Command Cost Model Document

U. S. Army Materiel Command– Headquarters (AMC-HQs)

Enterprise Resource Planning (ERP) Command Cost Model (CCM) Document — Command Series

Reference No. » CCM—OA60.A

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Statement of Purpose

The purpose of the *Command Cost Model (CCM) Document* is to provide a <u>living document</u> which contains the necessary information to be utilized as a reference guide to aid in understanding how the command's current cost model is represented in the multiple ARMY ERP platforms such as the General Fund Enterprise Business System (GFEBS), Global Combat Support System (GCSS) and Logistics Modernization Program (LMP) ERPs. Each command's Cost Model and corresponding utilization of supporting capabilities within the ERP's has been adapted to meet the requirements of each command and the Army-Wide cost objectives. The "Cost Model" consists of the defined system master data and supporting transactions necessary to support the Cost Management Processes (Figure 1). Therefore the Cost Model consists of:

- identification of the cost objectives

- definition for the master data elements

- execution of various kinds of planning

- capturing of 'actuals'

- allocations/cost assignments and corresponding data loads necessary for driver data

- various reporting requirements

Figure 1: Cost Management Process
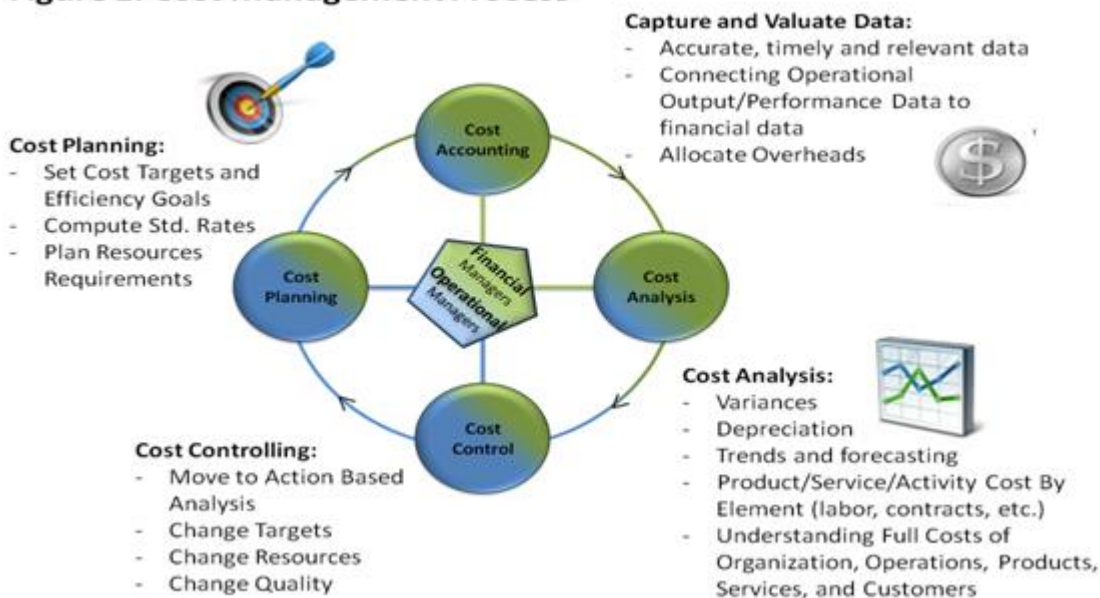
The intended audience of this document consists of readers already familiar with the ERP applications and the cost management concepts within the Cost Management Handbook.

Command Overview

The U.S. Army Materiel Command (AMC) is the primary provider of material readiness. Materiel readiness consists of materiel development, acquisition support, technology, logistics power projections, and sustainment.

AMC as a command has a diverse array of missions and activities. AMC's mission includes the research & development of weapons systems as well as maintenance and parts distribution. AMC operates research and development engineering centers; Army Research Laboratories; depots; arsenals; ammunition plants; and other facilities, and maintains the Army's prepositioned stocks, both on land and afloat. Correspondingly, the AMC Cost Model has multiple areas for consideration and has been subdivided into distinct Conceptual Cost Model (CCM) documents based on oversight entities such as headquarters (CCD OA60.A), the different Major Support Commands (MSCs), Life Cycle Management Commands (LCMCs), and Separate Reporting Activities contained within AMC.

