Cost Management Steering Group

01 November 2016
1300 – 1500
3E387

1. Mailbox: usarmy.pentagon.hqda-asa-fm.mbx.cmsg@mail.mil

2. Web conference: https://conference.apps.mil/webconf/CMSG

3. Phone Number: (703) 545-5444
   Conference Access Code: 692 5270 703

Agenda

- Opening Remarks
- Action Item Tracker
- Every Dollar Counts (E$C)
- Cost Management Tools Supporting Program Objective Memorandum (POM) 19-23
  - Cost Benefit Analysis (CBA)
  - Army Financial Benefits Reporting and Tracking (AFBRT)
  - Cost Analysis Requirements Description (CARD)
- Projects
  - Standard Labor Time Tracking (SLTT)
  - Cost of Training Readiness (COTR)
  - Installation Management Data Integrity Project (IMDIP)
  - Software Maintenance
- Audit Readiness – Cost Management
- Closing Comments

Action Items

Delegated to COC	Description	Responsible Party	Action Officer	Status	Notes
Yes	CMSIP working group - develop and review data collection plan at next meeting	DASA-CE	Brian Jacobs	Hold	Propose changing to CMSP (remove 'Implementation") and track metrics under AFMO.
	Rationalization, Migration, and Sustainment of Army Enterprise Systems and Applications WG – Develop and recommend courses of actions for CBA thresholds / process and to provide clear guidance / methods / tools to help Army organizations with enterprise systems and applications migration efforts.	CIO/G6	David Lores / Jim Judy	In Progress	Working on providing CIO/G6 Policy & Resources Director a preliminary brief on recommended course of action for CBA thresholds/processes.
	SLTT WG - Continue study and development of Analysis of Alternatives (AoA).	DASA-CE	Chris Carlson	In Progress	Agenda item
	USA and CSA CBA Memo - Launch study to assess Army CBA utilization and scope and provide 'To Be' recommendation to inform the USA and CSA CBA memorandum in support Army Enterprise Decision Making.	CMSG COC	John Chaput	In Progress	Agenda item
Yes	E$C implementation Plan - Inform CMSG on Army staffing recommendations prior to 1 OCT 16.	DASA-CE, FPA, OBT	Tianchi Wu / COL Lerner	In Progress	Agenda item
	Cost Framework Lessons Learned - Share CFs' pilot lessons learned.	DASA-CE	Brian Jacobs	Hold	Waiting for pilots to generate results to be reviewed.
	CMSG Charter Renewal - Staff effort for submittal of CMSG Charter for renewal IAW AR 15-1 for implementation by 24 FEB 16.	DASA-CE	Doug Bailly	In Progress	Received concurrence from all CMSG members. Currently in FM&C Senior Leader staffing.

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Every Dollar Counts (E$C)

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Army Directive 2016-16

- "Changing Management Behavior: Every Dollar Counts" Signed by then Acting Secretary of the Army on Tax Day, 15 April 2016.

- **Requirements**
  1. Define and measure outcomes at 2-star HQ and above
  2. Tie resource expenditures to outcomes
  3. Identify and cost the critical processes that produce outcomes
  4. Eliminate "use or lose" funding practice
  5. Reward leaders and organizations who demonstrate exemplary stewardship

- **Roles and Responsibilities**
  - USA has oversight
  - The IG and AAA will examine in their inspections and audit plans
  - ASA (FM&C) and OBT will publish implementation guidance

Implementation Guidance

Two components of Every Dollar Counts: one analytical, one cultural.

1. Analytical: Tie financial inputs to operational outcomes. Operations staffs and resource management staffs work together to integrate outcome/performance measures with financial information.

2. Cultural: Integrated operational and financial assessments inform resourcing decisions, supplementing purely financial measures (such as obligation rates) as indicators of fiscal success. Army leaders and organizations recognized for spending dollars efficiently and effectively to produce critical Army outcomes.

POM 19-23

- Cost management tools available to support POM 19-23
    - Army Financial Benefits Reporting and Tracking (AFBRT)
    - Cost Benefit Analysis (CBA)
    - Cost Analysis Requirements Description (CARD)
      …

      Note: additional cost management tools available in backup; go to the Army Cost Management (ACM) Portal https://acm.army.mil/ to access the tools.

