Command Cost Model Document

U.S. European Command (EUCOM)

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

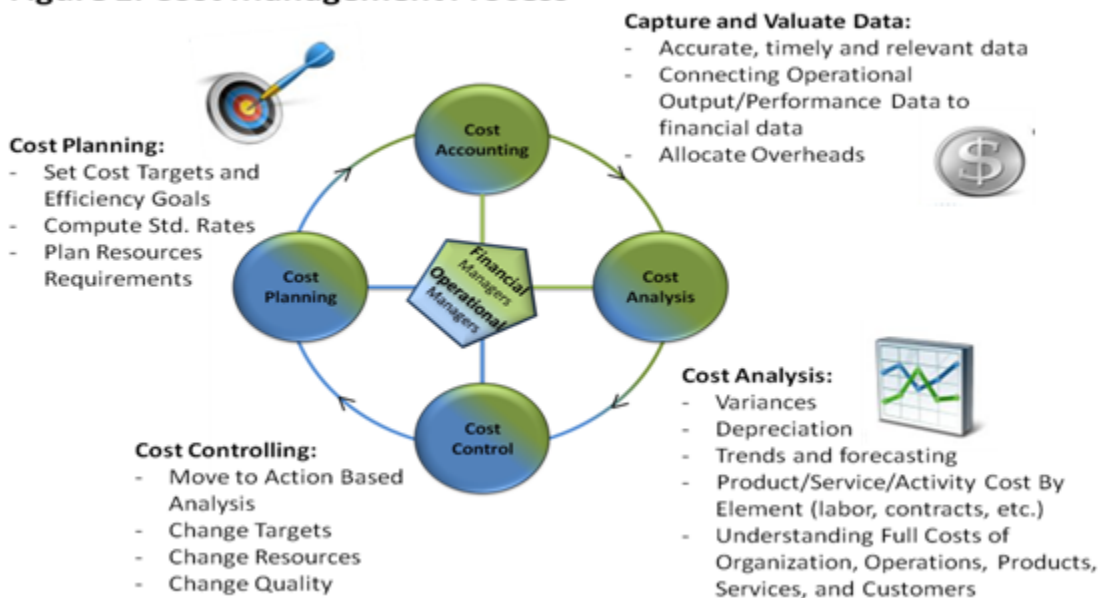Reference No. » CCM—OA94

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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

Cost Planning:
- Set Cost Targets and Efficiency Goals
- Compute Std. Rates
- Plan Resources Requirements

Capture and Valuate Data:
- Accurate, timely and relevant data
- Connecting Operational Output/Performance Data to financial data
- Allocate Overheads

Cost Analysis:
- Variances
- Depreciation
- Trends and forecasting
- Product/Service/Activity Cost By Element (labor, contracts, etc.)
- Understanding Full Costs of Organization, Operations, Products, Services, and Customers

Cost Controlling:
- Move to Action Based Analysis
- Change Targets
- Change Resources
- Change Quality

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

United States European Command, (EUCOM) is one of six of the U.S. Defense Department's geographic combatant commands and is responsible to the Secretary of Defense for military relations with European nations, the European Union, and European regional security organizations. EUCOM is responsible for all U.S. Department of Defense operations, exercises, and security cooperation in Europe. EUCOM provides ready forces, international cooperation, and interagency integration with long-time allies and newfound partners in the region. Additionally, EUCOM forces provide humanitarian assistance, improving infrastructure and responding during disasters.

EUCOM builds partner capacity by executing security assistance and security cooperation programs through 40 Offices of Defense Cooperation (ODCs) that work with their respective host nations, in close partnership with U.S. Embassy country teams and under U.S. ambassador direction. EUCOM has an educational mission as well with the Marshall Center's College of International and Security Studies and Outreach programs and the NATO School. The Marshall Center contributes to the national strategy of security cooperation throughout the region with tailored, professional education and research. The NATO School provides resident courses of instruction in five main disciplines: intelligence, surveillance, target acquisition and reconnaissance; joint operations (JOPS); weapons of mass destruction; policy; and non-commissioned officer policy department (NCOPD).

EUCOM's operations and activities are ninety-five percent direct funded with the additional five percent reimbursed for mission support. A subset of direct funding is also provided for mission support.

Cost Management Objectives

Current Objectives

EUCOM's cost management objective is to provide visibility to the support provided by Country for the ODCs, Exercises or Counter Narcotic events occurring etc. To accommodate, the Country field was added to the WBS Element structure to allow for automatically pulling reports by Country (See Table 2 Sample Country Codes in Attributes/Custom fields section below.)

Future Objectives

As conflicts and support requirements change within the area, objectives should continually be reviewed to ensure the Cost Model is providing the level of information required to make resource informed decisions and/or provide transparency for external reporting and requirements justifications.

