



Command Cost Model Document

US Army Headquarters (HQDA)

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(ERP) Command Cost Model
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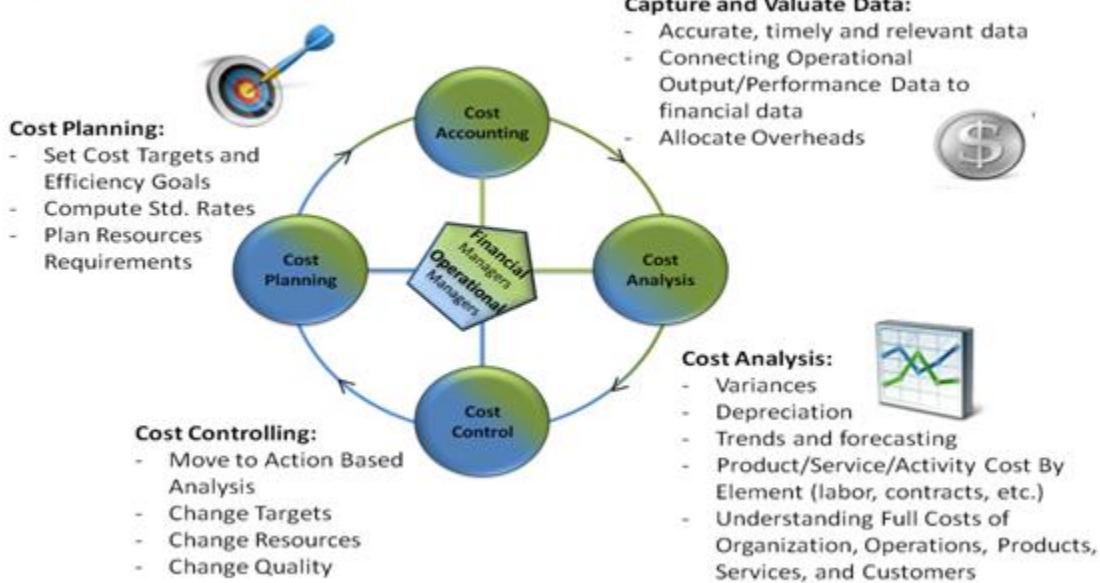


Statement of Purpose

The purpose of the *ERP Command Cost Model (CCM)* document (hereinafter the “Cost Model”) is to provide a living document, which contains the necessary information to be utilized as a reference guide to aid in the understanding of 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 Process (see 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 United States Army is the largest branch of the United States Armed Forces and has the responsibility under Title 10 and Title 32 of the United States Code to organize, equip, and train forces to conduct and sustain combat operations on land. The Army's missions are assigned by the President, the Secretary of Defense and combatant commanders.

The senior leadership of the Department of Army consists of the Secretary of the Army, Under Secretary of the Army, the Chief of Staff of the Army, the Vice Chief of Staff of the Army, and Sergeant Major of the Army. The responsibilities of senior leadership are to develop and present strategic direction, policy, and resource requirements (plans, programs, and budgets) to various external (e.g. the Secretary of Defense, Congressional Defense Committees, the Public) and internal (e.g. Commands, Service Component Commands, Direct Reporting Units) stakeholders. The senior leadership along with their support organizations and staff, form the Headquarters of the Department of the Army (HQDA).

Cost Management Objectives

Current Objectives

HQDA's cost management objective is to provide visibility to the support given by its various organizations. Capturing the costs of the organizations identifies the cost of management oversight for macro processes within the Army, such as financial management and controlling, legal, auditing, manpower, etc. Individual functions/organizations within HQDA determine the cost objectives for their areas, such as understanding the costs by country for Foreign Area Officer (FAO) activities, or costs by individual Disposition of Remains (DOR) locations. The HQDA functions are wide in nature due to the core aspect of management oversight and policy making, resulting in many and varied cost objectives.

Future Objectives

Management oversight and direction is a necessary function to ensure the objectives of the Army are fulfilled. These efforts are indirect costs, which should be associated to the Army's final end-product of a Brigade Combat Team (BCT), or associated to the cost of an enterprise's end-to-end processes (e.g. Budget-to-Report).