Army Cost Benefit Analysis (CBA)

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Opportunity:
Re-examining Cost Benefit Analysis in Support of Army Enterprise Decision Making

Outcome:
An updated Undersecretary of the Army and the Vice Chief of Staff of the Army Memorandum ~ Cost Benefit Analysis to Support Army Enterprise Decision Making

Status:
Survey out to CMSG COC. Receiving feed back on Governance, Guidance, Process and Training.
Internal DASA CE Reviews underway. Division briefs focused on CBA review and drafting Army Program Guidance (APGM).
Drafting Guidance for Army Program Guidance Memorandum for the Fiscal Years 2019-2023 Program Objective Memorandum: Focus will be on addressing making CBAs a holistic value proposition.

Internal Review / Partial External Review Initial Key Findings:
- COA development is weak. Many CBAs have a recommended COA with <u>non-viable</u> alternatives.
- CBA process lacks the ability to validate the viability of COAs
- CBA review and memorandum overly focused on "cost validation" vice a holistic "value proposition" review

Next Steps:
- Finish CMSG COC review draft recommendations **Dec 16**
- Provide Draft Annex L: Cost Benefit Analysis guidance to the APGM **Dec16**
- Make recommendation to the CMSG on an updated Undersecretary of the Army and the Vice Chief of Staff of the Army Memorandum ~ Cost Benefit Analysis to Support Army Enterprise Decision Making **(2nd Qrt)**

Army Cost Benefit Analysis In Support of POM

> Cost Benefit Analysis (CBA) is a powerful tool available to the Army for developing resource requirements <u>if used correctly</u>

- Development
  - Starts with a sound problem statement that clearly defines the problem, need, or opportunity that requires a solution and describes what the effort intends to accomplish.
  - COA's must be a <u>viable</u> potential solution to the problem statement or means to achieve the objective. <u>An identified weakness of current CBAs.</u>
    - Possible Process Change needed. - Submitters / PEGs / Decision Forums / CBARB validated COAs as viable and inclusive of best possible solutions
- Use
  - CBAs are the Army's primary tool to enable resource informed decisions for addressing costs and trade offs against projected benefits.
    - <u>Is this being done within PEGs / Decision forums?</u>
    - <u>How is the Army's policy tracked and enforced?</u>

- Feedback Loop
  - <u>Does the Army track what happens to approved CBAs?</u>
  - <u>Can requirements growth be traced back to an approved CBA?</u>

Army Financial Benefits Reporting and Tracking (AFBRT)

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Opportunity:
Utilization of the Army Financial Benefit Reporting and Tracking Process.

Outcomes:
- Fresh look at problem, requirements, scope and solutions.
- Recommendations for way ahead.

Background:
12 AUG 2013: Secretary of the Army Memorandum ~ Qualification, Reporting and Tracking of Army Financial Benefits.
Threshold: APGM guidance requires initiative to be submitted into the AFBRT process if the net savings is > $2M in a single FY or > $10M across the POM.
Current solution: Currently utilizing ASARS as workflow and savings initiative repository. Additionally, using GFEBS WBS elements to capture savings overtime.

Topics for Strategic Assessment:
- Do we have the right process owner?
- Are we leveraging the right systems?
- What are our lessons learned to date?
- Are expectations reasonable when considering the efficiency and effectiveness of feasible solutions?

APGM Guidance for POM 19-23:
Maintain most of the 18-22 guidance in the 19-23 APGM.
- Need minor revisions for clarification and change in POC.
- Anticipate major APGM revision for POM 20-24.

Cost Analysis Requirements Description (CARD)

Opportunity:
OSD CAPE intention to require Program CARDs annually with commodity standard non-narrative formats. CARDS were previously required at milestone reviews. The basis of a sound cost estimate is a well-defined program, and the CARD is used to provide that basis.

Outcome:
Leverage OSD guidance as means to improve cost analyses for Army decision-makers and POM by applying it to all programs coming for HQDA review.

