July 2023

Army Cost Management Strategic Plan 2023- 2028

Deputy Assistant Secretary of the Army, Cost and Economics

Contents

Executive Summary

Cost Management is managing business operations efficiently and effectively through the accurate measurement and thorough understanding of the full relevant cost and performance outcomes associated with an organization's business processes, products, and services to provide the best value to customers.

Several statutes, to include the Chief Financial Officers Act of 1990 and the Federal Financial Management Improvement Act of 1996, reference cost management objectives to maintain financial management systems that provide plan and actual cost information for use in assessing programs. Cost management is not limited to the Financial Management (FM) community. Instead, it is a relevant and critical tool that enables Operational Commanders, managers, and personnel at all levels to make resource-informed decisions that optimize available resources to accomplish the Army mission.

Cost Management is implemented through a process called The Army's Cost Management End-to-End (CM E2E) at the highest level consists of five process steps:

- Establish Cost Information Framework – Determine cost objectives and develop a cost model.
- Perform Cost Estimating and Planning – Determine expected outputs and plan the related cost.
- Perform Cost Accounting – Capture the actual costs and outputs.
- Perform Cost Reporting and Analysis – Perform analysis of the planned verses actual costs.
- Perform Cost Controlling – Adjust cost processes and policies as needed based on analysis results.

The proponent for the CM E2E process is the Deputy Assistant Secretary of the Army for Cost and Economics (DASA-CE). This strategic plan outlines the goals and associated lines of effort that the DASA-CE will execute, in conjunction with other senior leaders, to integrate the cost management fundamentals into existing key processes, which align to the financial, budget, and audit missions of the Army.

Strategic Goal 1: POLICY Identify and improve Army policies to include the cost management activities necessary to achieve the Army's management objectives.

Develop Cost Information Framework (CIF) policies for specified business processes to build and manage cost and performance data structures.

Strategic Goal 2: DOCTRINE Update and expand the cost management handbook which will serve as the link between the CM E2E process, training, and system configuration/utilization.

Strategic Goal 3: TRAINING Strengthen cost management capabilities in the workforce through training, best practices, and knowledge management.

Strategic Goal 4: SYSTEMS Support Enterprise Business System-Convergence (EBS-C) to promote inclusion of cost management end-to-end capabilities.

 Strategic Goal 5: GOVERNANCE Establish governance processes to ensure the robust implementation of cost management policy, doctrine, training, and system strategic goals.

Leader Message

As the DASA-CE I have been directed by the Assistant Secretary of the Army for Financial Management and Comptroller ((ASA (FM&C)) to lead the implementation of Cost Management throughout the Army and have created this strategic document to aid in this endeavor. This plan is directly in line with the ASA (FM&C) Campaign Plan 2028 lines of efforts to effectively utilize the Army's resources and financial management systems, as well as provide the workforce with the tools necessary to reach the Army's objectives.

At each level of the Army, cost management plays a different role in assisting decision makers to understand and effectively use cost data. The Army Cost Management Strategic Plan represents the Army's commitment to provide a strategic direction to Army leaders and empower them to meet their performance requirements, manage budgets and resources, and make financial decisions in an effective and meaningful way.

EBS-C is a new initiative that seeks to consolidate Enterprise Resource Planning Systems (ERPs) and provide Senior Leaders and Commanders the information they need to make resource informed decisions. Enhancing Army's data capture strategy in our ERPs will provide useful cost data that links inputs to outputs.

This plan outlines the strategic goals, CM E2E process, and steps to move towards a cost-conscious culture to support the Army Cost Management initiative. 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.

Stephen B. Loftus
Deputy Assistant Secretary of the Army
Cost and Economics

1. Cost Management Strategic Goals

Strategic Goal 1: Policy
Strategic Goal 2: Doctrine
Strategic Goal 3: Training
Strategic Goal 4: Systems
Strategic Goal 5: Governance

Strategic Goal 1: Cost Management Policy

Identify and improve Army policies to include the cost management activities necessary to achieve the Army's management objectives.

