



Army Cost Management Steering Group

**20 May 2015
1300-1500
3C349**

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Agenda



- Opening Comments
- Actions Update from 2nd QTR FY15 CMSG
- Army Financial Management Optimization (AFMO):
LOE 6: Establish Army Cost Framework
- Cost Management Discussion
“Top Ten” Cost Management Challenges
- Command Presentations: USACE; IMCOM
- Closing Comments



Cost Management Steering Group



Vision: A forum to **shape and inform** the Cost Management (CM) **policy, strategy, ERP utilization, and best practices** aligned with Army priorities. Provide **guidance and understanding** on Army enterprise level **cost needs, performance metrics, capability gaps,** and recommendations required for more agile, effective, and efficient decision making processes.

Expected Outcomes:

- Obtained Army-wide support to successfully implement CM.
- Developed, implemented, and monitoring progress on Army's cost data framework to meet the information needs of Army organizations and HQDA.
- Solved ERP CM issues including: better utilization of CM capabilities (Cost Planning, Cost Allocating, Cost Reporting) within Army ERPs; Standardized CM master data usage; solved process issues (e.g. direct/reimbursable tagging of personnel); integrated cost information across ERPs.
- Reengineered key Army business processes integrating cost information supporting Army business decisions.

18 November 2014, Inaugural Meeting:

- Army Cost Management: Why and what is needed
- CMSG Charter
- Army Standard Labor Time Tracking
- Command Cost Model Documents

18 February 2015, 2nd Quarter FY15 Meeting:

- Cost Managed Organizations: Background, Objective and Focus.
- Cost Management Strategic Implementation Plan
- Cost Management Certification Course Update
- FORSCOM and OCAR/USARC Presentations



Actions Update



- Charter: Sec Army Signed 25 February 2015
- Army Standard Labor Time Tracking:
 - Organizational Requirements
 - Study Plan Guidance
 - Study Plan
 - SAG
- Cost Management Strategic Implementation Plan:
 - Adjudicated Comments
 - Incorporating Comments and Feedback



Army Financial Management Optimization (AFMO): LOE 6: Establish Army Cost Framework

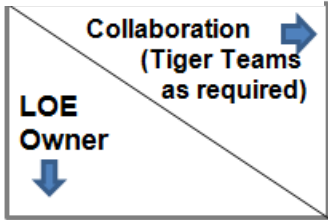


"Driving Change in the Financial Management Enterprise" AFMO Campaign Plan (Proposed)



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Strategic Environment



OPR: DASA FIM LOE 1: Maximize Financial System Domain/ ERPs Capability

OPR: TBD LOE 2: Standardize Business Practice and Processes

OPR: ABO LOE 2a: Planning, Programming, Budget, and Execution (PPBE)

OPR: DASA-FO LOE 2b: Financial Management Operations

OPR: DASA-CE LOE 2c: Cost Management

OPR: TBD LOE 2d: Manpower Management

OPR: TBD LOE 3: Organizational Construct

OPR: USAFMCOM LOE 3a: USAFMCOM Transformation

OPR: USAFMCOM LOE 3b: FMSOC Pilot

OPR: CMD G8/OA LOE 3c: OA Transformation

OPR: COMP. PO/AFMS LOE 4: Fully Trained & Certified Workforce

OPR: DASA FO LOE 5: Financial Improvement Plan

OPR: DASA CE LOE 6: Establish Army Cost Framework

OPR: AFMO TF LOE 7: Strategic Management & Communications

- AFMO Objectives**
- (1) Enhance Auditability
 - (2) Optimize FM Systems, Workforce, and Operations
 - (3) Sustain Readiness in FM Units
 - (4) Provide Better Analysis for Decision Making

AFMO Campaign Desired 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 Management Statement clean audit opinion

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Top Three HQDA AFMO CM Tasks



Aligned to AFMO Objective #1 Enhance Auditability

- Task 1.1.1: Synchronize CO Module with the FI and FM Modules (Ex: Cost Elements, Validation Rules)
- Task 1.2.1: Publish policy and guidance on the Standard Army Cost Framework (ERP Cost Models, Cost movement methodologies, and cost data capture strategies).

Aligned to AFMO Objective #4 Better Analysis for Decision-Making

- Task 4.2B: Leverage Cost Management SES/GO level steering groups to establish an integrated Cost Framework across the ERPs.