The Major Subordinate Commands uniquely identified in their own AMC Cost Model documents are:

- Army Contracting Command (ACC) – CCD OA60.H
- Army Sustainment Command (ASC) – CCD OA60.B
- Joint Munitions Command (JMC) – CCD OA60.J
- Military Surface Deployment and Distribution Command (SDDC) – CCD OA60.L
- Research, Development, and Engineering Command (RDECOM) – CCD OA60.F
- U.S. Army Security Assistance Command (USASAC) – CCD OA60.G

Life Cycle Management Commands uniquely identified with an AMC Cost Model are:

- Aviation and Missile Command (AMCOM) – OA60.X
- Communications and Electronics Command (CECOM) – CCD OA60.D
- Tank-automotive and Armament Command (TACOM) – CCD OA60.E

Separate Reporting Activities uniquely identified within an AMC Cost Model are:

- AMC Logistical Support Activity (LOGSA) – CCD OA60.O
- Army Materiel Systems Analysis Activity (AMSAA) – OA60.M
- U.S. Army Chemical Materials Activity (CMA) – CCD OA60.C

This Command Cost Model document covers the portion of the AMC Cost Model associated with the Headquarter entity of AMC.

Cost Management Objectives

Current Objectives

The main cost objective for the AMC-HQ Cost Model is to associate costs to the organizations. Cost Centers are organizations within the Army ERP landscape; therefore, tracking all costs to an AMC-HQ Cost Centers supports the main cost objective. In addition to tracking to the organizations, tracking to Functional Cost Accounts (FCAs) is also required.

Future Objectives

AMC-HQ is an oversight entity and as such should have as its main cost objective controlling organizational costs. A future cost objective is the association of those organizational costs to corresponding projects, outputs or metrics; such as costs to support ERP fieldings or number of CBAs reviewed.

Command Master Data

Cost Centers

Overview

Cost Centers represent the organizations (e.g. PROTOCOL OFFICE) listed within the Modification Table of Organization and Equipment (MTOE) or Table of Distribution and Allowances (TDAs) entities. Cost Centers are established to collect and manage costs incurred within an organization for the corresponding capacity output provided (e.g. Labor Hrs.) Cost Centers align to UIC-Paragraph structure for TDAs or the MTOE structured authorized UICs. AMC-HQ cost model consist of only TDA related organizations.

Coding Logic

Currently AMC-HQ is utilizing 3* series Cost Center numbers for the reflection of the organizations. AMC-HQ will integrate with the Army's Global Combat Support System (GCSS-A) ERP and therefore needs to have Federated 4* series Cost Centers. AMC-HQ Cost Centers will be converted to Federated 4* series Cost Center coding FY15. To maintain consistency between GFEBS and GCSS-A, cost center changes are allowed under specific conditions. Creating a new

cost center requires a unique combination of the UIC-Paragraph on an approved Force Structure document or a Derivative UIC (DUIC) to reflect the MTOE units.

Informational Fields

In addition to the Cost Center code, there are many other data elements defined on the Cost Center master data record that are utilized for reporting or interfacing with other systems such as (but not limited to) Standard Hierarchy, Area of Responsibility, Name 4 and Interface Indicator (utilized if using ATAAPS for time tracking.)

Activity Types

Overview

Activity Types (i.e. Resource Pools), describes the kind of capacity of a specified resource within a Cost Center, typically measured in units of time (HRS) or volume (BTUs), etc. Therefore, Activity Types are used to assign capacity related costs to consuming cost objects. Activity Types are used to plan, allocate and control costs. Activity Types are categorized as Labor Related versus Non-Labor Related. The most prevalent category is Labor Related which is structured to reflect the different types of Labor related resource pools such as Civilians, Military, etc. Additionally, Non-Labor related Activity Types are created as needed to reflect the capacity costs of Machines (e.g. Bulldozer $/Hour) or Facilities ($/Sqft.)

Usage & Calculations

AMC-HQ's main capacity is work force and therefore labor hours. The transactions for associating the capacity consumed require a quantity and a standard rate to exist for the Cost Center and Activity Type. Table 1 lists a summary of Activity Type utilized by AMC-HQ.

- Labor Related Activity Types – the Labor related Activity Types have been defined for the ARMY as a whole and not specific to any one command. Activity Types are based on Pay Plans and Job Series and encompass all of the kinds of skills provided by labor resources utilized by AMC-HQ.

  o Civilian – For all Civilian related labor charges, the payroll costs remain on the Cost Center where the primary expense posting occurs. For entities tracking Civilian Labor to products/services, then Civilian Labor activity types are utilized to perform time tracking. AMC-HQ does not currently perform Time Tracking for Civilian labor hours and as such Labor Activity Types are needed only to support the payroll process.

- o Military – Currently, AMC-HQ does not tracking time related to Military labor hours and output worked within GFEBS.

- o Local National – AMC-HQ does not have Local Nationals that utilize the special Local National specific Activity Types.

- o Contractor – AMC-HQ currently does not track contractor Labor Hours to outputs.