Background:
Pending: Increase value to acquisition community by establishing annual updates to capture changes in a program and enhance service cost agency support for service's budget development. Reduce narrative by requiring standardized tabular reporting for commodity classes (e.g., aircraft, missiles, etc…)

Status Quo: CARD reflects key technical, programmatic and operational characteristics of an acquisition program used in preparation of cost estimates supporting milestone reviews

Discussion Points:
- Current HQDA Processes are requiring reviews of program cost estimates & analyses – Weapon Systems Reviews, AROC, Acquisition Milestones, and CBAs however CARDs developed only for milestone reviews
- Non-Special Interest Programs ACAT II AND III programs generally do not develop a CARD

Next Steps:
- Promulgate OSD CAPE guidance when it is released – Pending
- PM's begin using new CARD templates
- Develop a status and review database for ARMY program cards – Ongoing
- Update AR 11-18 the Army Cost Analysis Program to include references to OSD Card Guidance - Pending

Projects

- Standard Labor Time Tracking (SLTT)
- Cost of Training Readiness (COTR)
- Installation Management Data Integrity Project (IMDIP)
- Software Maintenance

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Standard Labor Time Tracking (SLTT)

Recent Accomplishments / Meetings:
- 20 Oct – DASA-CE SLTT costing team stood up
- 21 Oct – SLTT Level 4 Requirements Questionnaire provided to AMSAA
- 26 Oct – Costing team kickoff meeting

Issues:
N/A

2016 Upcoming Activities / Next Steps:
- 28 Oct – SW Assessment surveys emailed to SMEs (Suspense: 15 Nov)
- 16 Dec – AMSAA SW survey assessment and SME interviews completed
- 30 Dec – Part 1 of Reqs. Analysis completed
    - ID gaps between 11 SW Apps + COTS vs. SLTT Level 4 Reqs.
    - Alternative variants recommendations

2017 Upcoming Activities / Next Steps:
- 6 Jan – Shell for Trade Study Results
- 6 Jan – AMSAA begins analysis of SW variants
- 24 Feb – Part 2 of Reqs. Analysis completed
    - Assess level of effort to close Part 1 gaps
- 20-24 Mar – Schedule & Cyber Risk Assessment workshop
- 29 Apr – Prelim. Results (Sched./Cyber Risk)
- 2 Jun – Results (Sched./Cyber Risk)
- 9 Jun – Cost Analysis completed
- 7 Jul Comparison of Alternatives completed
- 31 Jul – Final Technical Report and Brief

Cost of Training Readiness (COTR) Cost Framework

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 investments, 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
- Identify ERP and cost management requirements necessary for standardized and accurate data to inform future analysis

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)
NOV: Third iteration with 3/1 CAV (Assess modifications to process and systems, GCSS-A, GFEBS, DTMS)

Installation Management Data Integrity Project (IMDIP) Cost Framework

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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:

• Streamlined financial data construct
• Standardize Work Breakdown Structure (WBS)
• Standardize Cost Allocation Methodologies
• Cross-functional Governance

Timeline/Milestones:

• Completed first round of financial data structure
• Renewed the Base Support Configuration Management Board (BSCMB) – II PEG data structure governance
• Army Sustainment Command (ASC) implemented standard cost structure 1 Oct 16 (FY17)

Resource Requirements:

Current requirements are being met with internal manpower and stakeholders

Discussion Points/Next Steps:

• Nov-Dec 16 – Develop detailed implementation plans for IMCOM, ARNG, USAR, and NETCOM (site visits)
• Jan-Feb 17 - Develop labor allocation methodologies – implement for ASC
• Feb-Mar 17 – Complete second round of financial data structure review
• Mar-Sep 17 – Implement standard WBS and labor allocation methodologies across the enterprise

Army Software Maintenance Cost Framework

Problem/Opportunity:
Provide Army leadership the ability to objectively estimate, budget, allocate, and justify the software maintenance (SWM) resources required to meet system mission requirements

Key Tasks:
SWM Workshop
- Held workshop with G4, DASA-CE, AMC, SECs, and acquisition community to determine stakeholders' PPSS process and data requirements. Obtained concurrence on the SWM WBS structure **(4Q FY 16)**

SWM Phase 1/II Data Call
- Validated Phase I SWM data from 56 programs **(4Q FY16)**
- Currently developing cost estimating relationships (CERs) from Phase I data for Army wide publication **(1Q FY 17)**
- Update CERs based on validated Phase II data from remaining 205 programs **(3Q FY 17)**
- Develop policy for implementing unified SWM CDRL and government labor tracking within SECs **(2Q FY17)**

Outcome:
Systemic cost data available to inform critical SWM resource decision making at all stakeholder levels