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AFMO LOE 6: The Army Cost Framework (1 of 4)



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AFMO Campaign Objectives & End States	LOE 6 Outcomes	Measures of Effectiveness	Key Tasks	Measures of Performance	Organization (OPR/OSR)
<p>1. Enhance Auditability</p> <p>Current FM operations do not always produce auditable outcomes, as Army FM was previously composed of many disparate systems and decentralized organizational structures which resulted in non-standard business practices. A key priority of this review was to organize our community into an Enterprise with more uniformity with standard business practices in order to effectively and efficiently meet Army mission requirements and also achieve and maintain audit readiness.</p> <p>End State: The FM enterprise is organized in a uniform fashion with standardized business processes, practices and procedures that aligns accountability and responsibility.</p>	<p>1.1: Established quality cost data and information to ensure financial transparency and accurate reporting compliant with DoDFMR, CFO Act, FFMIA.</p>	<p>MOE 1.1 Improved reporting on Army outcomes achieved as a result of resources consumed.</p> <p><i>Indicator:</i> <i>Cost Management Data Quality Assessment Metrics (Lead: CE)</i></p>	<p>1.1.1 Synchronize CO Module with the FI and FM Modules (Ex: Cost Elements, Validation Rules)</p>	<p>MOP: Quality cost (execution) and cost master data available for the resource-informed decision-making process.</p> <p><i>Indicators:</i> 1.1.1: % completion in identifying and addressing critical integration points of the ERP FM Business Process Owners. 1.1.2: % of organizations with enhanced (from the current documented baseline in the CCM Document) cost model constructs. 1.1.3: Lead time associated with correcting cost management data error logs. 1.1.4A: % Errors in Cost Master Data (Internal Orders and WBS Elements) in the GFEBs Data Validation Tool 1.1.4B: Lead time for cost object creation related help desk tickets 1.2.1: Increased documentation of the Army's cost management business processes.</p>	<p>1.1.1: Lead: CE Assist: FIM, FO, ABO</p>
			<p>1.1.2 Establish, integrate, manage, and report a comprehensive cost structure supports PPBE processes for data accuracy, transparency, accountability, and reporting.</p>		<p>1.1.2A: Lead: OAs, validated by CE</p>
			<p>1.1.3 Monitor cost data to ensure it is accurately and timely recorded and reported. (FFMIA)</p>		<p>1.1.3: Lead: USAFMCOM, PMGFEBs</p>
	<p>1.1.4 Manage quality control of Cost Master Data.</p>	<p>1.1.4: Lead: OAs & USAFMCOM, Validated by CE</p>			
	<p>1.2 Established and standardized cost management processes compliant with regulations (e.g. DoDFMR, GPRA, CFO Act, FFMIA).</p>	<p>MOE 1.2 Status of compliance with regulatory requirements.</p> <p><i>Indicator:</i> <i># of key procedures and practices documented (Lead: CE)</i></p>	<p>1.2.1 Publish policy and guidance on the Standard Army Cost Framework (ERP Cost Models, Cost movement methodologies, and cost data capture strategies).</p>		<p>1.2.1: Lead: CE Assist: FO, FIM, ABO</p>

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AFMO LOE 6: The Army Cost Framework (2 of 4)