Command Master Data

Cost Centers

Overview

Cost Centers (CCs) 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 (e.g. SPECIAL STAFF). Cost Centers align to UIC-Paragraph structure for TDAs or the MTOE structured authorized UICs. HQDA has TDA related Cost Centers only.

Coding Logic

Currently HQDA is utilizing 3* series Cost Center numbers for the reflection of the organizations. HQDA will integrate with the Army's Global Combat Support System (GCSS-A) ERP and therefore needs to have Federated 4* series Cost Centers. HQDA Cost Centers will be converted to Federated 4* series Cost Center coding within 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, hours (HRS) or volume (BTUs), etc. Therefore, Activity Types (AcTypes) 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 (e.g. \$/Sqft).



Usage & Calculations

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

- 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 encompasses all of the kinds of skills provided by labor resources utilized by HQDA.
 - 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. Sub-entities within HQDA are using Time Tracking to associate the labor needed to outputs. However, HQDA does not currently perform Time Tracking for Civilian labor hours command-wide; therefore, labor Activity Types are needed mainly to support the payroll process.
 - Military – Currently, HQDA 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.
 - Local National – HQDA does have LN Payroll associated to organizational Cost Centers; therefore, LN Activity Types are utilized. See Payroll section for further information on LN Payroll.
 - Contractor – HQDA currently does not track Contractor labor hours to outputs. See the Allocations/Assignments section below for Contractor costs used within Allocations.
- Non-Labor Activity Types – Currently, HQDA 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	Yes
Labor	Contractors	No
Non-Labor	NA	No

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) 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 the segregation of like-kind events.

Command Usage

HQDA utilizes Internal Orders (Order Type ZOA1) within its Cost Model to track the cost of various events, such as:

- Purpose of travel (e.g. Emergency Leave, Medical Travel, etc.)
- Annual events such as the ARMY Birthday Ball
- Official Representation Funding (ORF)
- FCA reporting (e.g. 4821 SOLDIER AND FAMILY PROGRAMS)
- Track costs of Career Programs (e.g. CP 11 COMPT/DCP, CP 12 SAFETY, etc.)
- Italian and German Payroll Default Lines of Accounting
- Track costs of Foreign Area Officers (FAOs), such as FAO COLUMBIA, FAO INDIA
- Support for different systems (e.g. GFEBS Support, GCSSA CM Functional)
- Locations performing Disposition of Remains activities

Many of these Internal Orders (IOs) roll over from year to year. Some are created each year, such as the default Line of Accounting (LOA) required for Local National Payroll processes.



WBS Elements

Overview

Work Breakdown 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

HQDA utilizes WBS Elements in order to track the transparency, visibility, and activity of the efforts being supported. HQDA mainly uses WBS Elements to:

- Collect any reimbursable costs for services provided
- Capture miscellaneous cash collections
- Provide funding to other entities via the Direct Charge process
- Track costs of Functional Cost Accounts (FCAs), such as Y9245 – AFGHANISTAN CN AIR MOBILITY

Statistical Key Figures (Non-Financial Measures)

Statistical Key Figures (SKFs) represent the non-financial measures a command might want to track to support performance reporting and/or to be utilized to support Allocations. Currently, HQDA does not utilize SKFs to track non-financial measures.

Cost Elements

Primary Cost Elements

Primary Cost Elements track initial expenditures within the system, and are defined ARMY-wide. Therefore, nothing specific for HQDA has been developed related to Primary Cost Elements.

Secondary Cost Elements

Secondary Cost Elements are utilized to track cost flows from the initial expenditure to final cost objects. There have not been any Secondary Cost Elements generated specifically to address HQDA requirements.



Business Processes

Currently, the HQDA Cost Model does not use Business Processes to track cross-functional business activities or Activity-based Costing.

Real Property

HQDA does not have Real Property and therefore this cost object is not present within the HQDA Cost Model.

Attributes (Custom Fields)

HQDA only utilizes one of the Custom Fields added to the base SAP master data elements of Cost Centers, Internal Orders and WBS Elements; the Functional Cost Account (FCA) field.

Planning

HQDA 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 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).

