:
Strategic Goals, Cost Objectives and Reporting
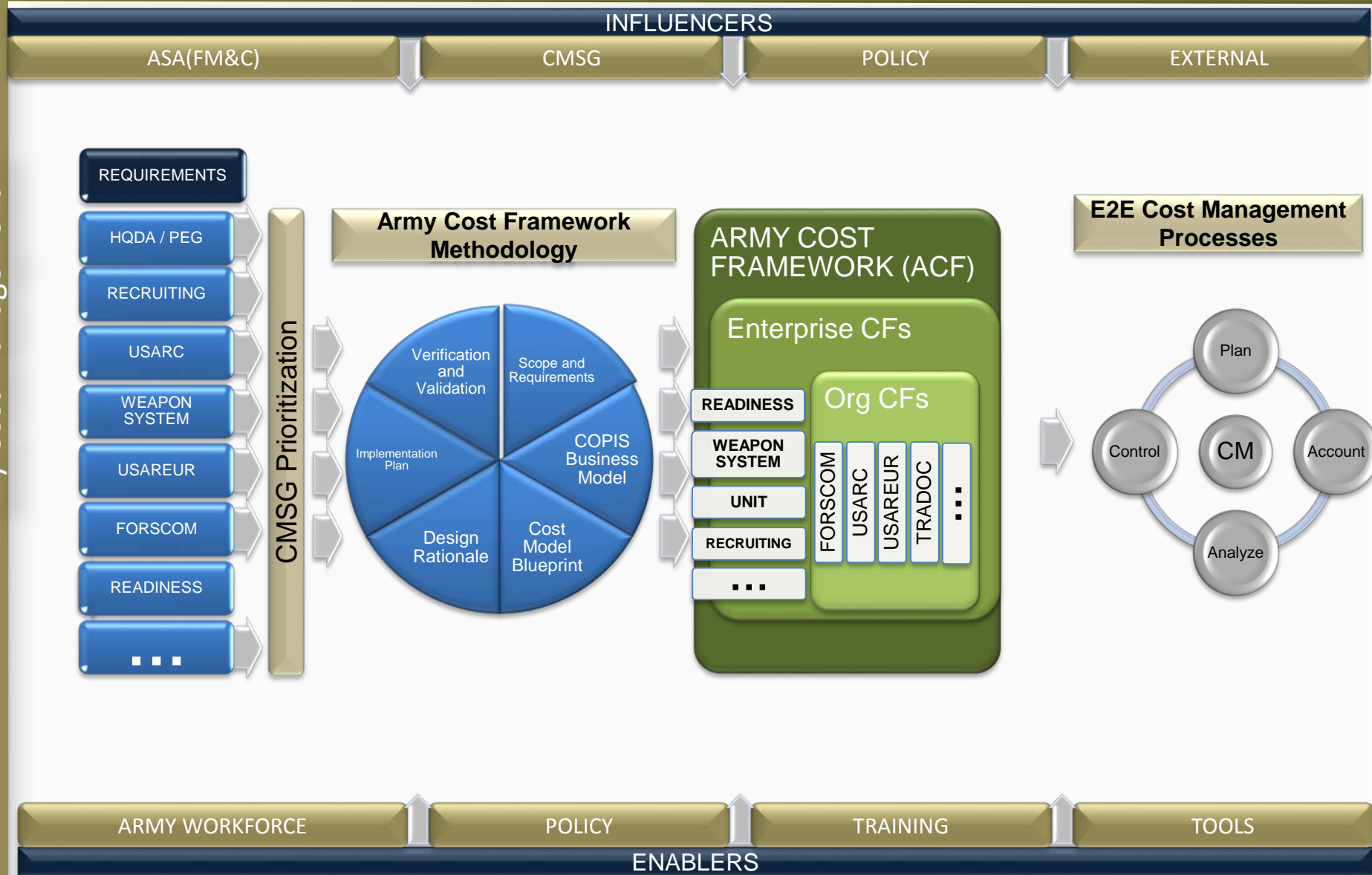
# What is Army Cost Framework (ACF)?

- A standard approach to defining **strategic and operational cost structure** and measures to **inform leadership resource decision making** and enable Army's **desired mission outcomes** (performance goals)

- Includes processes and documentation artifacts to define business models (COPIS) and **cost management models**

- A pre-requisite to Cost Management that **links performance and cost** metrics to maximizing **Army's value**
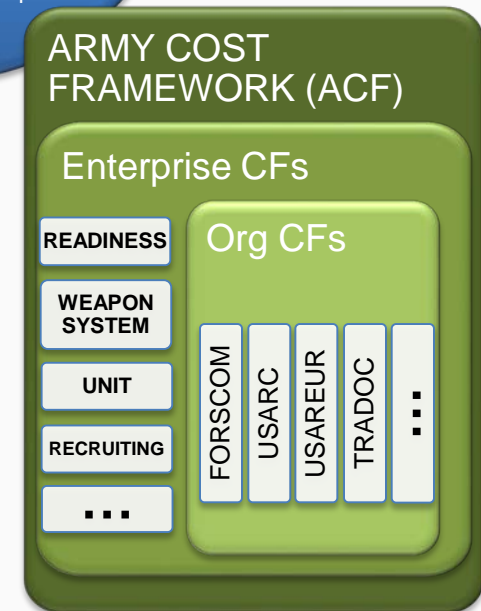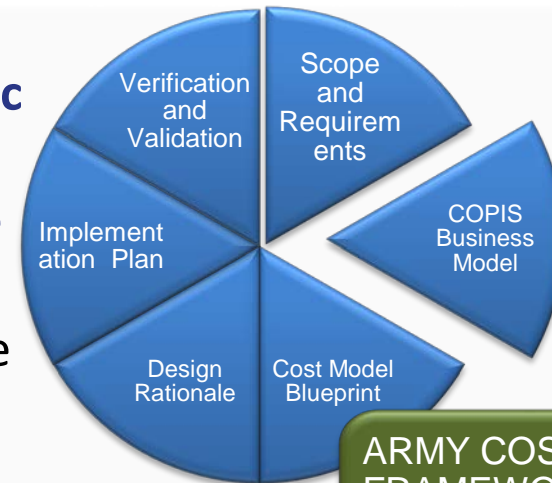
COPIS: Tool to define, link, and document Customers – Outputs – Processes – Inputs – Suppliers associated with enterprise and/or organizational business models
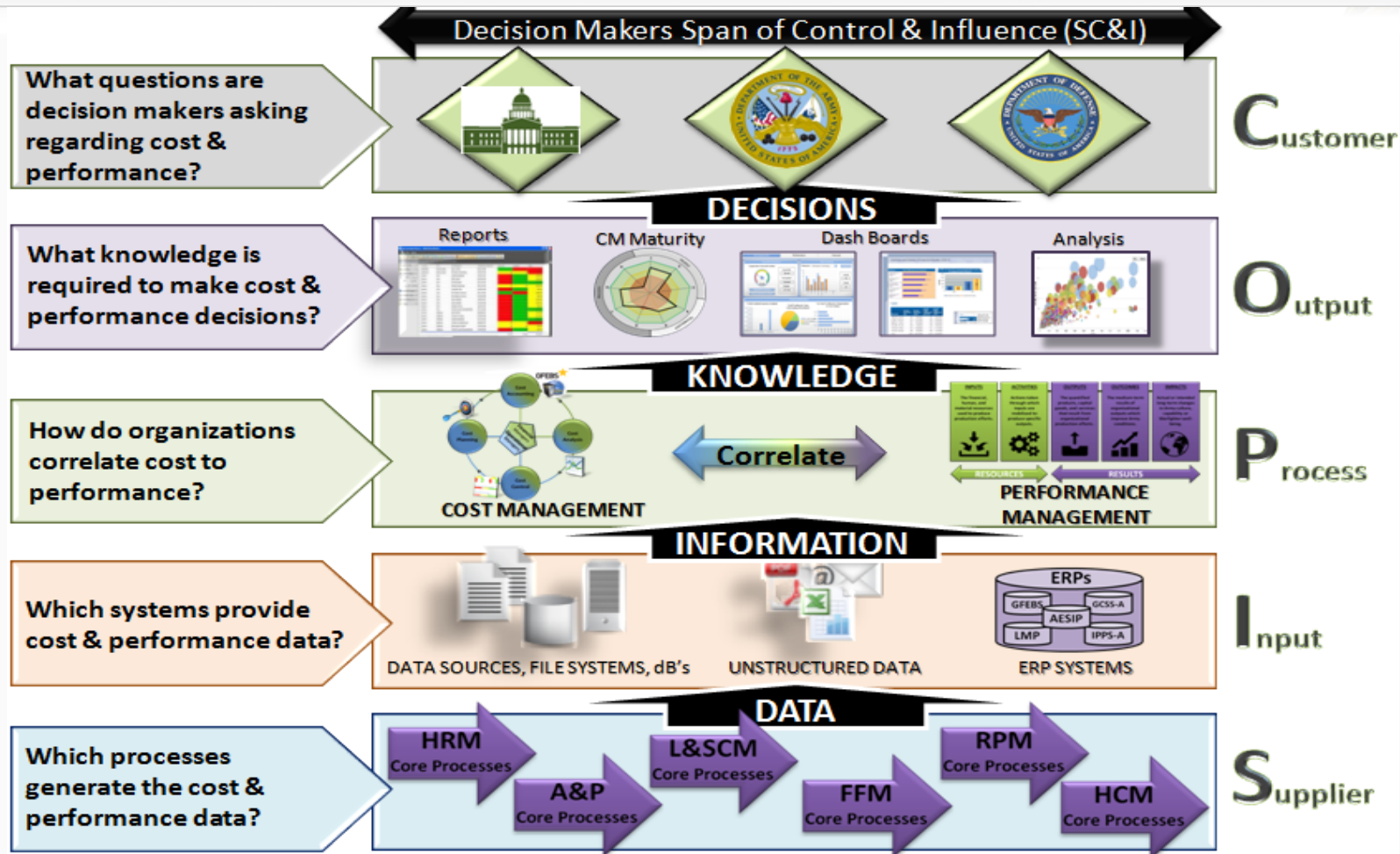
Readiness Example