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AFMO Campaign Objectives & End States	LOE 6 Outcomes	Measures of Effectiveness	Key Tasks	Measures of Performance	Organization (OPR/OSR)	
<p>2. Optimize Workforce & FM Operations</p> <ul style="list-style-type: none"> -Leverage the ERPs -Optimize the Workforce -Minimize Redundant Capabilities -Right-size the workforce -Develop a Training & Certification Strategy <p>End State: More efficient & effective processes for better decision support; work is placed where optimally performed; unnecessary redundancy reduced or eliminated; right people, right skills sets, right place; and trained & certified</p>	<p>2.1 Increased efficiency and effectiveness of business operations by integrating and sustaining standard practices in business operations.</p>	<p>2.1: Increased Army buying power as a result of continued cost controlling techniques.</p> <p><i>Indicator:</i> Mid-Year & Year-End reviews (Lead: OAs (Local Level), ABO (Enterprise-wide))</p>	<p>2.1: Continuously review and update existing cost management tasks at the right level and position to maximize efficient and effective operations.</p>	<p>MOP: Improved business operations.</p> <p><i>Indicator:</i> 2.1A: Accuracy of WBS Elements 2.1B: Increased visibility of "Cost by" products/ services/ customers/organization. 2.2A.1: % of new ERP cost management capabilities documented with policy/ guidance. 2.2A.2: % of operating agencies using cost management functionality in the ERPs (SKFs, Cost Planning, Allocations, etc.) 2.2B: Increased integration of ERP data into DASA-CE Cost Models & Tools</p>	<p>2.1A: Lead: OAs, USAFMCOM Assist</p> <p>2.1B: Lead: OAs</p>	
	<p>2.2: Expanded CM ERP capabilities with high utilization rate of the cost management capabilities (cost model definition and maintenance, cost accounting, cost planning, cost analysis, cost controlling) in the ERPs and are able to assess the "full relevant cost" to enable better resource-informed decisions.</p>	<p>MOE 2.2A: Achieved cost savings and cost avoidances from increased utilization of the ERP cost management functionality.</p> <p><i>Indicator:</i> OA Quarterly Cost Management Review Results (Lead: OAs)</p>	<p>2.2A.1 Publish policy and guidance on ERP cost management capabilities. (multi-generational-as ERPs come online and Army leverages/activates additional features).</p>		<p>2.2A.2 Utilize cost management capabilities (Ex: cost planning) in ERPs to support the decision-making process.</p>	<p>2.2A.1: Lead: CE</p>
		<p>MOE 2.2B: Reduced cost associated with fully leveraging cost information available in ERPs for the centrally managed cost models & tools.</p> <p><i>Indicator:</i> Total cost savings/avoidance achieved from leveraging ERPs (Lead: CE)</p>	<p>2.2B: Incorporate information, as available, from the ERPs, into costing models (e.g. OSMIS) and tools and divesting in redundant data gathering methods.</p>			<p>2.2A.2: Lead: OAs validated by CE</p> <p>2.2B: Lead: CE</p>

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AFMO LOE 6: The Army Cost Framework (3 of 4)



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AFMO Campaign Objectives & End States	LOE 6 Outcomes	Measures of Effectiveness	Key Tasks	Measures of Performance	Organization (OPR/OSR)
<p>4. Better analysis for decision-making</p> <p>The Army requires improved analytics at all levels to provide its desired outcomes (logistics, readiness, etc.) at the best value. This objective focuses on the optimal operating workforce, organization, and doctrinal underpinning for better informed financial decisions specifically in the areas of cost management and ERP analytics.</p> <p>End State: An organization with capabilities to perform analytics for leaders to make better financially informed decisions.</p>	<p>4.1: Army can more reliably and accurately answer cost questions (Enterprise-wide and at the local level) for internal and external reporting requirements.</p>	<p>MOE 4.1: Fully integrated non-financial and financial data to better inform decision-makers, in order to have efficient and effective business operations while providing best value to the customer.</p> <p><i>Indicator: Auditability of cost saving/cost avoidance data (Lead: OAs (Local Level), HQDA (Enterprise-wide))</i></p>	<p>4.1A Develop, synchronize, and manage Enterprise “Cost by” reports (e.g. Cost of a Soldier, Cost of a BCT) linking outcomes, outputs, and inputs in support of the PPBE process.</p> <p>4.1B Utilize cost data available in the ERPs and costing models to better inform the PPBE process for leadership decision making.</p>	<p>MOP: Army Senior Leaders are presented with relevant, accurate, and timely cost data.</p> <p><i>Indicator: 4.1A.1: # of Army Senior Leader priorities addressed in agreed upon standard "Cost by" reports 4.1A.2: Lead time to provide Army Senior Leaders with a single "Cost by" answer.</i></p> <p>MOP: Increased visibility of non-financial and financial data in the decision-making process.</p> <p><i>Indicators: 4.1B: # of operating agencies using cost reports (Ex: “Cost by” & Unit Cost) in the ERPs in their decision-making process</i></p>	<p>4.1A.1 Lead: CE</p> <p>4.1A.2 Lead: HQDA</p> <p>4.1B Lead: OAs</p>

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AFMO LOE 6: The Army Cost Framework (4 of 4)