Command Master Data

Cost Centers

Overview

Cost Centers represent the organizations (e.g. Company A) for MTOE UICs or other supporting TDA entities (e.g. SS – INSPECTOR GENERAL). 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 the UIC-Paragraph structure of the TDAs or the MTOE structured authorized UICs (e.g. Company A). EUCOM has TDA related Cost Centers only.

Coding Logic

EUCOM integrates with the Army's Global Combat Support System (GCSS-A) ERP and therefore has Federated 4* series Cost Centers and is completely Federated requiring no additional changes to the current Cost Center numbering. 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 structure Derivative UIC (DUIC) to reflect the MTOE units (e.g. WXXXA0 for Company A.)

EUCOM ODCs are coded as 3* series Cost Centers (e.g. 30001727 for ECJ5ODC – FRANCE) with the intention that the BI reporting capabilities to provide security by country would be enabled to allow for each ODC to see their reporting information only. These 3* series ODC related Cost Centers will not be Federated and therefore cannot utilize GCSS-A for supply requisitioning.

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

EUCOM's main capacity is work force and therefore Labor Related. The transactions for associating the capacity consumed require a quantity and a rate to exist for the Cost Center and Activity Type. Table 1 lists a summary of Activity Type utilized by EUCOM.

- Labor Related Activity Types – the Labor related Activity Types have been defined for the ARMY as a whole based on various Pay Plans and Series and encompassed all of the kinds of skills provided by labor resources utilized by EUCOM.

  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. EUCOM 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, EUCOM is not tracking time related to Military labor hours and output worked within GFEBS. However MIL Activity types are supported within the MilPay Payroll interface.

  o Local National – EUCOM does have LN Payroll which is not associated to organizational cost centers and therefore no LN Activity Types are utilized. See Payroll section for further information on LN Payroll.

  o Contractor – EUCOM currently does not track contractor Labor Hours to outputs.

- Non-Labor Activity Types – Currently EUCOM does not utilize non-Labor Activity Types to assign out cost of capacity.

Table 1: Summary Utilization of Activity Types

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

Internal Orders

Overview

EUCOM does not utilize Internal Orders within its Cost Model other than for required processes such as the Payroll Leave process using Internal Orders per UIC or Default German LN Payroll Line of Accounting. EUCOM's Internal Order type is ZEUR.

WBS Elements

The main cost collector for EUCOM is the WBS Element in order to track the transparency, visibility and activity of the efforts being supported. In summary, EUCOM uses WBS Elements to:

- Collect any reimbursable costs for services provided.

- Provide funding to other entities via the Direct Charge process**.**

- Track costs of CE2T2 training exercises (ATTR1s) – the different 7097.01 CE2T2 related exercise are required to be listed in the Attribute 1 field (e.g. EX4JR – JUNIPER COBRA) for the year the exercise is performed (e.g. 4 represents the FY14 portion of the exercise.) As such WBS elements are to be created each year (i.e. not rolled over) to ensure that a distinct WBS element exist for the year of execution for the exercise.

- Track costs of functional cost accounts (FCAs) – a portion of the effort supported by EUCOM is related to FCA activities such as Counter Narcotics (e.g. Y9205 – EUCOM CN Operational Support)

- ▪ Track costs by Country – many of the WBS Elements are codes in such as manner as to indicate the country the costs are incurred for (e.g. description begins with LV for Latvia.)

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. Currently EUCOM does not utilize SKFs to track non-Financial measure.

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 EUCOM 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. There have not been any Secondary Cost Elements generated specifically to address EUCOM requirements.

Business Processes

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

Attributes (Custom Fields)

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

- • Country – tracking which Nation is receiving the benefit of the support effort (e.g. Albania, Estonia.) See Table 2 for Sample Country Codes.

Table 2: Sample Country Codes

Country Code	Name	Nationality	Long name	Nationality (Long)
AL	Albania	Albanian	Albania	Albanian
AM	Armenia	Armenian	Armenia	Armenian
BA	Bosnia-Herz.	Bosnian	Bosnia and Herzegovina	Bosnian-Herzegovinian
BG	Bulgaria	Bulgarian	Bulgaria	Bulgarian
CS	Serbia/Monten.	Serbian/Monten.	Serbia and Montenegro	Serbian; Montenegrin
EE	Estonia	Estonian	Estonia	Estonian
EU	European Union		European Union	
GR	Greece	Greek	Greece	Greek
HR	Croatia	Croatian	Croatia	Croatian
HU	Hungary	Hungarian	Hungary	Hungarian
KV	Kosovo		Kosovo	
MD	Moldova	Moldovan	Moldova	Moldovan
LV	Latvia	Latvian	Latvia	Latvian
PL	Poland	Polish	Poland	Polish
RO	Romania	Rumanian	Romania	Rumanian
RU	Russian Fed.	Russian	Russian Federation	Russian
UA	Ukraine	Ukrainian	Ukraine	Ukrainian

- ATTR1 field – contains Exercise codes to be tracked for CE2T2 Funding.
- Functional Cost Account – tracking FCA codes issued for tracking of Hurricanes and deployment related events.