Army Cost Management

Decision Makers Span of Control & Influence (SC&I)

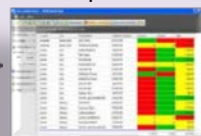**How big does the Army need to be?**

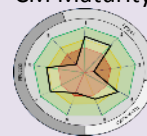President
Congress
Army Ldrs

DECISIONS

Cost of Soldiers?
Cost of Training?
Cost of Equipment?
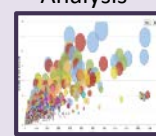Cost of Standard Services?

Reports   CM Maturity   Dash Boards   Analysis

Program
Budget
Execution
Force Structure

KNOWLEDGE

What is readiness?

COST MANAGEMENT   **Correlate**   **PERFORMANCE MANAGEMENT**

Cost of
Readiness

INFORMATION

OSMIS / FORCES / AMCOS
SMS
Unit/Installation Status

DATA SOURCES, FILE SYSTEMS, dB's   UNSTRUCTURED DATA   ERP SYSTEMS

ERPs
GFEBS   GCSS-A
AESIP
LMP   IPPS-A

Trained Units
$'s Spent

DATA

GFEBS
GCSS-A
LMP
SMS

HRM Core Processes
A&P Core Processes
L&SCM Core Processes
FFM Core Processes
RPM Core Processes
HCM Core Processes
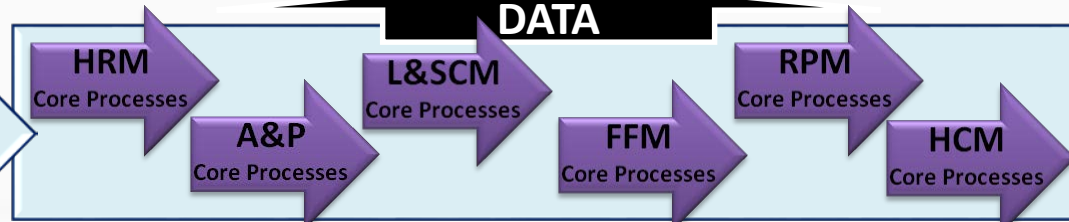
Transactions
Reports

Cost Management Process
Resource-Informed Decision Making

Army Cost Management

Cost Planning
– Set Cost Targets and Efficiency Goals
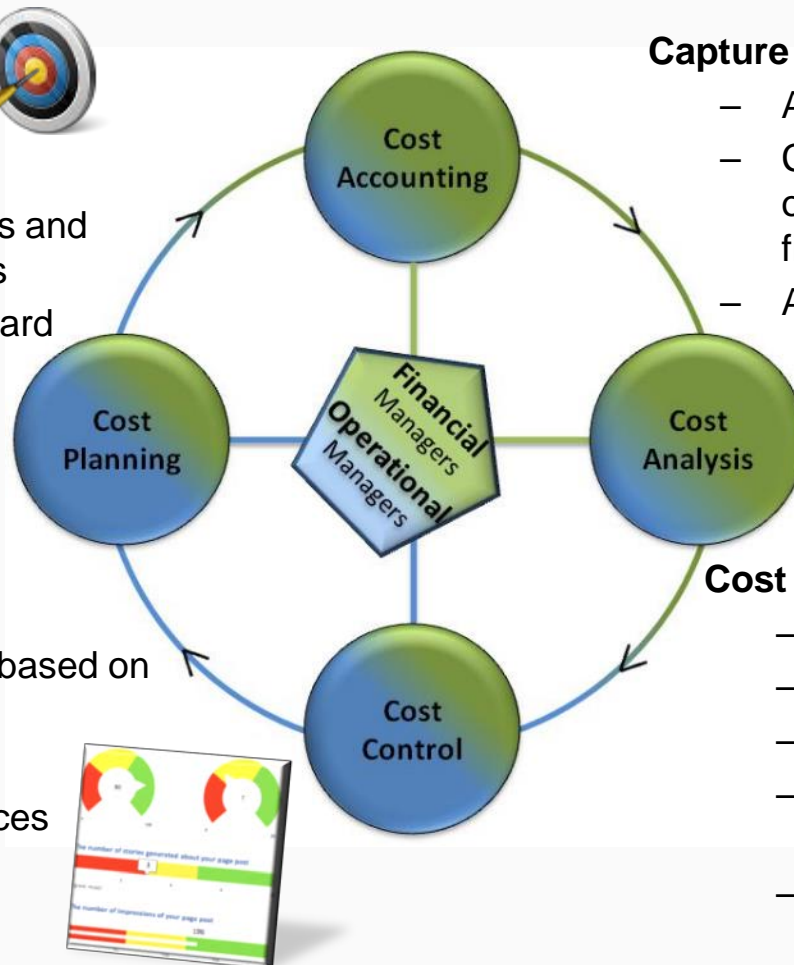– Compute Standard Rates

Cost Controlling
– Move to action based on analysis
– Change targets
– Change resources
– Change quality

Capture and Valuate Data
– Accurate, timely and relevant data
– Connecting operational output/performance data to financial data
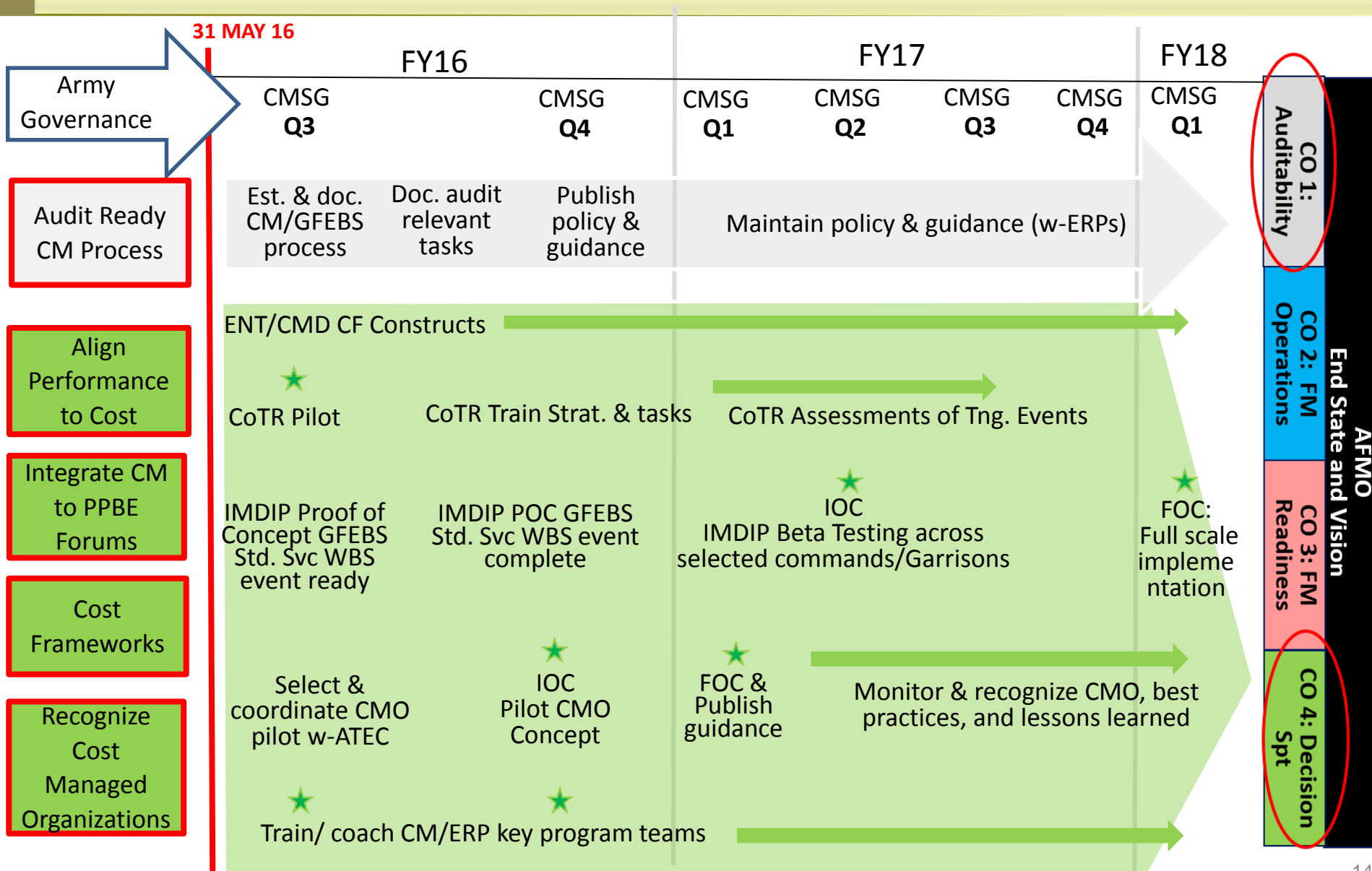– Allocate Overhead

