Command Cost Model Document

Supporting and Background Information

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

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1   Overview

The purpose of this document is to provide background or overview information for cost master data and other related processes outlined in the Command Cost Model Document (CCMD). This document, along with the Cost Management Handbook are Cost Management materials to support Commands in developing and maturing their cost management culture.

1.1   CCMD Statement of Purpose:

The U.S. Army Command's cost model documents require a refresh in preparation for Enterprise Business Systems Convergence (EBS-C) to ensure the capturing of full costs to substantiate their request for resource funding. Without the ability to reflect force structure with cost objects, the Army lacks the ability to use Enterprise Resource Planning (ERP) systems to conduct in-depth cost analysis, which can lead to inefficient analysis for Senior Leadership decision making. The CCMD includes the utilization of supporting capabilities within the ERP systems and has been adapted to meet command's requirements and Army-wide cost objectives, which are documented in the most recent version of the Army's Cost Management Strategic Plan.

The purpose of the CCMD is to provide a living document which must be reviewed and updated annually or when making changes to a command's cost model. The CCMD contains the necessary information to act 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 – Army (GCSS-A) and Logistics Modernization Program (LMP) ERP. The 'Cost Model' consists of the defined system master data and supporting transactions necessary to support the cost management processes (see Figure 1). The CCMD contains the following information:

- Command Overview
- Current Cost Objectives
- ERP and Non-ERP Systems
- Command Cost Master Data
- Execution of various kinds of planning
- Capturing Costing Actuals
- Reporting Requirements

Figure 1: Cost Management Process

1.2 Intended Audience

The intended audience of this document consists of readers already familiar with their respective ERP systems and the cost management concepts within the Army's Cost Management Handbook.

2 Cost Master Data

2.1 Cost Centers Overview

Cost Centers represent the organizations (e.g., Company A) listed within the Modification Table of Organization and Equipment (MTOE) or Table of Distribution and Allowances (TDAs) entities (i.e., RDT&E Program & Budget). Cost Centers are established to collect and manage costs incurred within an organization for the corresponding capacity output provided (e.g., Labor Hours). Cost Centers align to the UIC-Paragraph structure of the TDAs or the MTOE structured authorized UICs (Unit Identification Codes).

Note: There are many other data elements defined on the Cost Center master data record, which are utilized for reporting or interfacing with other systems such as (but not limited to) Standard Hierarchy, Area of Responsibility, Operating Agency, and Interface Indicator (utilized if using DATAAPS for time tracking.)

2.2 Activity Types Overview

Activity Types (i.e., Resource Pools), describe the kind of capacity of a specified resource within a Cost Center, typically measured in units of time (HRS) or volume (BTUs), etc. and used to assign capacity-related costs to consuming cost objects (e.g., WBS Elements, Internal Orders). There are two (2) types of Activity Types within the Army, 'Labor-related Activity Types' and 'Non-Labor Activity Types'.

1. **Labor-related Activity Types** are defined for the Army as a whole, based on various Pay Plans and Job Series (i.e., Human Resources Management and Education). Labor-related Activity Types provide a way of structuring and aligning the various kinds of skills provided by all the Army's labor-related resources utilized by the Commands. The major Labor Related Activity Types are categorized by:

- Civilian
- Military
- Local National
- Contractor
- State and Local Workers

2. **Non-Labor Activity Types** are used to track and assign the costs of resources other than labor, such as equipment or building costs; however, currently very few Commands utilize this functionality. Non-Labor Activity Types are applicable to the Project and Production-related areas, such as Integrated Facilities System (IFS) Maintenance. The major Non-Labor Activity Types examples are:

   - Equipment Activity Types (based on groupings of equipment, such as Dump Truck 6T)
   - Equipment: Dept. of Public Works (DPW) Maintenance
   - Vehicle Activity Types (based on GSA classification groupings, such as Tractor Loader)
   - Others (Supplies, Printing, Ammunition, etc.)

Note: In the SAP environment an Activity Type represents a resource only, as previously described, and does not represent or describe the actual task or activity being performed <u>by</u> the resource. In SAP language, a 'Business Process' cost object represents the actual task or activity being performed.

2.3 Internal Orders Overview

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

If Internal Orders are marked as Statistical (STAT) then STAT IOs can support both the Spend Plan to a lower-level view and reporting by event (e.g., FCA, RM Conference), which is necessary for organizations who utilize the GFEBS Spend Plan capabilities to have the ability to push their Spend Plans below Fund Centers to Cost Center groups. STAT IOs cannot be posted to as a single cost collector and require another cost collector on the posting as well such as a Cost Center or a WBS Elements. STAT IOs are utilized when costs need to be tracked by more than one cost object or view such as the Cost Center should be posted to Korean Payroll as well.

2.4 WBS Overview

Work Break-down Structure (WBS) Elements are utilized to identify the sub-activities required to execute 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.

2.5 SKFs Overview

Statistical Key figures (SKF) represent the non-financial measures a command might want to track to support performance reporting and/or to be utilized to support Allocations. SKF's enable the capturing of non-budget relevant metrics such as the quantity of classes, or quantity of students, etc.

2.6   Cost Element Overview

Cost Elements provide information on value flow and value consumption. There are two (2) types of Cost Elements, Primary and Secondary. A Primary Cost Element corresponds to an expense item in the chart of accounts and a cost-related item in Cost Centers (in SAP FI and CO Module). A Secondary Cost Element corresponds to the transfer of costs in SAP's CO Module only.

2.6.1   Primary Cost Elements

Primary Cost Elements (or Revenue Elements) represents the initial expenditures within GFEBS and are defined Army-wide from the General Ledger accounts. Once posted in the FI Module, they are simultaneously posted into the CO Module, assigned to the appropriate Cost Center. Primary Cost Elements denote operating expenses such as wages, sales-related expenses, and administration costs. Primary Cost Elements are similar to what the Army currently refers to as Elements of Resource (EORs). EORs have their basis in the Object Classes established by the Office of Management and Budget (OMB). Examples of Primary Cost Elements are:

- Revenues – Assigned to primary posting that reflect revenue initiated from billing documents (e.g., revenue generated from a Sales Order).
- External Settlement – Utilized for moving expenses from the Finance (FI) Module to the Controlling (CO) Module (CO), then can follow-through to the Project Systems (PS) Module.
- Primary Cost/Cost-reducing Revenues – Generally initiated for initial business process in Financial Accounting or Materials Management (e.g., for salaries or equipment purchases).

2.6.2   Secondary Cost Elements

Secondary Cost Elements represent the internal movement of costs within the Controlling (CO) Module to trace costs to the final cost object via allocations or settlement. This provides the collection of costs expressed quantitatively. Secondary Cost Elements are not tied to the General Ledger (G/L). Examples of Secondary Cost Elements include:

- Assessments – Utilized for defining the Secondary Cost Elements that can be used within the Assessment Cycles and Manual Cost Transfers.
- Allocations – Utilized for defining the Secondary Cost Elements associated to Activity Types to be used for Direct Charging, such as time tracking postings from DATAAPS or order confirmation for Plant Maintenance Orders.
- Settlement – Utilized with Secondary Cost Elements to support settlement of WBS Elements and Orders to the end cost receiver. Secondary Cost Elements used to post costs to the PMO are different than those used to settle those costs onto the end cost object allowing for reporting to see the flow of costs through the entire entity.

3   Capturing 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 line of accounting (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 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).

END OF DOCUMENT