Planning

EUCOM currently does not utilize any Cost Planning capabilities.

Capture 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 HR PERNO master data record for each employee. One item to note is the Fund Center for the

paying Budget LOA is actually determined by the Funds Management business logic (i.e. FMDERIVE.) It is EUCOM POCs' responsibility to maintain both the Faces to Spaces document identifying the association of Activity types to Cost Centers and the calculations of the Rates. Additionally, EUCOM POCs maintain the HR LOA updates and request updates via Help desk Tickets to the FMDERIVE-related business rules necessary for payroll to post against the correct funding. EUCOM has centralized Payroll from one Fund Center.

Military Payroll currently comprises a portion of EUCOM's overall cost of operations. Currently the MILPAY is not being recorded in GFEBS but is scheduled for FY15.

Local Nation Payroll (i.e. 6100.28B0) is captured within the EUCOM cost model for the payroll related to the ODCs Cost Centers and German Payroll for one organization.

Labor

EUCOM currently does not track labor to products/services command wide. Therefore secondary cost elements such as 9300.0100 Labor Charge are not seen assigning the cost of labor from EUCOM-related Cost Centers to Orders and/or WBS Elements.

EUCOM might receive the benefit of Labor charges associated to an activity performed against Direct Charge-related WBS elements in the future. Therefore EUCOM entities should understand the secondary cost elements related to Labor Activity Types to understand the charges if received 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

EUCOM does not receive depreciation postings for capitalized equipment which is tracked within the Property Book Unit Supply Enhanced (PBUSE) system if on the property books.

Perform Allocations/Cost Assignments

Various kinds of Allocations/Assignments can be supported within the Cost Model. EUCOM currently utilizes allocation-related cost elements to implement the Payroll Self-MIPRing process for the SOCEUR payroll which cannot be posted to directly. An Assessment Cycle is created each year with the identified WBS Elements necessary to move all the Special Operations Command (SOCOM) funded Payroll which originally posted directly to the Cost Centers. The EUCOM Assessment Cycle is a part of the Month-End close process and moves the Payroll from all the appropriate Cost Centers to the REIMB WBS Element for billing.

CM Data Load

There are several Army-wide systems interfacing cost management data such as GCSS-A for tactical equipment utilization or the Worldwide Ammunition Reporting System (WARS) interface to provide the cost of training ammo for a unit. Currently, EUCOM Cost Centers do not receive data loads given EUCOM consists of TDA related UICs versus MTOE units.

Reporting

No specific reports are associated for the EUCOM 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	Activity Type Price	KSBT/	Displays AcType Rates

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Rates	Report	EPS_EC_CM_ECC_DISPLY_RPTR_0000	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 EUCOM 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 0100 Exercise Funding Related WBS Elements for ATTR1 Exercise Codes	Compliance to DOD7097.01 Appendix 5-CE2T2-ARMY-0100 Regulation for reporting Exercise Execution	Q1 FY15
2	Master Data	Review WBS Elements for Country Code	Allows for automatically reporting by country	Q1 FY15
3	Master Data	Evaluate RESP CC on WBS elements to support Settlements	All WBS Elements have to be net zero eventually. Costs are assigned back to a Cost Center for the organization responsible or to follow-on products/services. Allows for deactivation of master data.	Q2 FY15
4	Master Data	Review Cost Centers for Federation and GFMDI	Aligns structures to future automated approach for	Q2 FY15

			maintenance of Cost Centers	
5	Master Data	Review Cost Centers Hierarchy for Nodes with only one CC and align top node name	Eliminate performance impacts on CCH alignment between systems with Cost center Groups with only 1 CC	Q2 FY15
6	Actuals	Validate no Depreciable assets	Ensures compliance for Audit	Q1 FY15
7	Actuals	Review whether Marshall Center and NATO School should be tracked similar to TRADOC cost model for cost of courses	Common cost visibility into Cost of Courses/Kinds of Courses	QX FY15
8	Assignments & Allocations - GFEBS	Generate Overhead Allocations	Associate centralized and Indirect costs to the benefiting Country	QX FY15
9	Non-Financial Measures	Determine what Metrics EUCOM utilizes for performance and identify if they can be associated within the Cost Model	Alignment of Output/Measures with Costs for efficiency/Effectiveness reporting	QX FY15

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