Develop Cost Information Framework policies for specified business processes to build and manage cost and performance data structures.

Cost management processes assist and enhance many key FM processes. Further integration is needed to maximize the value of cost management to the Army Acquisition process as well as other key Army FM processes such as budget and execution reporting.

Policies that will be reviewed include FM, Planning, Programming, Budgeting, and Execution (PPBE), and internal controls policies.

Furthermore, new policies will need to be created to provide standardized cost tracking for recurring business processes via CIFs.

1. Cost Management Policy Lines of Effort (LOEs):
1.1 Update current Army policy to incorporate Cost Management.
- 1.1.1 Complete a gap analysis of Army-wide cost, financial, and budget policies along with industry best practices. Document gaps and identify where Cost Management policy can be best incorporated.
  - Army Regulations
  - Army Field Manuals
  - Army Doctrine Publications
  - Department of Defense Financial Management Regulation
  - DoD Cost Management Strategy
- 1.1.2 Develop detailed recommendations for updates based on gap analysis and the Army End-to-End (E2E) process.
- 1.1.3 Update Army FM policies to incorporate Cost Management.
1.2 Develop CIF policies.
- 1.2.1 Determine recurring business processes that will require a standard CIF.
- 1.2.2 Develop templates and business rules for the standard CIFs.
- 1.2.3 Establish a policy for each of the specified CIFs outlining the development process.

Strategic Goal 2: Cost Management Doctrine

Update and expand the cost management handbook which will serve as the link between the cost management end-to-end process, training, and system utilization.

Develop the Cost Management Handbook to outline the cost management principles and required procedures. The cost management handbook will capture the CM E2E and set the foundation for cost management in the Army.

2. Cost Management Doctrine LOEs:

2.1 Complete a gap analysis of Army-wide cost, financial, and budget doctrine along with industry best practices. Document gaps and identify where Cost Management policy can be best incorporated.

2.2 Update the CM E2E Process.

2.3 Develop detailed recommendations for updates based on gap analysis and the Army E2E process.

2.4 Update the Army's Cost Management Handbook to describe the activities outlined in the CM E2E process.

Strategic Goal 3: Cost Management Training

Strengthen cost management capabilities through training, best practices, and knowledge management to transform to a cost culture.

Cost management training for the Army should align to organizations' goals while incorporating the skills necessary to achieve those goals. The training must also align to the Army CM E2E process. The Army, cost management practitioners and decision makers must understand cost drivers, unit costs, the relationship of fixed and variable costs, and the full cost of requirements to achieve mission success.

3. Cost Management Training LOEs:

3.1 Complete a training gap analysis to locate opportunities to improve the Army's understanding of the Army's Cost Management objectives and technical approach. The following courses will be reviewed based on the course curriculums and associated cost management course content.
- Principles of Cost Analysis and Management
- Intermediate Cost Analysis and Management
- General Funds Enterprise Business System (GFEBS) Cost Management
- Cost Management Certification Course
- GFEBS Project Systems
- PPBE Systems

3.2 Develop detailed recommendations for updates based on gap analysis and the CM E2E process.

3.3 Update cost analysis, estimation, and cost management training curriculum.

Strategic Goal 4: Cost Management Systems

Ensure Enterprise Business System- Convergence is configured to include the Cost Management End-to-End process capabilities.

The ERPs are the primary enabler for executing the CM E2E process. It is essential that these systems are designed with CIFs, planning, accounting, reporting and analysis components to effectively capture cost and performance. EBS-C will combine the Army's ERP programs and improve system agility, capacity, speed, and efficiency by seamlessly integrating 24 major Army capabilities across the finance and logistics enterprise. Once merged, the EBS-C system will integrate with enduring systems, providing an all-inclusive view all the time.

By enhancing Army organization's data capture strategy, ERPs allow Army leaders to collaborate and identify high-priority cost objectives. As a result, the Army will generate continuously improving quality of data, increased transparency, auditability, optimized mission performance at best value, and organizational agility to an ever-changing business environment.