Cost Analysis
– Variances
– Depreciation
– Trends and forecasting
– Product, service or activity cost by element (labor, contract etc)
– Understanding full costs of organizations, operations, products and services

Army Cost Management POAM

31 MAY 16

	FY16		FY17				FY18
Army Governance	CMSG **Q3**	CMSG **Q4**	CMSG **Q1**	CMSG **Q2**	CMSG **Q3**	CMSG **Q4**	CMSG **Q1**

Audit Ready CM Process

Est. & doc. CM/GFEBS process | Doc. audit relevant tasks | Publish policy & guidance | Maintain policy & guidance (w-ERPs)

CO 1: Auditability

Align Performance to Cost

ENT/CMD CF Constructs

★ CoTR Pilot | CoTR Train Strat. & tasks | CoTR Assessments of Tng. Events

Integrate CM to PPBE Forums

IMDIP Proof of Concept GFEBS Std. Svc WBS event ready | IMDIP POC GFEBS Std. Svc WBS event complete | ★ IOC IMDIP Beta Testing across selected commands/Garrisons | ★ FOC: Full scale implementation

Cost Frameworks

Select & coordinate CMO pilot w-ATEC | ★ IOC Pilot CMO Concept | ★ FOC & Publish guidance | Monitor & recognize CMO, best practices, and lessons learned

Recognize Cost Managed Organizations

★ ★ Train/ coach CM/ERP key program teams

CO 2: FM Operations

CO 3: FM Readiness

CO 4: Decision Spt

AFMO End State and Vision

14

Agenda

- Cost Management Direction and Guidance
- Linking Outcomes to Costs – the Cost Management Framework
- **Enterprise Cost Management Initiatives:**
  - **Cost of Training Readiness (COTR)**
  - **Installation Management Data Integrity Program (IMDIP)**
- People are Our Most Important Resource - Cost Management Training

Cost of Training Readiness (CoTR)
Lead: G3/5/7; Co-Lead: G-8 PA&E
Support: DASA-CE

Problem: The CSA believes units are overstating readiness and many leaders do not understand unit training management; placing Army resources at risk.

Opportunity: Gain a better understand of how funding applied to training achieves desired readiness levels. HQDA with co-leads G-37 TR and G-8 PA&E conducts a CSA directed CoTR PPBE review to document all phases of the PPBE processes as they relate to training readiness IOT achieve transparency through the process and develop the necessary feedback mechanisms to inform future requirements.

Key Tasks:
- Design an Institutional governance PROCESS that influences **ARMY READINESS and PPBE** using existing and future **READINESS METRICS**.
- Capture information from **ENTERPRISE RESOURCE SYSTEMS** enabling comparative analyses.
- Establish a more **OBJECTIVE T-RATING** assessment that allows the **LINKAGE BETWEEN RESOURCES AND TRAINING READINESS.**
- Develop a **STANDARDIZED COST STRUCTURE** for training that links unit training activities to cost.

Outcome:
- Identify means to **MAXIMIZE READINESS**, improve confidence in the process, ensure transparency, optimize the **EFFECTIVENESS OF RESOURCE INVESTMENT**, and develop trade space for Army **senior leader decisions**
- Develop an institutional process that **informs senior leaders of the costs associated with training readiness**
- Sustain and Inform the models that **link training events and training expenditures to sustainable readiness demand**

Timeline/Milestones:
MAY: Completed USAR site visits for 3 F/MF Bde's and ESC
MAY: First iteration with 3/1 CAV (Focus: GFEBS, DTMS, GCSS-A, QC data accuracy)
JUL: Second iteration with 3/1 CAV (Focus: Objective-T, T&EO's, Training Events)
AUG: Begin CAB Pilot, 101st CAB (Focus: training strategy and tasks)
SEP: Third iteration with 3/1 CAV (Assess modifications to process and systems, GCSS-A, GFEBS, DTMS)

Army Cost Management

Guiding Principles / Intent:

- Preserve Cdr flexibility
- Improve transparency to better see ourselves
- Create feedback loop to improve Program / Budget
- Link resources to readiness
- Training Enterprise centric vs. TT PEG
- Enhance Training Resource Model
  - ➢ Training Activity vs. Miles
  - ➢ Account for location / type
  - ➢ Forecast based on readiness objectives and SR

Challenges:

- Cost capture:
  - ➢ As a single cost
  - ➢ Without transactions in ERPs
- Cost to change readiness levels

Analytical Decision Support Capabilities:

- Target for CoTR to inform the POM and YE
- Utilization of Cost Centers (e.g. Cost by unit reporting)
- Validation of new/current cost factors
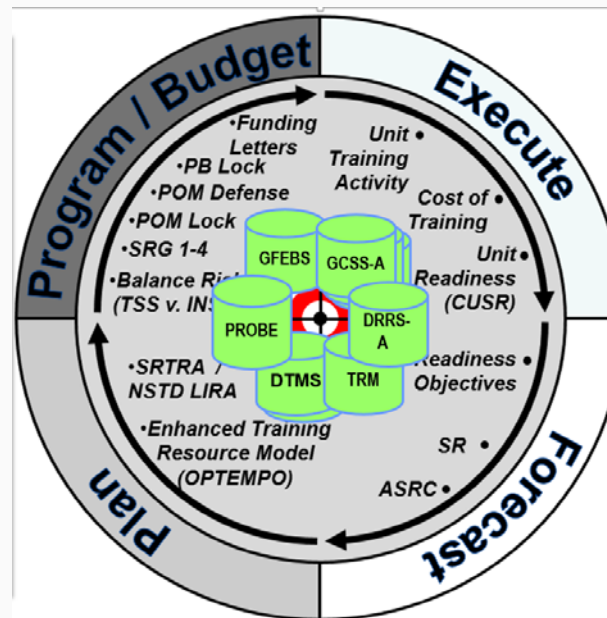
Leveraging current Cost Models (TRIMS) with ERPs to inform senior leaders decision making process in PPBE POM and YE Key Decisions
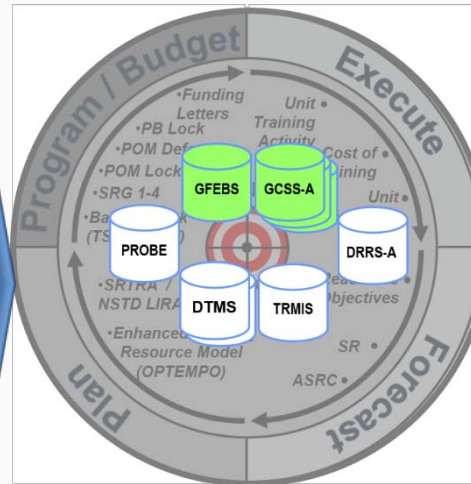
Army Cost Management

Building ERP/CM Analytical Capabilities & Strategies

- Capture information from ERPs

- Enabling comparative analyses

- Inform senior leaders of the costs associated with training readiness

- Sustain and Inform the models that link training events and training expenditures to sustainable readiness demand

