Command Cost Model Document

U.S. Army Network Enterprise Technology Command (NETCOM)

The Deputy Assistant Secretary of the Army - Cost & Economics

(DASA-CE)

1/31/2015

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

Reference No. » CCM—OAA3

Table of Contents

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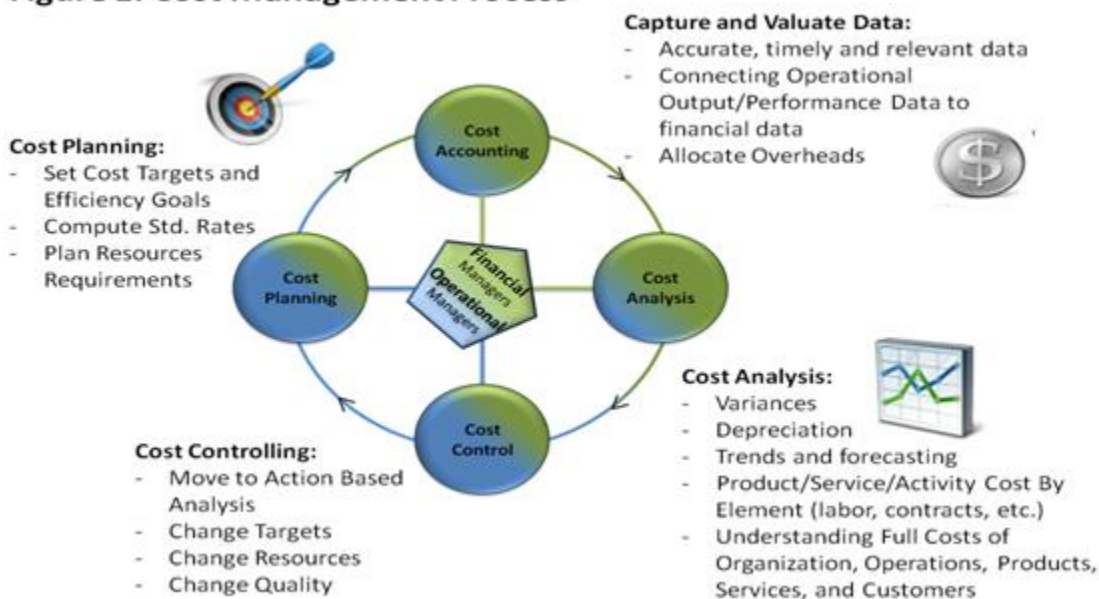
The intended audience of this document consists of readers already familiar with the ERP applications and the cost management concepts within the Cost Management Handbook.

Command Overview

The Network Enterprise Technology Command (NETCOM) is the operational executive agent for the Army-wide network. NETCOM, therefore has responsibility for infrastructure (plan, build, integrate, and operate) and security (protect and defend) activities for the Army's networks. Additionally, NETCOM soldiers and organizations are ready and able to deploy as needed. NETCOM supports war-fighter activities with the information and communications necessary. NETCOM is a subordinate command under the United States Army Cyber Command.

Cost Management Objectives

Current Objectives

NETCOM is required to track network-related installation management costs using Service-Based Costing methodology. For this purpose, NETCOM utilize codes prescribed by the Office of Assistance Chief of Staff for Installation Management (OACSIM) to capture costs for Installation Service Reporting (ISR). The purpose of ISR is to evaluate the cost and quality of service delivery performance for base support services provided at each location. These components assess cost, quantity, and quality of services provided to organizations and individuals associated with bases. Therefore, the definition of a Service to be tracked for the NETCOM Command is well established.

In addition to tracking ISR costs, NETCOM tracks costs to services within the ISRs providing greater visibility to the service costs for reporting by Command, Control, Communications, Computers, and Information Management (C4IM) related services.

Another cost objective for the NETCOM Cost Model is to associate costs to the Units. Currently, only direct costs are associated to a Unit regardless of funding source (e.g. depreciation cost for the utilization of the equipment and training ammunition).