Timeline/Milestones:
- Build database infrastructure and verification/validation process for SWM CDRL submissions **(4Q FY17)**
- Publish V&V guide for SWM data **(4Q FY 17)**
- Develop policy and SOP for inputting contractor and government SWM costs by weapon system in GFEBS **(4Q FY17)**
- Develop capability to tie planned/funded SWM resources to executed amounts by Weapon System by WBS in single database **(4Q FY 17)**

Audit Readiness – Cost Management

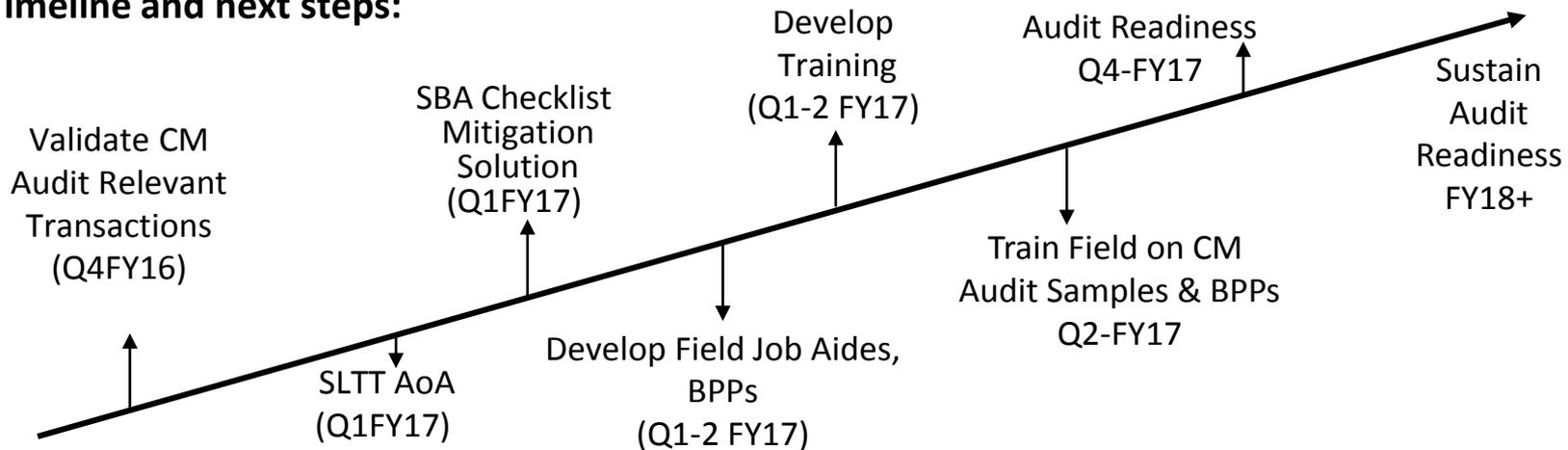**Cost Management Steering Group**

Key Findings & Achievements:

- NFR concerns: absence of supportable documentation for the samples pulled by auditors
- Confirmed FY15 NFR* key findings & materiality of <u>CM GFEBS</u> transactions as <u>budget relevant</u>
- Developed documentation with initial draft guidance to address concerns & assist the field and auditors (Audit checklist, job aides, SOPs)
- Initial E2E process integration of CM w-BPS Council – Needs prioritization

Key Issues:

- Current NFR (P-2015-08) highlights budget relevant findings with CM components (e.g. cost allocations/transfers)
  - Total annualized value: ~$1B (significant materiality)
  - Failure rate of 99%: 554 Cost allocation/Cost transfer samples were tested with 549 failed transactions
  - Overall sample of 4,184 procurement outlays
- Competing priorities on documentation of BPPs
- Relevance of CM across Army E2E is key to Army's overall audit success
- SLTT, Reimb. Labor issues, Cost Accounting per FMR

Timeline and next steps:

Validate CM Audit Relevant Transactions (Q4FY16)

SLTT AoA (Q1FY17)

SBA Checklist Mitigation Solution (Q1FY17)

Develop Field Job Aides, BPPs (Q1-2 FY17)

Develop Training (Q1-2 FY17)

Train Field on CM Audit Samples & BPPs Q2-FY17

Audit Readiness Q4-FY17

Sustain Audit Readiness FY18+

* NFR: Notice of Finding and Recommendation; SOP: Standard Operating Procedures; E2E: End to End; BPP: Business Process Procedures

Closing Comments

Backup

UNCLASSIFIED

CBA Background

- Requirement for CBAs derived from:
  - Memorandum, Secretary of the Army, 14 Mar 11, subject: Consideration of Costs in Army Decision-Making.
  - Memorandum, Under Secretary of the Army, 30 Dec 09, subject: Cost-Benefit Analysis to Support Army Enterprise Decision Making.