Key Challenges

- Policy for GFEBS and DTMS operator usage

- Leveraging G-Army through its implementation

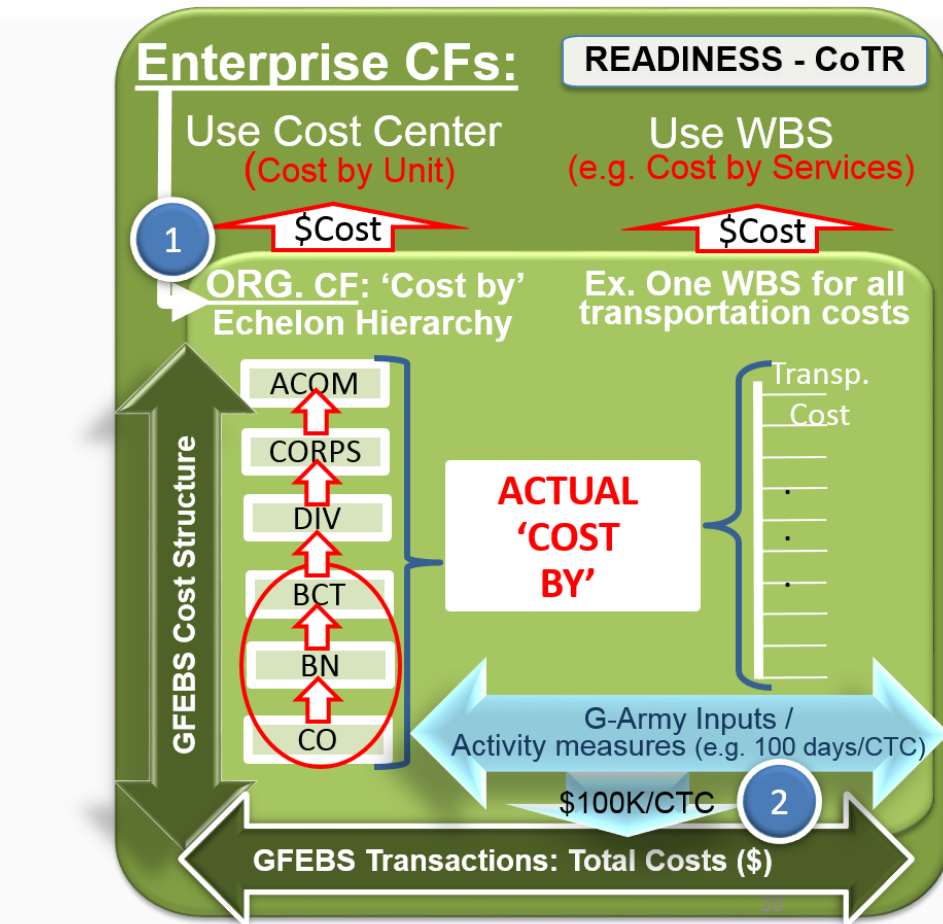- Objective T-Implementation guidance for improved awareness & understanding

Cost of Training Readiness: Standardized Business Policy

Key Challenges:

a. Standardized funds distribution scheme

b. Consistent use of Cost Centers ①

c. Standardized Work Breakdown Structure (WBS)

d. Link unit / Service cost to activity measures ②

Army Cost Management (vertical sidebar text)

Enterprise CFs: READINESS - CoTR

Use Cost Center (Cost by Unit)   **Use WBS** (e.g. Cost by Services)

① $Cost $Cost

ORG. CF: 'Cost by' Echelon Hierarchy   **Ex. One WBS for all transportation costs**

GFEBS Cost Structure:
- ACOM
- CORPS
- DIV
- BCT
- BN
- CO

ACTUAL 'COST BY'

Transp. Cost

G-Army Inputs / Activity measures (e.g. 100 days/CTC)

$100K/CTC ②

GFEBS Transactions: Total Costs ($)

Cost Data and Activity Data Linked to Objective-T Measures

Installation Management Data Integrity Project (IMDIP)
Lead: ACSIM
Support: DASA-CE & OBT

Installation Management Data Integrity Project (IMDIP)

Problem/Opportunity:

- The installation management community requires change across **DOTMLPF-P to effectively manage the planning, programming, budgeting, execution, and reporting** of Installation Programs across all Army financial systems

Outcome:

- Improve Installation Management program, budget, and execution linkage, **VISIBILITY AND DATA QUALITY NEEDED TO DRIVE FULL COST VISIBILITY AND OPERATIONAL EFFICIENCIES**; and integrate disparate data sources needed to **LINK PROGRAM AND BUDGET DATA TO COST & PERFORMANCE DATA**

Resource Requirements:

- Current requirements are being met with internal manpower of stakeholders

Timeline/Milestones:

NEAR TERM:

- ✓ Installations Services Construct completed (Q2-FY16)
- ✓ Proof of Concept Event ready (Q3-FY16)
- ✓ Proof of Concept Completed (Q4-FY16)

MID-LONG TERM:

- ✓ Beta testing across selected Garrisons (Q1-FY17)
- ✓ IOC – Across selected Commands/Garrisons (Q?-FY17)
- ✓ Proof of Concept Completed (Q?-FY17)
- ✓ FOC – Full scale implementation(Q1-FY18)

Next Steps:

May 16 - Begin Proof of Concept A-testing across ASC
Jul 16 - Implement standard WBS structure and labor allocation process across Logistic Readiness Centers
(TBD) - Begin Proof of Concept B-testing across selected Garrisons (Redstone, Bragg, Stewart, Belvoir)

Army Cost Management

Cost and Performance Measures:

- Performance and cost measures aligned to:

  - Cost structures (WBS),
  - Activities,
  - Processes,
  - BEA

New Capabilities:

Project Definition – Base Support Activities (Direct)

Level 1 (Installation) – Overall Garrison Level Metrics

Level 2 (Major Service Group) – Overall E2E process metrics, or major functions.   (e.g. logistics)

Level 3 (Primary Service Element) – Service level performance measures (currently   collected)

Level 4 (Major Activity) – Metrics for specific activities. Efficiency measures and organization specific effectiveness.

Level 5 (Tasks) – Metrics for specific projects. Efficiency and utilization measures.

Level 6 and below – Measures linked to specific events.

- Installation Services Cost Structure Captures Costs at Multiple Levels to Meet Both Headquarters and Field Cost Information Needs

- Performance Metrics can be tied to each level of the Cost Structure
- Object levels can be mapped to Capture the Cost of Cross domain Concepts such as "Readiness"

Installation Status Report
II PEG Requirements Generation Process Map
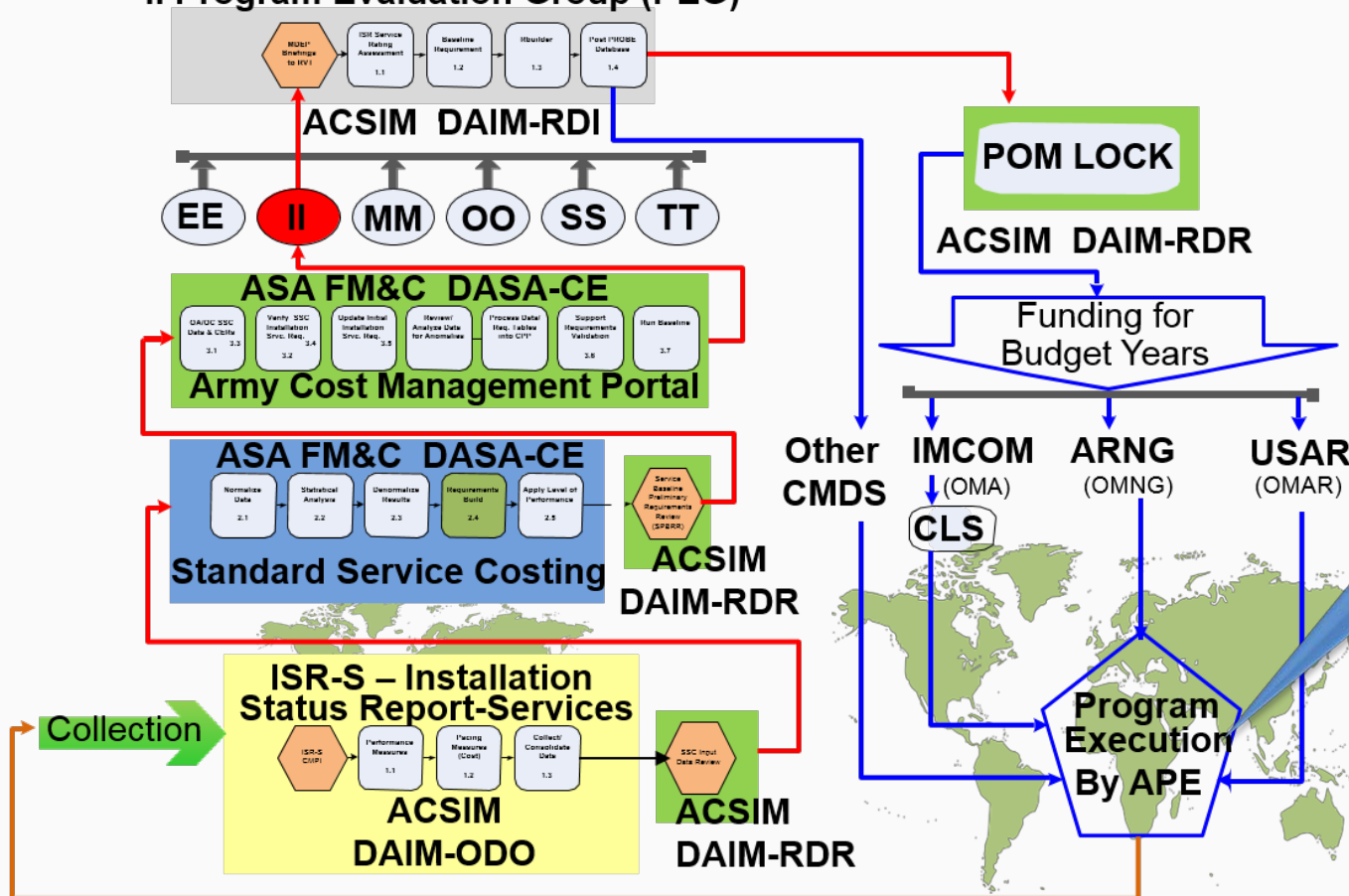
Agenda

