



Cost Management Steering Group (CMSG)
 Study Advisory Group (SAG)
 Meeting Summary and Actions
 8 February 2017, Pentagon, G8 Conference Room (3E387)

Principal Attendees (In Person): Mr. Steve Barth (DASA-CE), Mr. Wes Miller (DASA-FO), Mr. Jeff Angers (ASA-MRA), Mr. Douglas Curell (ARNG), Mr. Mike Maxwell (OCAR), Mr. Dean Pfofizer (CIO/G-6), Dr. Robert Steinrauf (G-1), Mr. Art Hagler (G-4), Mr. Davis Welch (DASA-BU), Mr. David Jimenez (DUSA-TE) COL Jason Lerner (OBT), Brad Benson (AAA), LTC John Ferguson (G-3/5/7), Tracy Goldstein, (ASA-ALT), Stacy Royston (ACSIM)

DCS/Telecom: AMC, ARCYBER, ATEC, DASA-FIM, TRADOC, USARC, USAREUR, USARPAC, FORSCOM

Meeting Summary:

Mr. Stephen Barth, the Deputy Assistant Secretary of the Army for Cost and Economics (DASA-CE) and CMSG Chair, welcomed all members and thanked them for their continued and valuable participation. After opening remarks, agenda topics were reviewed, starting with an update and recommendations to the Standard Labor Time Tracking (SLTT) SAG.

Army Materiel Systems Analysis Activity (AMSAA) briefed SAG members on the results of Part 1 of the SLTT Trade Study. AMSAA assessed current capabilities of 11 current software systems against 76 SLTT level 4 requirements and concluded none met all SLTT requirements. The CMSG-SAG reviewed and concurred with AMSAA's assessment that five existing, government software applications had insufficient potential to serve as a component of the Standard Labor Time Tracking (SLTT) solution and approved eliminating that software from further study within the SLTT Trade Study and Analysis of Alternatives (AoA) (see list below):

- Army Workload and Performance System (AWPS)
- Enterprise-wide Contractor Manpower Reporting Application (eCMRA)
- Corps of Engineers Financial Management System (CEFMS)
 - (CEFMS will continue to be used for USACE)
- Defense Medical Human Resource System internet (DMHRSi)
- Integrated Personnel and Pay System (IPPS-A)

Next, the CMSG-SAG concurred with proceeding to Part 2 of the SLTT Trade Study/AoA and reviewed and approved the following alternatives:

Alternative 1: Adapt SAP modules in Army ERP(s)

- 1A. Adapt modules in multiple, existing Government ERP software (i.e. LMP, GFEBs, and GCSS-A)
- 1B. Adapt modules in a single, existing Government ERP software (e.g. AESIP, GFEBs)

Alternative 2: Modify single Government non-ERP (ATAAPS)

Alternative 3: Implement new COTS Standalone

- 3A. Implement COTS ERP
- 3B. Implement COTS non-ERP

The SLTT Trade Study Part 2 will examine all of the above alternatives in more detail to include cost, cybersecurity, and schedule risk. Respective Program Offices and Subject Matter Experts are required to support Part 2 analyses with data, documentation, and other insights. Next SLTT IPR to CMSG-SAG (May 2017).

Following this topic, a status update of the implementation guidance of the Army Directive 2016-16 (Changing Management Behavior: Every Dollar Counts) was provided, pending the Vice Chief of Staff of the Army (VCSA) signature for approval prior to Under Secretary of the Army (USA) review.



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The CMSG recommended that implementation guidance provide an exemption process for organizations already meeting the directive's intent. Additionally, further clarification was requested on requirement #4 of the implementation guidance. Items of concern include: 1) justification of resources with a link to Army priorities and 2) more flexible language on the headquarters' funds release process. The CMSG also reviewed the recommended implementation approach with two components: 1) applied analytics linking resource expenditures to outcome performance measures, and 2) a cultural component with operational and financial assessments and recognition of good stewardship by Army leaders. The implementation guidance is initially focused at the headquarters level and will include command input, as well as lessons learned. The CMSG plans to continue to review the progress of Every Dollar Counts.

Next, the CMSG reviewed the Army's Cost Management End-to-End (E2E) process with a focus on cost accounting process standardization to help achieve and sustain auditability. This included a two-fold approach: 1) audit documentation with key supporting documents (KSD), and 2) standardization of cost accounting processes in the ERPs with Business Process Procedures (BPPs). Interdependencies between the CM E2E processes with audit was reviewed. This included Notice of Findings and Recommendations (NFR) resulting from financial audits and required Corrective Action Plans (CAPs) to address materiality. CM Audit statistics revealed a total annualized materiality of \$1.1B, with a 99% failure rate (FY15 NFR), mainly due to lack of KSD across 13 GFEBs CM transactions with budgetary relevance. The CMSG Chair clarified that the Army can buy products and services with the Controlling (CO) module, and therefore it cannot be turned off since it is inherently tied to the FM and FI ERP modules. DASA-FO recommended a review of debits and credits to further clarify the budgetary relevance of CM transactions.

Lastly, Army Materiel Command (AMC) provided a review of CM issues across standardized labor rate and cost allocations, which cause large variances across Fund Centers and require labor intensive corrections. The CMSG Chair acknowledged issues and requested a quantitative assessment of the magnitude of the problem. In closing, the CMSG Chair thanked all members for their valuable participation and stressed the need to continue addressing challenges and further develop cost management capabilities.

Actions:

- SLTT WG (Lead, DASA-CE): Proceed with Part 2 of the SLTT Trade Study to provide: 1) Cost analyses to understand value proposition (Lead: DASA-CE), and 2) systems technical analyses (Lead: AMSAA) with an IPR #2 due back to the CMSG-SAG (S: May-17).
- Program Offices and their Subject Matter Experts are required to support the SLTT Part 2 analyses with data, documentation, and other insights.
- CBA Process Enhancements (Lead, DASA-CE): Request improvement recommendations from CMSG members for review.
- E&C implementation Plan (Leads, ASA(FM&C) and OBT): 1) Document exemption for organizations with existing processes meeting the intent of the directive, and 2) Revisit the language on requirement #4 to address CMSG concerns and recommendations.
- AMC Cost Management Issues (Lead: AMC): Provide a quantitative assessment and magnitude of the problem regarding standardized labor rate and cost allocations.

Way Ahead: The next quarterly CMSG meeting is planned for May 2017. Members are encouraged to provide topics for discussion. Following meetings will continue to be focused on shaping Army CM policy, strategy, and needs around the Army Cost Framework and best CM practices.