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US Army Reserve Command (USARC) Cost Framework

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Problem/Opportunity:
Utilize automated costing tools to enable the USARC Cost Management program to efficiently perform analysis of IDT-TRP and LIK programs.

Outcome:
A cost model that allows USARC to accurately capture and allocate costs by IDT-TRP and LIK by Org/Unit to perform analysis and metrics against forecasted Spend Plans.

Timeline/Milestones:
- Draft approval of Action plan/Technical Implementation Plan by USARC and DASA-CE **(3Q FY16)**
- Upload and test of USARC funding and execution data for analysis in OBIEE Reporting Tool **(3Q FY16)**
- 4 Site visits for plan approval, and provide guidance on ACM Portal Tool and Cost Framework solution. **(4Q FY16)**
- Designed OBIEE Publisher Templates for Budget Reports **(4Q FY16)**
- Functional and Technical Implementation Plans complete **(1Q FY17)**

Resource Requirements:
- Current requirements are being met with internal manpower and stakeholders*

   *ACF was on hold Q4 FY16 with changes in contract resource/staffing and evaluation of solution

Discussion Points/Next Steps:
- Review design of report templates in OBIEE **(1Q FY17)**
- Complete fielding of IDT-TRP solution **(1Q FY17)**
- Complete V&V of structure and data loads **(1Q FY17)**
- Completion of Cost Manual/SOP **(2Q FY17)**
- Begin design of Phase 2 cost planning/allocation **(3Q FY17)**
- Other USARC Cost Management Initiatives
    - FY16 Review and Analysis process validated
    - FY17 Road to Budget process near completion
    - FY17 Review and Analysis process planned
    - Complete 2 USAR CMP Bootcamps (Jul and Aug, 37 pax), planning for FY17 now

US Army Europe (USAREUR) Cost Framework

Problem/Opportunity:
Use the ACF framework to close the 2 highest priority Cost Management gaps identified by USAREUR
1- Pre-exercise cost estimation capability for exercise planning conferences with short turn times
2- Updates to WBS structure that will allow USAREUR to pull exercise obligations by Exercise/Unit/Country

Outcome:
A cost model that allows USARC to accurately capture and allocate costs by IDT-TRP and LIK by Org/Unit to perform analysis and metrics against forecasted Spend Plans.

Deliverables Completed:
MAY-16: FORCES capability demonstrated and training complete at USAREUR - Cost Estimating capability in use
JUL-16: Technical design for WBS restructure delivered to USAREUR - USAREUR G8 concurs with new structure
OCT-16: WBS standardization tool delivered to USAREUR - Training complete on tool- All FY17 cost objects loaded into system

Next Steps:
NOV-16: Project wrap-up brief to DASA-CE and USAREUR leadership
FEB-17: BI training session with USAREUR to demonstrate reporting capability of new WBS structure

Resource Requirements:
- Pre-exercise costing effort - SME team from Unit Mission Costing division
  - Jeff Cline and Team - Forces Model
- WBS restructure effort - SME team from Cost and Performance Management
  - Peter Hanzelka and Team - GFEBS and APEX
- USAREUR "Cost Cadre" to prepare Implementation Plan and SOP's

Discussion Points/Next Steps:
- ACF workflow tool validated
- Future phases on hold until additional resources identified
- Automated Verification and Validation process being finalized to ensure WBS structure is utilized in FY17

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Army Equipping Enterprise System (A2ES)

The Army Equipping Enterprise System (AE2S) is a Headquarters Department of the Army (HQDA) knowledge management system that enables the Army staff to rapidly assess the feasibility, supportability, and affordability of current, programmed, and hypothetical HQDA initiatives by projecting force readiness and cost over time.

AMCOS Army Military-Civilian Cost System(AMCOS)

AMCOS is an automated tool that helps users estimate the costs associated with personnel and personnel requirements for different components, grades and skills. AMCOS Lite performs quick estimates of military, civilian and the private labor market.