Army Cost Management

- Cost Management Direction and Guidance
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- **People are Our Most Important Resource - Cost Management Training**

High Level CM Training Strategy

High Level Strategy:

- Train analysts and leaders in key decision making positions (What does "right" look like?)

- Integrate Army CM policy into Army's CM/RM Career Training Programs (What does "Army right" look like?)

- Recognize CM Excellence:
  - CM integrated in decision forums
  - Cost Managed Organization

https://acm.army.mil

Cost Management Training & Education

Graduate Level Education

at the University of South Carolina			
TERP10	4 week	12	* Credits count towards USC MBA * Army sustainers gain an operational level understanding of SAP * Provide better understanding of Army interrelated ERP systems (GFEBS, GCSS-A, IPPS-A)
Business Analytics Course	4 Week	12	*Provides analytic training that never before existed within the Army * Leverages untapped capabilities within GFEBS/Business Intelligence environment *CPE credits for CDFM, and FM Certification Program
CMCC	4 Week	12	* FM Professionals receive industry best practices in business/ finance * Fulfills requirement for DoD Certification Program and CDFM

Command Sponsored Certification

locally offered		
Cost Management Basics Course	2 weeks	* Certification Focused Training with using existing training: CBA Fam, LSS Green Belt, on-line DL, 1 week in class

Army Cost Management (ACM) Portal
Main · Knowledge Center · Apps · Metrics ·

Knowledge Center — Apps — Metrics

Army Training

at Army Financial Management School		
Principles of Cost Accounting & Mgmt	3 Weeks	* Cost Terms * Cost Concepts * Fundamentals of Cost Accounting * Practical Exercises
Intermediate Cost Accounting & Mgmt	3 Weeks	* Cost Flow Methods * Analysis and Reporting * Practical Exercises * Complex Case Studies * Decision Support

at Command General Staff College		
Financial Based Decision Making	TBD	* CGSS willing to offer future elective * Cost Management and/or CBA focus *Class in Development with DASA-CE/OBT

Cost Benefit Analysis Training

at PDI		
CBA Training for Analysts	3 hour	* Analyst focused familiarization course *FM Certification Program
CBA Training for Managers & Execs	3 hour	* Management focused familiarization course *FM Certification Program

local and CE trainers		
4 Day CBA Course	4.5 Days	* Case based course leveraging HQDA lessons learned * HQDA certified trainers and CE trainers * Analytically focused methodologies

https://acm.army.mil

Army Cost Management

- Cost Management = Good Stewardship

- We are learning how to harness our data to work for us

- Help create the demand for CM - how we inform Army decisions will change the culture

Contact Information

- **Army's Cost Management Knowledge Center:**
  - https://acm.army.mil
    - Register for Access (Requirement is AKO and Army CAC)
  - Guidance and Information on Year-end Activities
  - Cost Management Handbook, Cost Transfer Guidance, …
  - Command Cost Model Documentation

- **Questions?**

- **Michael.a.ramsey28.civ@mail.mil**

BACKUP

Army Cost Management

Army Cost Framework Methodology

➢ Scope & requirements:
  - Align Army enterprise and organizational priority **Performance Goals to Cost Objectives**

➢ Develop **business model** – link **C**ustomers, **O**utput, **P**rocesses, **I**nputs, and **S**uppliers (COPIS)
  - Enterprise Level
  - Organizational Level

➢ Develop **Cost Model Blueprint**

➢ Design rationale

➢ Implementation plan

➢ Verification & Validation

ACF Methodology

Verification and Validation · Scope and Requirements · COPIS Business Model · Cost Model Blueprint · Design Rationale · Implementation Plan
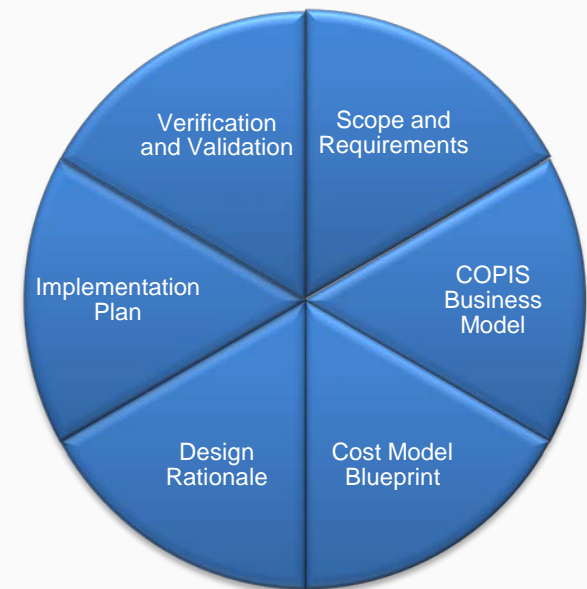
ACF Workflow Tool

Implementation of the Army Cost Framework Methodology – Workflow tool

Army Cost Framework Methodology – Scope & Requirements
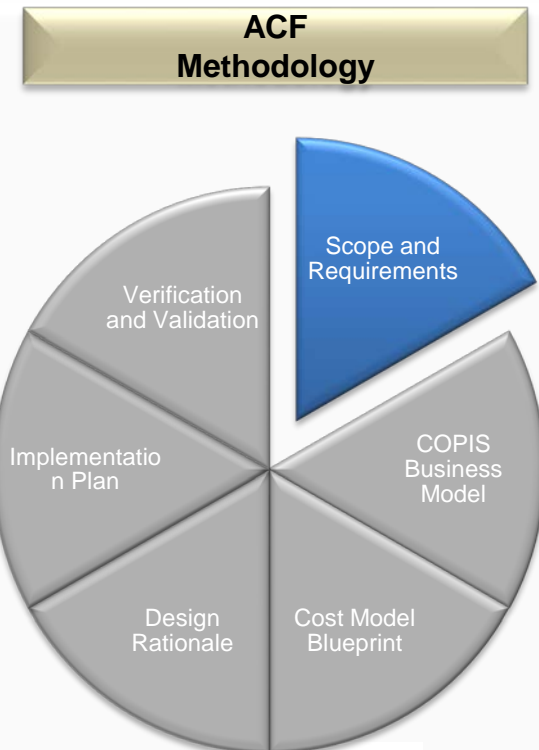
- ➢ Define scope and priority goals & programs
  - HQDA Enterprise level
  - CMD Organizational Level

- ➢ Define and align performance goals and cost objectives in strategic plans

- ➢ Document performance and cost metrics
  - Army Standard Cost Model Document
  - CMD Cost Models Documents

- ➢ Track performance & cost metrics in SMS

ACF Methodology

Pie chart segments: Scope and Requirements, COPIS Business Model, Cost Model Blueprint, Design Rationale, Implementation Plan, Verification and Validation

Document covers:
- The Army Standard Cost Model Document — ERP Standard Cost Model
- Command Cost Document — U.S. Army FORSCOM Command (FORSCOM)
- Command Cost Model Document — U.S. Army Europe Command (USAREUR)
- Command Cost Model Document — U.S. Army Reserve Command (USARC)

Army Cost Management

- ➢ **Define Business Model (COPIS)**
  - HQDA Enterprise level
  - CMD Organizational Level

- ➢ **Define and map Customer(s), products/services, processes, inputs, and suppliers**

- ➢ **Define authoritative data sources & data capture strategy**
  - Structured
  - Unstructured