- Non-Labor Activity Types – Currently AMC0HQ does not utilizes non-Labor Activity Types

Table 1: Summary Utilization of Activity Types

Type	Area	Utilized
Labor	Civilians	Yes
Labor	Military	No
Labor	Local Nationals	No
Labor	Contractors	No
Non-Labor	Equipment Types	No

Orders

Overview

Orders are a type of cost object utilized to capture the cost of an event (e.g. maintenance request, reason for travel) or a repetitive service (e.g. Military Card Processing.) There are various kinds of Orders such as Internal Orders (IOs) and Plant Maintenance Orders (PMOs). Within each kind of Order there are various Order Types which support segregation of like kind events.

Command Usage

AMC-HQ utilizes WBS Elements exclusively to capture costs not associated to an organization. One Internal Order 51030000 - YE VARIANCE LIQUIDATION (Order Type ZAMC) is created to support year-end closing procedures for labor variance liquidation across all of AMC if needed yet was not posted to for FY2014.

WBS Elements

Overview

Work Break-down Structure (WBS) Elements are utilized to identify the sub-activities required to perform a Project. Additionally, WBS Elements are utilized to support the reimbursable processes (via the sales orders or the direct charge processes) for services provided within and external to the Army.

Command Usage

AMC-HQ uses WBS Elements mainly to facilitate reimbursable processes via sales orders or direct charge. Additionally, WBS not created for reimbursable processes all have specific Funded Programs indicating that WBS Elements are utilized merely to generate lower than Fund Center hard stops by purpose of travel, full functional areas versus budget checks just for the sub-activity group (SAG), or organizations. The following are examples of WBS use cases:

- Collect any reimbursable costs for services provided.
- Provide funding to other entities via the Direct Charge process.
- Track costs of functional cost accounts (FCAs) e.g.F4809 - RESET - ARMY PREPOSITIONED STOCKS

Statistical Key Figures (Non-Financial Measures)

Statistical Key figures represent the non-financial measures a command might want to track to support performance reporting and/or to be utilized to support Allocations. AMC-HQ is not currently utilizing non-financial measures for reporting or allocations.

Cost Elements

Primary Cost Elements

Primary Cost Elements track initial expenditures within the system and are defined for ARMY-wide. Therefore nothing specific for the AMC-HQ command has been developed related to primary cost elements.

Secondary Cost Elements

Secondary Cost Elements are utilized to track cost flows from initial expenditure to final cost objects. No secondary cost elements were generated specifically to address AMC-HQ requirements.

Business Processes

Currently the AMC-HQ Cost Model does not use Business Processes to track cross-functional business activities or activity-based costing.

Real Property

AMC-HQ does not have Real Property.

Attributes (Custom Fields)

Currently, AMC-HQ is using several Custom Fields added to the base SAP master data elements of Cost Centers, Internal Orders and WBS Elements:

- Functional Cost Account (FCA) – tracking FCA codes issued for tracking of Hurricanes and deployment related events.

- Command Defined Field – Starting in FY15, AMC has issued policy on utilization of the Command Defined Field in order to provide transparency into the reimbursable customer source of funding. See Table 2 for sample values (not all-inclusive list.) The AMC General Funds Customer Codes are 5 alphanumeric digits and are representative of organizations only (e.g. the fund center requesting such as A5XA0 or external entities). Within GFEBS, the AMC Customer Code must be populated on all WBS Elements that will execute reimbursable funds. The AMC Customer Code must be input as the first five characters in the "Command Defined Field" of the execution level WBS Elements. Additionally, the AMC MSC/LCMC must input the LAST four digits of the supplying Funds Center immediately after the AMC Customer Code.

Table 2: Sample of AMC-wide Command Defined Field Values

Customer Defined Code	Customer	Description
A5XB0	PEO Ammunition	PEO Ammunition - includes all Fund Centers A5XB*
A5XC0	PEO Aviation	PEO Aviation - includes all Fund Centers A5XC*
D4A00	Air Force	Air Force
D4C00	Defense Advanced Research Projects Agency (DARPA)	Defense Advanced Research Projects Agency (DARPA)
F5A00	Department of Agriculture (USDA)	Department of Agriculture (USDA)
N6A00	Private Industry	Private Industry
N6B00	Academia/Universities	Academia/Universities

Planning

AMC-HQ currently does not utilize Cost Planning capabilities by organizations, or Internal Orders.

Actuals

Payroll

Civilian Payroll will be disbursed out of the Defense Civilian Payroll System (DCPS) with financial transactions being recorded on a bi-weekly basis. The Budget LOA is defined within the Human Resources (HR) master data record for each employee. One item to note is the Funds Center for the paying Budget LOA is actually determined by the Funds Management business logic (i.e. FMDERIVE – A custom table inside the ERP platforms that associate Cost Management master data with Funds Management master data).