Automated Cost Database (ACDB)

ACDB is part of the suite of Automated Cost Estimating Integrated Tools (ACEIT). ACDB is a source of commodity based cost, technical and performance data.

Automated Cost Estimating Integrated Tools(ACEIT)

ACEIT (Automated Cost Estimating Integrated Tools) is a family of applications that support program managers and cost/financial analysts during all phases of a program's life-cycle. ACEIT is the premier tool for analyzing, developing, sharing, and reporting cost estimates, providing a framework to standardize the estimating process.

Capabilities Knowledge Base (CKB)

A capability-based costing and analytical tool that contains program data for ACAT 1 systems across all military components. The CKB supports the development of service component cost estimates at Milestone-A as required by the December 2008 DoDI 5000.02.

FM&C Website/Inflation Indices

Link to Army website to obtain multiple speadsheets containing inflation and other approved Army indexes.

FM&C Website/Reimbursable Rates

Link to Army website to obtain multiple speadsheets containing reimbursable rates for:

- Army Aircraft for Fixed & Rotary Wing
- Army Ground

FORCES Cost Models

FORCES is a suite of tools available on the OSMIS website http://www.osmisweb.com/. The tools that are available are the FORCE Cost Model (FCM), Cost and Factors Handbook (CFH) and the Army Contingency Cost Model (ACM). FORCES data includes financial and non-financial data such as OPTEMPO/cost factors, equipment costs, force structure, personnel costs, base operations, movement costs and indirect training costs.

General Fund Enterprise Business System (GFEBS)

This link to GFEBS site contains general information.

GSA Schedule Costs of Products and Services

Listed on the GSA schedules is a variety of products and services. The costs of such items are located right on the webpage. Use to find costs for almost any thing that you may need to procure. Services are also listed for general costing reference.

CHESS

This site is the Army's IT equipment provider. The site database can be used to find and verify costs associated with IT equipment.

Electronic Document Access

Electronic Document Access is a web-based system that provides secure online access, storage, and retrieval of contracts, contract modifications, Government Bills of Lading (GBLs), DFAS Transactions for Others (E110), vouchers, and Contract Deficiency Reports to authorized users throughout the DoD. This database can be used to find and verify all costs associated with a contract. For access go to the user registration page on the website.

Facility Program Requirements Suite

Facility Program Requirements Suite (FPRS) will allow OSD analysts and other approved users outside OSD access to various models, databases or annual reports. This application will allow access to important facilities data directly from desktop computers. New accounts must be approved by the Office of the Under Secretary of Defense for Installations and Environment for individuals with a need for this type of information on a regular basis.

FED LOG

FED LOG is published monthly on CD-ROM and DVD by the Defense Logistics Information Service (DLIS). It is used to retrieve management, part/reference number, supplier, Commercial and Government Entity (CAGE), freight, Interchangeability and Substitutability (I&S) and characteristics information recorded against National Stock Numbers (NSNs). The FED LOG DVD must be installed and operated in a 32 bit (Windows 95) or greater operating environment.

Joint Integrated Analysis Tool (JIAT)

JIAT provides a common access point to extract, store, and share data to support cost analysis. The JIAT system provides end-users the ability to run a wide variety of databases, libraries, and models. JIAT is the first in its class to offer a mechanism to search across multiple databases. Once the desired resource is found, the user can query the database, run the CER, download the document, or run the model to produce results to include in a cost estimate or analysis.

Joint Travel Regulation

Volume 1 pertains to per diem, travel and transportation allowances, relocation allowances, and certain other allowances of Uniformed Service Active Duty and Reserve Component members. Volume 2 pertains to per diem, travel and transportation allowances, relocation allowances, and certain other allowances of Civilian Employees.

Operating & Support Management Information System (OSMIS)

OSMIS is the Army's portion of the Department of Defense (DoD) Visibility and Management of Operating and Support Costs (VAMOSC) Program. OSMIS is managed by the Office of the Deputy Assistant Secretary of the Army (Cost and Economics).

SSN-LIN Automated Management & Integrating System (SLAMIS)

SLAMIS is a web-based application designed to provide Army users easy access to key major items of equipment "Chain-of- Custody" data relationships and management tools that support the equipment life-cycle management from "cradle to grave" for standard (SLIN), non-standard (NSLIN), and developmental line items of equipment (ZLIN). SLAMIS compiles and maintains data from authoritative Army data sources to support Army studies, analyses, and reports.