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AFMO Campaign Objectives & End States	LOE 6 Outcomes	Measures of Effectiveness	Key Tasks	Measures of Performance	Organization (OPR/OSR)
<p>4. Better analysis for decision-making</p> <p>The Army requires improved analytics at all levels to provide its desired outcomes (logistics, readiness, etc.) at the best value. This objective focuses on the optimal operating workforce, organization, and doctrinal underpinning for better informed financial decisions specifically in the areas of cost management and ERP analytics.</p> <p>End State: An organization with capabilities to perform analytics for leaders to make better financially informed decisions.</p>	<p>4.2 Established a consistent cost structure across all of the ERPs to improve the resource-informed decision making process.</p>	<p>MOE: 4.2A OAs share cost data and cost management information across organizational and functional boundaries (e.g. cost management teams comprised of all staff components).</p> <p><i>Indicator: OAs with documented cost management guidance</i> <i>Lead: OAs</i></p>	<p>4.2A: Set up standard reports for organization specific cost objectives.</p>	<p>MOP: Increased consistency in the Army Cost Framework.</p> <p><i>Indicators:</i> 4.2A: # of organizations with cost objectives aligned in standard reports</p>	<p>4.2A Lead: OAs</p>
		<p>MOE 4.2B: Fully integrated ERPs supporting a single cost framework (cost master data) with cost information fully accounted for across ERPs.</p> <p><i>Indicator: Enhanced data capture strategies</i> <i>Lead: CE</i></p>	<p>4.2B: Leverage Cost Management SES/GO level steering groups to establish an integrated Cost Framework across the ERPs.</p>	<p>MOP: Enhanced cost model constructs.</p> <p><i>Indicators:</i> 4.2B: % of Army-wide cost objectives with cost model constructs developed</p>	<p>4.2B Lead: CE Assist: HQDA, OAs</p>

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AFMO Lines of Effect Definitions



(New) LOE 2c: Cost Management

Managing business operations efficiently and effectively through the accurate measurement and thorough understanding of the "full relevant cost" of an organization's business processes, products, and services in order to provide the best value to customers using the five steps of the E2E business process: Developing & Maintaining a Cost Model; Cost Planning; Cost Accounting; Cost Analysis; and Cost Controlling.

LOE 6: The Army Cost Framework

Establish and strengthen policies, processes, procedures, ERPs, and workforce analytical capabilities to maximize the use of available resources in the PPBE decision making process and create value across the Army; ensure effective management of cost to formulate, submit, and defend the Army budget; and provide transparency in support of financial auditability.

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“Top Ten” CM Challenges



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<p><u>Planning / Decision Making</u> ACSIM, AMC, CIO/G-6, G-4, TRADOC, USARPAC 11</p>	<p>Integrating cost throughout the PPBES process</p>
<p><u>Standards</u> ATEC, CIO/G-6, G-4, TRADOC 10</p>	<p>System interoperability (manual, work-arounds); CM process standardization</p>
<p><u>Full Cost / Visibility</u> ACSIM, CIO/G-6, OBT, TRADOC 7</p>	<p>Capture full costs from ERPs; Accurate and holistic</p>
<p><u>Training</u> ACSIM, AMC, CIO/G-6, G-4, USAEUR, USARC, 7</p>	<p>Personnel are not adequately trained on cost management, and/or cost management expertise is lost faster than staff can be trained</p>
<p><u>Strategic Communications</u> AMC, TRADOC, USARC 7</p>	<p>Changing perception that cost management is only for RM personnel; Difference between cost management and budget / finance</p>
<p><u>CM Tools</u> ACSIM, AMC, ATEC, USARPAC 7</p>	<p>Lack of CM tools, trained in use of ERP capabilities; Making the GFEBs costing capability useful</p>
<p><u>Performance / Output Measure</u> ACSIM, AMC, CIO/G-6, USARC, USARPAC 6</p>	<p>Accountability/Performance Management</p>
<p><u>Cost Estimation</u> ACSIM, CIO/G-6, G-4, TRADOC 6</p>	<p>Cost Drivers; Reimbursable cost factors; Products & services costs</p>
<p><u>Information Needs</u> CIO/G-6, G-4, OBT 5</p>	<p>Accuracy and fidelity of available data (manual vs. automated process); Tracking execution of funds</p>
<p><u>Manpower</u> USARC, USARPAC 2</p>	<p>Challenges in building a cadre dedicated exclusively to Cost Management</p>



“Top Ten” CM Challenges



What's first?



Corps of Engineers Financial Management System (CEFMS) Cost Management



IMCOM

Performance & Cost Management



Closing Comments



- CMSG Action Items to date:

	Action Item Description	Status	Milestone	Milestone Date
1	CMSG Charter	Closed		25 Feb 15
2	Cost Management Strategic Implementation Plan	Open	Final	Aug 15
3	Army Standard Labor Time Tracking (ASLTT)	Open	Study Plan Guidance Signed	Jun 15
4	Command Cost Model (CCM)	Open	43 CCMs Published	Jun 15
5	Cost Managed Organizations	Open	Initial Concept	Aug 15

- 4th Qtr 2015 CMSG:
Date:12 August 2015
Time:1300-1500
Location: Pentagon

- Topics for next time:
Finalize CM Strategic Implementation Plan
GFEBs Cost Metrics / Dashboard