- ➢ **Define performance & cost metrics across the business model**

- ➢ **Define Cost Movement business rules**
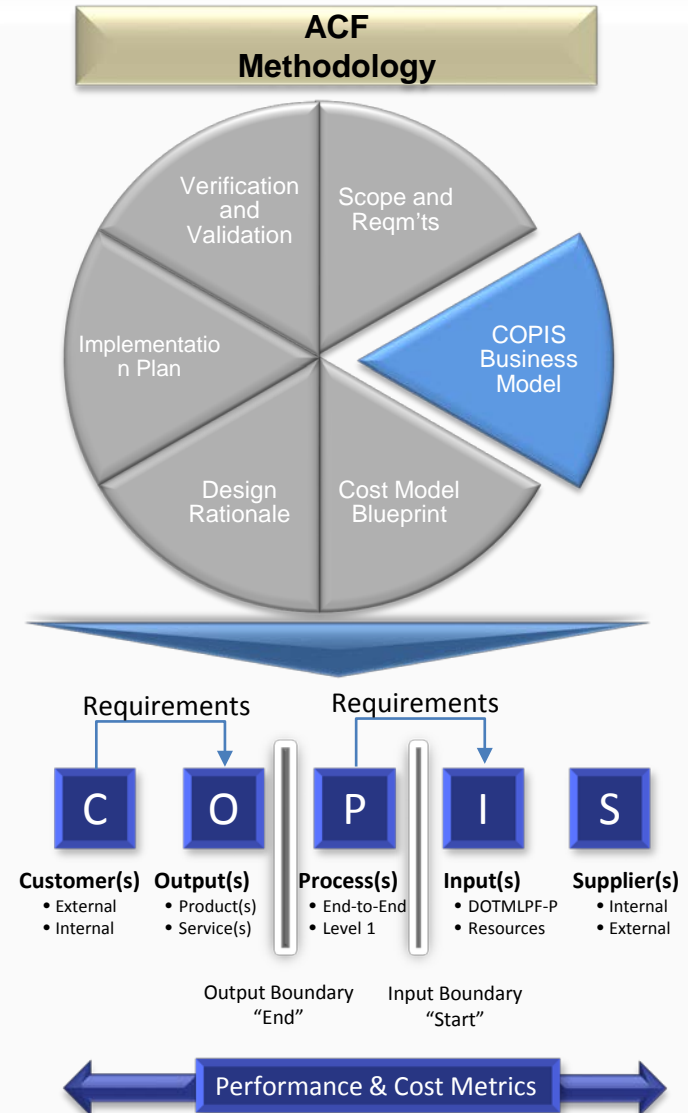
ACF Methodology

Customer(s)	Output(s)	Process(s)	Input(s)	Supplier(s)
• External	• Product(s)	• End-to-End	• DOTMLPF-P	• Internal
• Internal	• Service(s)	• Level 1	• Resources	• External

Output Boundary "End" Input Boundary "Start"

Performance & Cost Metrics
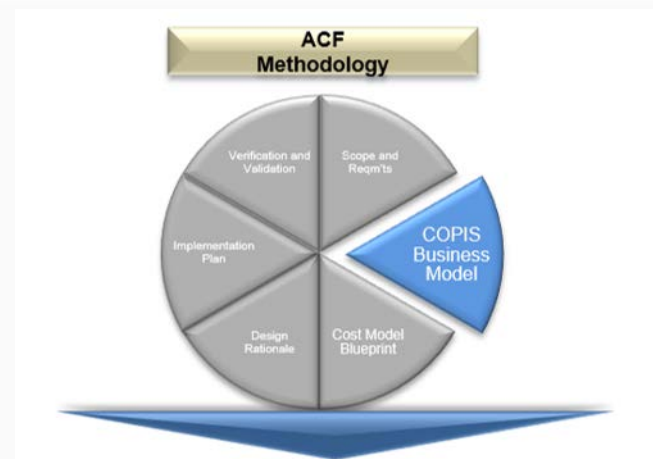
Army Cost Management

CUSTOMER:
- ❑ Identify main Customer(s) and outcomes (i.e., performance requirements) to model
- ❑ Define requirement(s), plan/actual performance, and authoritative data source(s)
- ❑ List performance measures & metrics
- ❑ List reporting to inform leadership decision making

OUTPUTS:
- ❑ List main product(s)/services required to achieve the outcome goals
  - ❑ Include cost and quantities plan/actual, and data source(s)
  - ❑ List output metrics and reports to inform decision making
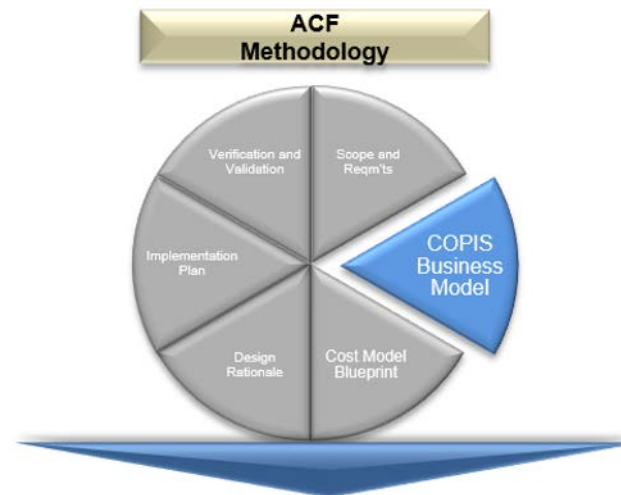
Army Cost Management

PROCESS:
- ❑ List first and last step in process
- ❑ Summarize the main 3-6 steps
- ❑ List the process requirements

INPUTS:
- ❑ List main inputs required by the process
  - ❑ Include cost and quantities plan/actual, and data source(s)
  - ❑ List input measures, metrics and reports to inform decision making

SUPPLIER(S) :
- ❑ List main source(s) providing main inputs
- ❑ List supplier(s) measures, metrics, and data sources
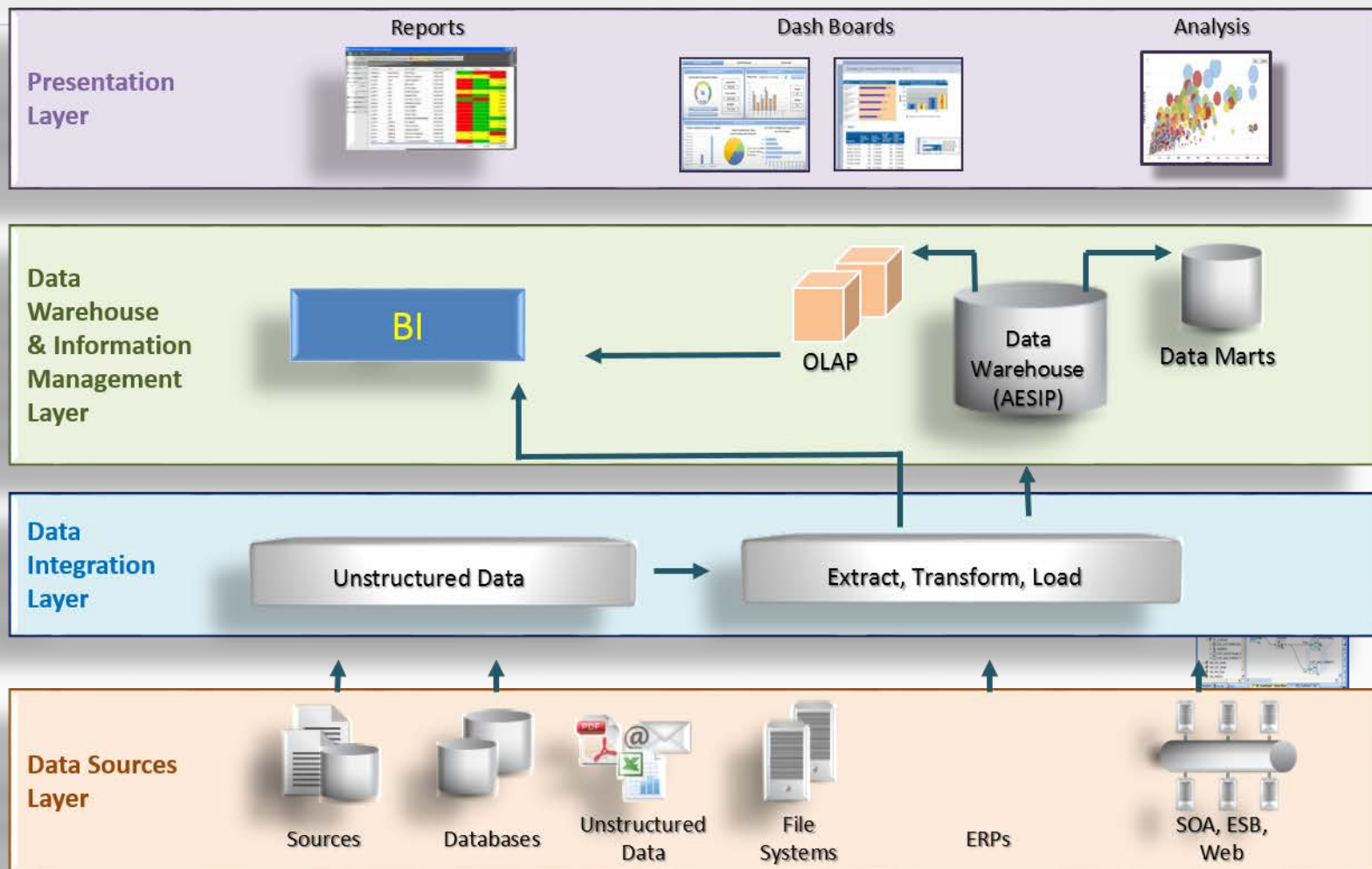- ❑ List reporting elements