4. Cost Management System LOEs:
4.1 Maintain the cost management E2E process within the Army Business Enterprise Architecture.
4.2 Provide cost management expertise to support inclusion of cost management E2E capabilities within EBS-C by actively participating in design, implementation, and development efforts.
4.3 Continue to oversee and optimize Governance, Risk, and Compliance responsibilities for Controlling Roles:
    4.3.1 Manage controlling access to GFEBS roles which have been identified as containing critical transaction codes.
    4.3.2 Maintain oversight over several custom transaction codes which allow users to edit system check tables. This oversight also allows DASA-CE to ensure that like item variables are accounted for using the same field across the Army.

Strategic Goal 5: Cost Management Governance

Establish governance processes to ensure the robust implementation of cost management policy, doctrine, training, and system strategic goals.

The purpose of establishing governance processes is to inform and influence the implementation of cost management policy, strategy, key capabilities, and best practices that align with and enable Army leadership priorities and initiatives. Also important is providing guidance and consulting on Army enterprise cost and performance metrics and capability gaps, as well as make recommendations required for more agile, effective, and efficient decision-making processes.

The governance process will include the maturity model to measure progress of the CM E2E process as well as CIFs to manage data structures.

5. Cost Management Governance LOEs:
5.1 Enforce cost management training to the workforce in conjunction with the following areas:

- Cost Management linkage to PPBE
- Internal Controls
- Audit readiness

5.2 Document a Memorandum of Understanding with the US Army Financial Management Command defining the roles and responsibilities regarding cost management duties.

5.3 Update the Cost Management Maturity Model by determining the key tasks and measures of performance for the CM E2E process to produce a quantitative self-assessment tool.

2. Cost Management Overview

Cost management allows the Army to know the full cost of providing products or services to customers as well as identifying how process or other changes affect these costs and performance outcomes. It is also important when assessing whether the Army is getting good value or whether alternative approaches should be considered to accomplish specific objectives or goals.

Some of the benefits for organizations utilizing the Cost Management Process include:

- Improved Resource-Informed Decision Making
- Improved Capacity Management
- Established Linkage of Cost and Performance Data and Objectives
- Improved Reporting
- Increased Financial Transparency
- Supports audit readiness using standardized Cost Management practices
- Ability to formulate more accurate budgets that are aligned with strategic outcomes and objectives

Cost Management End-to-End Process

The CM E2E process has five phases with level 1, level 2, and operational activity tasks defined. The level 1 CM E2E process phases are defined below.

Figure 1: CM E2E Process Level 1

Establish Cost Information Framework	Perform Cost Estimation and Planning	Perform Cost Accounting	Perform Cost Reporting and Analysis	Perform Cost Controlling
Manage Cost Objective Requirements	Define the Cost Program	Account for Actual Costs	Perform Cost Reporting	Perform Process Improvement or Control Techniques
Manage Cost Reporting Requirements	Establish Planned Costs & Performance Targets	Account for Financial/ Non-Financial Measures & Metrics	Perform Lifecycle Cost Analysis	Implement CM Policy & Procedures
Develop & Manage Cost Model in System	Generate & Maintain Cost Estimates	Perform Actual Allocations & Assignment	Perform Cost & Performance Analysis	Conduct CM Training