AMC-HQ is responsible to maintain both the Faces-to-Spaces document identifying the association of Activity types to Cost Centers and the calculations of the Rates. Additionally, AMC-HQ maintains the HR LOA within ERPs and requests updates to the FMDERIVE related business rules necessary for payroll to post against the correct funding. For more information on Faces-to-Spaces see http://www.opm.gov/oca/10tables/indexGS.asp

Military Payroll is not a consideration for AMC-HQ's overall cost of operations.

Local Nation Payroll (e.g. 6100.28B0 O/E-Frgn Ntl Bs Pay) is not captured within the AMC-HQ cost model.

Labor

AMC-HQ currently does not track labor and does not perform maintenance labor within GCSS-Army.

AMC-HQ receives the benefit of Labor charges associated to an activity performed against Direct Charge related WBS Elements. Therefore AMC-HQ entities should understand the Secondary Cost Elements (e.g. 9300.0100 LABOR CHARGE – REG) related to Labor Activity Types to understand the charges they receive from other supporting organizations.

Non-Pay/Labor

For Non-Pay/Labor costs, the individual initiating the budget execution action needs to indicate the organization and/or event (e.g. Internal Order or WBS Element) receiving the benefit of the non-payroll expense.

Depreciation

AMC-HQ currently does not have depreciation associated to capitalized equipment tracked within PBUSE (until subsumed by GCSS-A Wave 2 fielding FY 15-17.) If AMC-HQ acquires equipment which meets capitalization thresholds, then equipment related depreciation will be posted non-budget relevant to the organization responsible for that equipment.

Perform Allocations/Cost Assignments

Various kinds of Allocations/Assignments can be supported within the Cost Model. AMC-HQ currently does not utilize any cost allocation/assignment capabilities within GFEBS.

CM Data Load

Currently, AMC-HQ does not have any external systems that need to be imported as cost drivers for allocations.

Reporting

No specific reports are associated for the AMC-HQ command only. Table 3 provides a sample list of common Cost Management related reports used for all commands:

Table 3: Sample List of Common Cost Management Reports

GFEBS ECC Reports			
Area	**Report Name**	**T-Code/ROLE**	**Benefit**
Master Data - CCs	Display Cost Center(s)	KS03 and KS13/ EPS_EC_CM_ECC_DISPLY_RPTR_0000	Display individual or all Cost Centers Master Data within a Group (e.g. use the last 4 of the Fund Center to get all Cost Centers associated with the Cost Center Hierarchy of that Fund Center.)
Master Data - IOs	Display Internal Order(s)	KO03 and KOK3 / EPS_EC_CM_ECC_DISPLY_RPTR_0000	Display individual or all Internal Order Master Data
Master Data - WBS s	Project Info System: WBS Elements	CN43n	Displays all Project s and WBS Element Master Data
Plan – AcType Rates	Activity Type Price Report	KSBT/ EPS_EC_CM_ECC_DISPLY_RPTR_0000	Displays AcType Rates Associated to a Cost Center
Actuals – CCs	Cost Centers: Actual/Plan/Variance	S-ALR_87013611/ EPS_EC_CM_ECC_DISPLY_RPTR_0000	Actual $s for Cost Centers and AcType, SKF Quantities
Actuals - IOs	Orders: Actual/Plan/Variance	S-ALR_87012993/ EPS_EC_CM_ECC_DISPLY_RPTR_0000	Actual $s for Internal Orders and SKF Quantities
Actuals - WBS	Display Project Actual Costs Line Items	CJI3	Cost Line Item Postings to WBS Elements
Actuals – Costs	Display Actual Cost Document	KSB5/ EPS_EC_CM_ECC_DISPLY_RPTR_0000	CO Document Actual Costs for Transactions that have posted
GFEBS BI Reports			
Area	**Report Name**	**T-Code/ROLE**	**Benefit**
Actuals – Costs	Cost by Reports	Cost by Cum Report / Cost Management Reporter	BI Report displaying costs with various attributes

Considerations for Cost Model Updates

Table 4 list items for consideration for updating/improving the AMC-HQ Cost Model:

Notional example only – to be built with Command based on priorities**

Table 4: Improvements to Command Cost Model

Code	Category	Description	Benefit	Timeline
1	Master Data	Review Cost Centers for Federation and GFMDI	Aligns structures to future automated approach for maintenance of Cost Centers	QX FY15
2	Master Data	Review Employees assigned in HRMM for the few 9300.0100 charges out of Cost Center.	Ensures correct Employees are associated to the organizations for organizational costing accuracy	QX FY15
3	Assignments & Allocations - GFEBS	Review WBS RESP CC fields and settle WBS Elements back to RESP CC	Settlements will need to be utilized to zero out the costs of WBS Elements to the owning Cost Centers to allow for master data clean up and total cost of organizations	QX FY15