ACF Methodology — COPIS Business Model diagram (Verification and Validation, Scope and Req'ts, Implementation Plan, Design Rationale, Cost Model Blueprint, COPIS Business Model)

PROCESS	INPUTS					SUPPLIERS				
Work Performed by the Organization	Materials, information, and other resources the suppliers provide that are consumed or transformed in the process					Systems, people, organizations, or other sources of the material information, or other resources that are consumed or transformed in				
Process Performed	Input	Input Measure	Input Metrics	"As-Is" Auth. Data Source	Reporting Elements	Supplier	Supplier Measures	Supplier Metrics	"As-Is" Auth. Data Source	Repo Eleme
Enter the Process that requires a Cost Framework design, ie, Program, Organization, Readiness, Weapon System, etc.	Determines what is needed to produce the outputs. Inputs can include materials, people, machines, IT systems, information, or anything else that is necessary for the process to run. Brainstorm and capture the crucial ones under the Inputs column. They are Nouns (a "thing," which includes information). Should avoid verbs	An amount or degree of Something. # of Instructors, # Service Reps, Hrs spent on..., Cost of input materials	Metric is a derivative of Measure. Was the Instructor Effective? Did more input hours increase Quality? Does higher quality materials produce better Product?	Which Source System currently feeds Input Data? LMP, GFEBS, GCSS, DTS, PPBBOS, ODS, SPS, CEFMS, SOMARDS, ATAAPS, DCPS, etc.??	BI Labor, Payroll, SoF by Attribute, Cost By, etc	The internal/external Suppliers of the Inputs required for the Process. Document the suppliers of each input under the Suppliers column. It visually depicts which suppliers provide which inputs.	An amount or degree of Something. # of Suppliers, % of Vendors, etc.	Metric is a derivative of Measure. How many Suppliers were Internal? What percentage of Vendors were SDVOSB? Did more Suppliers Decrease/Increase Speed?	Which Source System currently feeds Data? LMP, GCSSA, GFEBS, ODS, SPS, CEFMS, SOMARDS, ATAAPS, DCPS, GPC, etc.	BI Labor, Payroll, S Attribute, By, etc, A

Define Data Collection & Capture Strategies

Army Cost Management

Data

Common Data Value
Common Exchange Mechanism
Common Entity Model

A
B

Presentation Layer — Reports, Dash Boards, Analysis

Data Warehouse & Information Management Layer — BI, OLAP, Data Warehouse (AESIP), Data Marts

Data Integration Layer — Unstructured Data, Extract, Transform, Load

Data Sources Layer — Sources, Databases, Unstructured Data, File Systems, ERPs, SOA, ESB, Web

Cost Collection & Movements

Primary and Secondary cost elements are utilized to capture initial costs and perform follow-on cost movements.

Cost Assignment

A **cost assignment** is the direct association to the receiving cost collector:
- *direct relationship* with the cost collector
- initial capture of costs

Cost Transfer

A **cost transfer** is an after-the-fact reposting of cost from one cost collector to another:
- *corrective action* when initial cost assignment was incorrect for the cost collector assigned or budget address consumed
- moves entire or portions of original cost assignment

Cost Allocation

A **cost allocation** is a rule based calculation to approximate the costs to a receiver cost collector:
- *indirect relationship* with receiver cost collector
- defined by % splits or $ per Qty calculated
- utilized to meet full cost objective by organization, product/service, or customer

Army Cost Management

- ➢ **Develop Cost Objects & ERP Elements**
  - Cost elements(CE)
  - Work Breakdown Structure (WBS)
  - Internal Order(s) (IO)
  - Statistical Key Figures (SKFs)

- ➢ **Design Cost Models**
  - Tagging strategy:
    - Cost Objects and ERP elements IAW COPIS structure
    - Outcomes, Outputs, Inputs

- ➢ **Design Cost by reports**
  - Analytical decision support
  - Decision making forums

- ➢ **Document Blueprint in**
  - Army Standard Cost Model
  - Design Decision Document,
  - CMD Cost Model

ACF Methodology

The Army Standard Cost Model Document — ERP Standard Cost Model

Design Decision Document For U.S. Army — Cost Elements (CEs)

Command Cost Model Document — U.S. Army FORCES Command (FORSCOM)

Army Cost Management
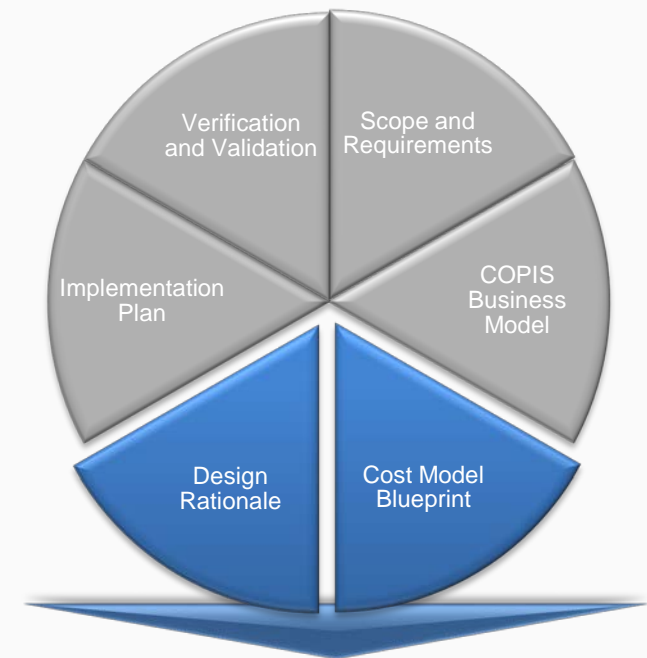
- **Develop implementation plan**
  - Leadership approvals
  - Priority goals & scope
  - COPIS
  - Cost Model Design
  - Metrics
  - Cost Reports

- **Build Cost Model**
  - Tag Cost Objects and ERP elements
  - Master data

- **Build Cost Reports**
  - Analytical decision support
  - Decision making forums
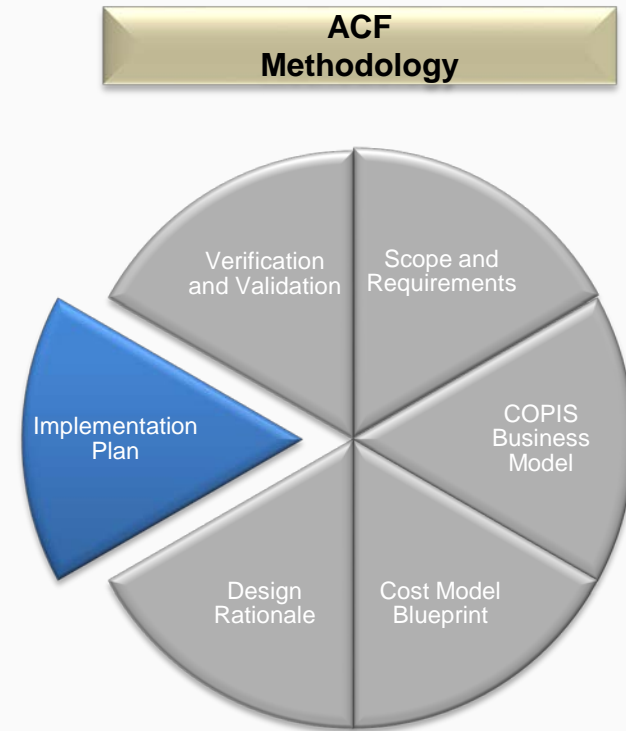
ACF Methodology

Verification and Validation | Scope and Requirements | COPIS Business Model | Cost Model Blueprint | Design Rationale | Implementation Plan

Army Cost Management

- ## Verify Cost Model
  - Tagging strategy of CO and ERP elements IAW COPIS
  - Performance and cost Metrics
  - Cost Reports
  - Support Cost Planning
  - Support Cost Variance Analysis

- ## Validate Cost Model
  - Run Cost Reports vs. requirements

  - Run Cost Plan, Variance Analyses, etc.