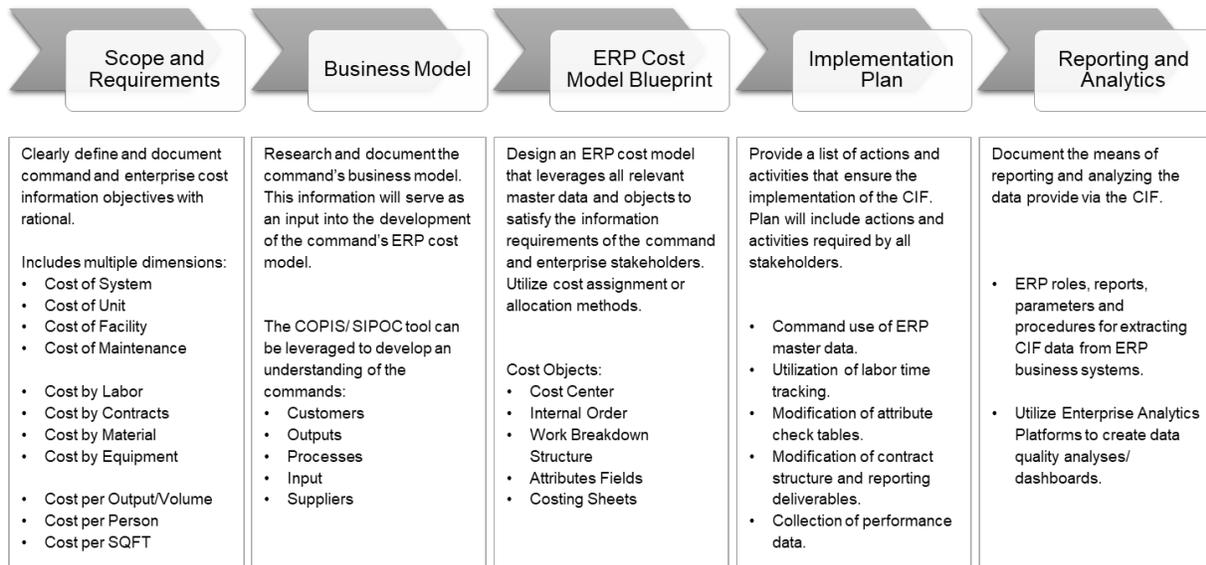**Establish Cost Information Framework** is a set of cost categorizations that are formally used in budgeting, target setting and reporting on costs. The ability to model, capture, and simulate operational measurement of consumed resources (e.g., people, space, equipment) provides insights for performance improvement, value creation, what-if analysis, and the effective and efficient application of the Army resources.

A CIF is a methodology that defines and documents an organizations' cost information requirements, business processes, ERP cost model, and implementation plan for a specified output. CIFs are an integral part of the CM E2E process and are key to standardizing cost data collection processes within the Army. CIFs should be individually defined for an organization's recurring outputs or programs, in which the cost information can be utilized to make resource informed decisions.

The framework will enable robust data structures to address leadership's cost analysis, reporting, and information needs to meet their missions and priority goals successfully.

The following figure provides example steps to develop a CIF:

Figure 2: CIF Development Example

Scope and Requirements	Business Model	ERP Cost Model Blueprint	Implementation Plan	Reporting and Analytics
Clearly define and document command and enterprise cost information objectives with rational. Includes multiple dimensions: • Cost of System • Cost of Unit • Cost of Facility • Cost of Maintenance • Cost by Labor • Cost by Contracts • Cost by Material • Cost by Equipment • Cost per Output/Volume • Cost per Person • Cost per SQFT	Research and document the command's business model. This information will serve as an input into the development of the command's ERP cost model. The COPIS/ SIPOC tool can be leveraged to develop an understanding of the commands: • Customers • Outputs • Processes • Input • Suppliers	Design an ERP cost model that leverages all relevant master data and objects to satisfy the information requirements of the command and enterprise stakeholders. Utilize cost assignment or allocation methods. Cost Objects: • Cost Center • Internal Order • Work Breakdown Structure • Attributes Fields • Costing Sheets	Provide a list of actions and activities that ensure the implementation of the CIF. Plan will include actions and activities required by all stakeholders. • Command use of ERP master data. • Utilization of labor time tracking. • Modification of attribute check tables. • Modification of contract structure and reporting deliverables. • Collection of performance data.	Document the means of reporting and analyzing the data provide via the CIF. • ERP roles, reports, parameters and procedures for extracting CIF data from ERP business systems. • Utilize Enterprise Analytics Platforms to create data quality analyses/ dashboards.