Future Objectives

One future objective is the ability to report the full cost of the Network Enterprise Center by ISR Service and C4IM Service to include all labor tracking and indirect costs associated with a NEC. Additionally, to support the Army-wide objective of capturing full costs of a Unit, NETCOM needs to capture shared (indirect) costs for the Units and should associate the benefit of those shared costs to the consuming Unit (e.g. 43rd Command Group) at a minimum if a causal linkage can be established. For example, cell phones, strategic support contracts and facility usage can be associated to the Units based on number of soldiers or various appropriate cost drivers annually, quarterly or monthly depending on available information. Recently understanding the Cost of Readiness has become an Army consideration. As items for Readiness are evaluated, commands will need to update their Cost Models to facilitate the information needed.

Command Master Data

Cost Centers

Overview

Cost Centers (CCs) represent the organizations (e.g. 307TH EXPIDITIONARY SIGNAL BN HHC) listed within the Modification Table of Organization and Equipment (MTOE) or Table of Distribution and Allowances (TDAs) entities (e.g. IT SYSTEMS SUPPORT DIV). 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 (e.g. Company A).

Coding Logic

Some Cost Centers for NETCOM entities were originally generated utilizing a 2* series numbering for those entities that were fielding into GFEBS prior to GCSS-A being established. NETCOM now functions within the Army's Global Combat Support System-Army (GCSS-A) ERP as well, which replaces many legacy logistical systems, such as the Property Book and Unit Supply Enhanced (PBUSE) system. GCSS-A technically requires Federated 4* series Cost Centers. Therefore, NETCOM entities originally generated with 2* series Cost Center codes were Federated to have 4* series Cost Center numbers to support utilizing GCSS-A as well.

All of NETCOM Cost Centers currently utilizes 4* series Federated Cost Center codes. To maintain consistency between GFEBS and GCSS-Army, 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).

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

NETCOM'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 NETCOM.

- 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 NETCOM.

    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. NETCOM currently does perform Time Tracking for Civilian labor hours within some sub-entities not command wide (e.g. 516th Signal BDE, 106th Signal BDE). Therefore, Civilian Activity Types are utilized for both the payroll and labor processes.

    o Military – Currently, NETCOM is piloting tracking time related to Military labor hours and output worked within GFEBS for one sub-entity (i.e. 516th Signal BDE).

    o Local National – NETCOM does have LN Payroll; therefore, LN Activity Types are utilized. See the Payroll section for further information on LN Payroll. NETCOM desires to perform Time Tracking for LNs. However, currently, GFEBS does not support tracking LN Labor Hours outside of the Public Works maintenance processes. Therefore, there is not a mechanism for LN Activity types to be utilized for Time Tracking activities.

    o Contractor – NETCOM does not track Contractor labor hours to outputs.

- Non-Labor Activity Types – Currently, NETCOM 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

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

- Purpose of travel (e.g. Emergency Leave, Student Travel, etc.)
- FCA reporting (e.g. F3152 – SUPPORT OF H1N1 INFLUENZA (DIRECT COST), F9871 – MILITARY TRAINING SPECIFIC ALLOTMENT)
- Installation Service Reporting (ISR), such as 703 for INFORMATION ASSURANCE
- NETCOM products/services, such as WIRELESS INFRASTRUCTURE or NETWORK SECURITY SVCS
- Default Line of Accounting for Payroll interface (e.g. NETCOM ITALIAN LN PAY)
- Official Representation Funding (ORF)

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

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

- Collect any reimbursable costs for services provided or miscellaneous collections
- Provide funding to other entities via the Direct Charge process
- Track costs of Functional Cost Accounts (e.g. F1201 – OPERATION ENDURING FREEDOM (OEF))
- Manage Official Representation Funding (ORF)
- Installation Service Reporting (ISR), such as 703 for INFORMATION ASSURANCE
- NETCOM products/services such as WIRELESS INFRASTRUCTURE or NETWORK SECURITY SVCS
- Track communications costs per location for Europe

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, NETCOM 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 the NETCOM 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 NETCOM requirements.

Business Processes

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

Real Property

NETCOM does not have Real Property and therefore this cost object is not present within the NETCOM cost model.