ACF Methodology

Pie chart segments:
- Verification and Validation
- Scope and Requirements
- COPIS Business Model
- Cost Model Blueprint
- Design Rationale
- Implementation Plan
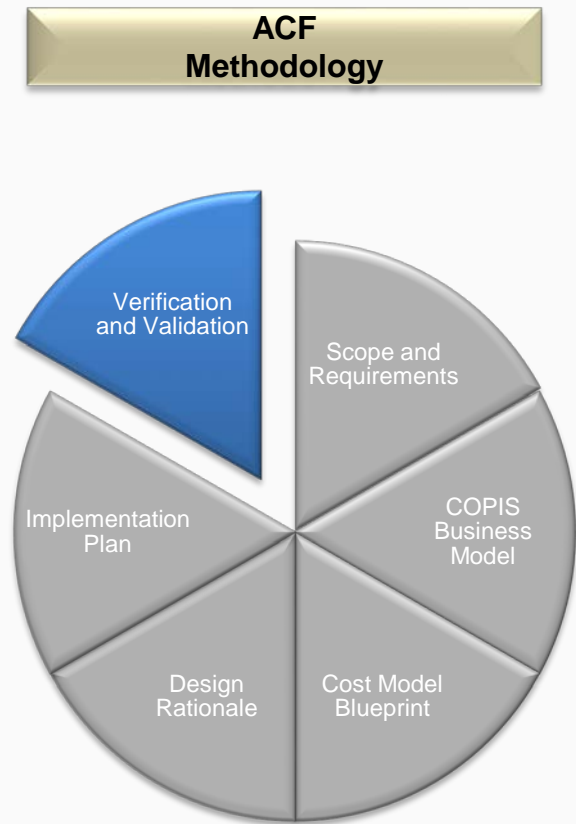
Why Cost Management?

- Cost information demand – legislative, regulations, policies

- Increase Army financial transparency

- The Army is moving in the direction to change and optimize current business practices to rely more heavily on Resourced-Informed decision making.

- Provide a collaborative approach for Resource and Operational / Functional Managers to understand relevant costs and optimize use of resources in achieving Army's priority goals.

- Cost Management promotes a results driven performing organization, creating value to the Army.

Army Provides Multiple Tools to Assist Leaders

Army Cost Management

- Army Directive 2016-05 (Building Training Readiness)

- U.S. Army Cost Management Strategic Implementation Plan (CMSIP) 2015-2025

- General Fund Enterprise Business System

- Global Combat Support System-Army

- AR 5-1 (Business Operations Performance Mgt.)

- Cost Management Steering Group (CMSG)

- Army Financial Management Optimization (AFMO)

CMSIP

GFEBS

GCSS-Army
GLOBAL COMBAT SUPPORT SYSTEM - ARMY

CMSG

AFMO

Army leadership (CMSG) integrates these tools & others, enabling this directive.

Army Cost Management
Line of Effort 6

Perform Cost Planning	→	Perform Cost Accounting	→	Perform Cost Analysis	→	Perform Cost Controlling

Definition: **Managing business operations efficiently and effectively** through the accurate measurement and thorough understanding of the **"full relevant cost" of an organization's business processes, inputs, outcomes, products, and services in order to provide the best value to customers** using the five steps of the E2E CM process: Developing & Maintaining a Cost Framework; Cost Planning; Cost Accounting; Cost Analysis; and Cost Controlling across Army E2E processes and PPBE key decision forums.

Major Objectives:

I.   **Align strategic (performance) goals with cost** objectives, models, and reporting

II. **Integrate** CM policy, procedures, models (e.g. FORCES, OSMIS) and reporting across key decision forums (e.g. PPBC, Mid Year Review)

III. Establish and manage **Army Cost Framework leveraging ERPs**

IV. Establish, document & maintain **audit compliant CM E2E process**

V.   Establish, sustain and **recognize Cost Managed Organizations (CMO)**

CMSG to Guide Strategic Implementation

Army Cost Management

1. POLICY

Army Policy
- Army Information Needs
- Army Posture Statement
- Army Financial Management Optimization (AFMO)
- Army Directive 2016-16: Changing Management Behavior: Every Dollar Counts"

Policies and Regulations
- AR 1-1 (PPBE)
- AR 5-1
- AR 18-11
- APGM
- Command level Policies and Regulations

OSD Policy & Legislative Sources
- Army Financial Transparency
- NDAA 10, 12, 13, 14
- GAO Reports
- Better Buying Power
- CFO Act
- GPRA

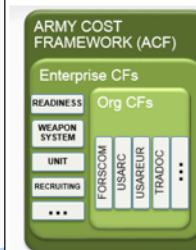## 2. STRATEGY: PROCESS, SYSTEMS, & TRAINING

U.S. Army Cost Management Strategic Implementation Plan 2015-2025

CM Integration in PPBE processes and decision forums

PPBE Decision Committees/ Processes

Train analysts & leaders in key decision positions

Army Cost Framework

ARMY COST FRAMEWORK (ACF)

Enterprise CFs

READINESS Org CFs

WEAPON SYSTEM

UNIT

RECRUITING

FORSCOM USARC USAREUR TRADOC

GFEBS

GCSS-Army
GLOBAL COMBAT SUPPORT SYSTEM - ARMY

IPPS-A
INTEGRATED PERSONNEL AND PAY SYSTEM - ARMY

LMP

3. DECISION MAKING

Enabled Army's Highest Level of Readiness with the Greatest Efficiency

Army Financial Management Optimization (AFMO)

On 11 Sep 12, SecArmy directed ASA(FM&C) to:

- ❑ **Develop & submit** a fully staffed & coordinated implementation plan – Auditable by 2017
- ❑ **Conduct a review of Army Financial Management:** Processes, Policies, Organization, Workforce, Training
- ❑ **Recommend:** Best Practices, Improved Operations, Greater Efficiencies
- ❑ **Develop an implementation plan,** under the direction of the Chief Management Officer (CMO)

AFMO Goals and Objectives

1. Achieve and Sustain **Auditability**
2. Deliver Financial Management Operations **Effectively and Efficiently**
3. Improve and Sustain **Readiness in Army Financial Management Elements**
4. Provide Financial Information and **Business Analytic Support for Improved Decision Making**

Increased Capability at Reduced Cost

Army Financial Management Optimization Supports the Army of 2025 and Beyond

Army Cost Management Business Process

Strategic Environment

AFMO Campaign Plan

LOE 1: **Systems** Domain

LOE 2:   Business Processes

LOE 3: **Organizations**

LOE 4: FM Professional Workforce

LOE 5: **Internal Controls** Environment

LOE 6: Army **Cost Management**

LOE 7: **Strategic Management**
        & Communications

AFMO Objectives

(1) Achieve and Sustain **Auditability**

(2) Deliver **FM Operations** Efficiently and Effectively

(3) Improve and Sustain **Readiness** in FM Elements

(4) Provide Financial Information and Business Analytic Support for Improved **Decision Making**

AFMO End State

An integrated **effective** and **efficient** end-to-end financial management **enterprise** operation, **optimized** to provide necessary **resources** to meet the **Army's missions** with proper **stewardship** and **accountability** of resources and providing **accurate** and **timely** financial information and **analysis** for actionable **decision making** that will receive a favorable Financial Statement **clean audit opinion**.
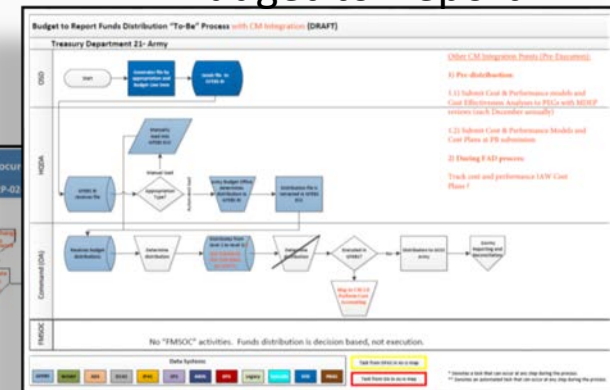
Document Audit Ready Cost Management Processes

✓ **Document E2E process (L0-L7 ERP transactional tasks)**
  - ✓ Mapped audit relevant tasks
  - ✓ Mapped Job aids, roles by org., and training
  - • Business Process Procedures (BPP)

• **Document Internal Controls for audit relevant CM tasks**
  - • Budget impacts (e.g. cost allocations)

• **Integrate CM across FM E2E processes:**
  - ✓ Budget-to-Report
  - ✓ Procure-to-Pay
  - ✓ Order-to-Cash
  - • PPBE

CM Audit Relevant Tasks:

• Cost frameworks:
  - • *Cost allocation methods*
  - • *Cost accruals*
  - • *Cost elements (primary/secondary)*
  - • *Labor activity types*
  - • *Work breakdown structures*

Budget-to-Report

Procure-to-Pay

Order-to-Cash

Army Cost Management

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