Perform Cost Estimation & Planning process performs activities related to cost estimation and planning. Cost estimating is a process that makes use of historical costs to predict future costs. Cost estimates can be generated in support of budget formulation for material systems, automated information systems, force units, training events, and many other Army programs and projects. Cost estimates are also utilized throughout the Army for prioritization of funding requirements by quantifying the resource impact of alternative options. Cost planning activities occur once the budget is set and the conversion of those resources into products, programs, services, activities, etc., based on the availability of those funds is initiated. Cost planning sets planned cost and quantity and quality targets by resource (e.g., labor, travel, material) and by organizations, products, services, and customers.

Perform Cost Accounting is the reporting of an organization's costs against its cost structure. Cost accounting is the recording and accumulating of all the elements of cost incurred to accomplish a cost objective. Through cost accounting, the Army can assign costs to products, services, processes, projects, and related activities to gain a better understanding of their full cost.

Perform Cost Reporting and Analysis process encompasses the activities necessary to use standard and ad hoc cost and performance reports, dashboards, and analytical models to support future funding requirements generation, and decision making by analyzing information across various business and operational model views (e.g., organizational, labor, systems, materials, equipment) by

processes/activities (e.g., contracting, training) and across time horizons (e.g., historical, current, projections).

Perform Cost Controlling process develops and integrates policies and procedures that enable cost management best practices. The prioritization of organizational goals and missions followed by the reallocation of resources in support of those goals and missions allow management to align resources to their priorities, identify cost efficiencies and gain full value from every dollar. The Perform Cost Controlling process also includes regular activities established to control and monitor practices to ensure reimbursable operation and practices are executed in a fair and consistent manner with visibility and transparency of operations and cost consuming measures.

3. Maturity Model

The cost management maturity model will outline key tasks and measures of performance that should be collected and assessed against specified objectives to measure implementation, improvement, maturity, and sustainment of cost management capabilities across the Army enterprise. The maturity model will be scored based on the five (5) elements of the CM E2E process. The maturity model will be available for organizations to perform periodic self-assessments on implementing the cost management process.

Figure 3: Cost Management Assessment Questionnaire

Cost Management Assessment Questionnaire
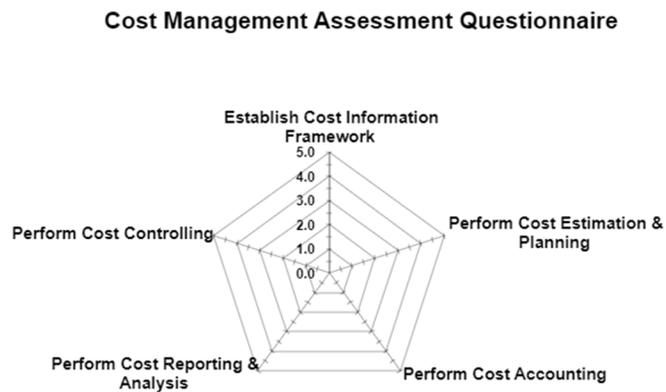
4. Conclusion

The Army Cost Management Strategic Plan represents DASA CE's commitment to provide a strategic direction to Army organizations and empower them to meet their customers' needs in an effective and meaningful way. Army leaders will monitor progress, interpret results, and make decisions that enable each organization to accomplish its mission within existing resourcing constraints. In turn, the diverse workforce of the Army is committed to executing the cost management mission and transforming the Army into an effective cost culture, optimizing resources for decision makers to make better informed decisions as stewards of taxpayer dollars.

Appendix A: Acronyms

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

Cost Information Framework (CIF)

Cost Management End-to-End (CM E2E)

Deputy Assistant Secretary of the Army for Cost and Economics (DASA-CE)

End-to-End (E2E)

Enterprise Business System-Convergence (EBS-C)

Enterprise Resource Planning Systems (ERPs)

Financial Management (FM)

General Funds Enterprise Business System (GFEBS)

Lines of Effort (LOEs)

Planning, Programming, Budgeting, and Execution (PPBE)