HQDA 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, HQDA



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

Local National (LN) Payroll (e.g. 6100.28B0) is captured within the HQDA Cost Model for the payroll related to organizations in Germany. HQDA also receives payroll from the Italian Payroll system. The Italian payroll is treated as Direct, and therefore posts against the standard payroll accounts of 6100.1100 – 6100.12ZZ (similar to Civilian payroll) versus Foreign National pay accounts of 6100.2800 – 6100.28ZZ. Local Nationals do not reside in the GFEBS HR master record but within the Germany and Italian Pay systems. The identification of which Activity Types to Cost Center and the calculations of Rates for the LNs is supported with a LN Faces-to-Spaces document.

Labor

HQDA 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 HQDA-related Cost Centers to Orders and/or WBS Elements.

HQDA does receive the benefit of Labor Charges associated to an activity performed against Direct Charge-related WBS Elements. Therefore, HQDA 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

HQDA receives depreciation postings for capital equipment tracked within the Property Book Unit Supply Enhanced (PBUSE) system. PBUSE is being subsumed by GCSS-Army as a part of the GCSS-Army Wave 2 rollout FY15 – 17.



In the interim, PBUSE interfaces with GFEBS to provide all transactional data to financially reflect the capital equipment acquisitions, destruction, lost and transferred. GFEBS utilizes the asset transactions in conjunction with depreciation schedules or equipment usage data received from Operating and Support Management Information System (OSMIS) to determine the Usage-Based Depreciation to post as the non-budget relevant cost of the equipment associated to each Organization or Unit (Cost Center).

Perform Allocations/Cost Assignments

Various kinds of Allocations/Cost Assignments can be supported within the Cost Model. HQDA currently does not utilize any command wide Allocation/Cost Assignment capabilities within GFEBS. A Sub-entity within HQDA, utilizes the capabilities of Manual Cost Allocations to associate Contractor costs to the outputs provided (e.g. GFEBS CM Functional versus GCSSA CM Functional).

CM Data Load

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



Reporting

No specific reports are associated for the HQDA command only. Table 2 below provides a sample list of common Cost Management-related reports used for all commands:

Table 2: Sample List of Common Cost Management Reports

GFEBS ECC Reports			
Area	Report Name	T-Code/ROLE	Benefit
Master Data – CCs	Display Cost Centers (CCs)	KS03 and KS13/ EPS_EC_CM_ECC_DISPLY_RPTR_0000	Display individual or all Cost Center(s) Master Data within a Group (e.g. use the last 4 digits of the Fund Center to get all Cost Centers associated with the Cost Center Hierarchy of that Fund Center).
Master Data – IOs	Display Internal Orders (IOs)	KO03 and KOK3/ EPS_EC_CM_ECC_DISPLY_RPTR_0000	Display individual or all Internal Order Master Data.
Master Data – WBSs	Project Info System: WBS Elements	CN43n	Displays all Projects and WBS Element Master Data.
Plan – AcType Rates	Activity Type (AcType) 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	KS5/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 3 below lists items for consideration for updating/improving the HQDA Cost Model:

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

Table 3: Improvements to Command Cost Model

Code	Category	Description	Benefit	Timeline
1	Master Data	Review Arlington National Cemetery Real Property Fund Center derivation.	Align cost of Real Property to the correct Fund Center.	QX FY15
2	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.	QX FY15
3	Master Data	Review Cost Centers for Federation and GFMDI.	Aligns structures to future automated approach for maintenance of Cost Centers.	QX FY15
4	Master Data	Review Cost Centers Hierarchy for Nodes with only one CC and align top node name.	Eliminate performance impacts on Cost Center Hierarchy alignment between systems with Cost Center Groups with only 1 Cost Center.	QXFY15
5	Master Data	Review Usage of WBS Elements instead of Internal Orders when tracking by Country.	Country is a field on the WBS Elements which supports reporting within BI by Country.	QX FY15
6	Allocations & Assignments – GFEBS	Generate Overhead Allocations.	Associate centralized and Indirect costs to the benefiting output.	QX FY15
7	Non-Financial Measures	Determine what Metrics HQDA 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