Attributes (Custom Fields)

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

- Attribute (ATTR2) field utilized to capture Installation Service Report (ISR) codes, such as 701 Communication issued by OACSIM

- Attribute 1 (ATTR1) field utilized to track NETCOM-defined Services within an ISR, such as A5011000 – TELEPHONE AND DATA INFRASTRUCTURE, A5013000 – WIRELESS INFRASTRUCTURE, etc.

- Functional Cost Account field tracking FCA codes issued for tracking of Hurricanes and deployment related events

Planning

NETCOM 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).

NETCOM 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, NETCOM 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 NETCOM's overall cost of operations. Currently, the MILPAY appropriation is not being recorded in GFEBS, but is scheduled for FY15.

NETCOM has Local National Payroll via the German, Italian, Korean, and Manual payroll processes. The German payroll is always consider Indirect and therefore utilizes the 6100.2800 – 6100.28ZZ accounts with LN Activity Types. The Italian payroll is always treated as Direct and therefore posts against the standard payroll accounts of 6100.1100 – 6100.12ZZ (similar to DCPS). NETCOM's Korean payroll is Direct only. NETCOM also utilizes the Manual Pay process for Indirect payroll related to work forces located in Belgium/Netherlands. Local Nationals do not reside in the GFEBS HR PERNO master record but within the source Pay system. There is a Local National Faces-to-Space document utilized for identification of the employee to their Cost Center and Activity Type located on the same website listed above.

Labor

NETCOM currently tracks labor to products/services for a sub-set of the command as a pilot for both Civilians and Military. Therefore, Secondary Cost Elements, such as 9300.0100 Labor Charge, utilized for civilians, and 9400.0150 MILITARY LBR CHARGE, utilized for Military, are commonly seen assigning the cost of labor from NETCOM-related Cost Centers to Orders and/or WBS Elements representing the Installation Services and/or NETCOM defined services.

NETCOM also receives the benefit of Labor charges associated to an activity performed against Direct Charge-related WBS elements in the future. Therefore, NETCOM entities should understand the Secondary Cost Elements related to Labor Activity.

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

NETCOM 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 Cost Allocations/Assignments can be supported within the Cost Model. USARPAC currently does not have any recurring cost allocations occurring.

CM Data Load

Currently, NETCOM Cost Centers receive a non-budget relevant Training Ammo cost generated via the Worldwide Ammunition Reporting System (WARS) interface. The WARS interface is utilized to associate costs of training ammunition to the units in order to more accurately report the total cost of a Unit. The interface runs on a monthly basis for the data from the prior month. Information provided via the interface relates to:

- DODAAC – Department of Defense Activity Address Codes – will indicate the Ammunition Supply Points (ASP) issuing the ammo.

- DODIC – Department of Defense Identification Codes – will indicate the type of ammo issued.

- Quantity – will indicate how much of a particular type of ammo has been moved between an ASP and a Unit.

- Price – will indicate the latest acquisition cost for each Unit of a particular type of ammo.

- WARS Transaction Code – is a 3-digit code which will indicate whether the ammo was issued to the Unit or returned to the ASP.

Reporting

No specific reports are associated for the NETCOM 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	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 3 below lists items for consideration for updating/improving the NETCOM 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 Attribute 2 Field on all Internal Orders/WBS Elements to ensure ISR codes have been populated.	Ensures required Reporting by ISR for OACSIM is automatically generated.	QX FY15
2	Master Data	Add Attribute 1 values for Products/Services to be used on Internal Orders/WBS Elements.	Automatically reports out By NETCOM specific service for management reporting.	QX 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.	QX FY15
4	Master Data	Review Cost Centers for Federation and GFMDI and align people to correct Cost Center	Aligns structures to future automated approach for maintenance of Cost Centers and ensure non 4* Cost Centers are not utilized for Payroll	QX FY15
5	Actuals	Review Training Ammo posting to only four Cost Centers	Ensures correct total costs for a Unit	QX FY15
6	Actuals	Determine desire for tracking Local Nationals and evaluate Courses of Action for GFEBS	Allows for full costing of Services to include all labor types	QX FY15
7	Non-Financial Measures	Determine what Metrics NETCOM 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