



# Command Cost Model Document

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## U.S. Army Space & Missile Defense Command/Army Forces Strategic Command (SMDC/ARSTRAT)

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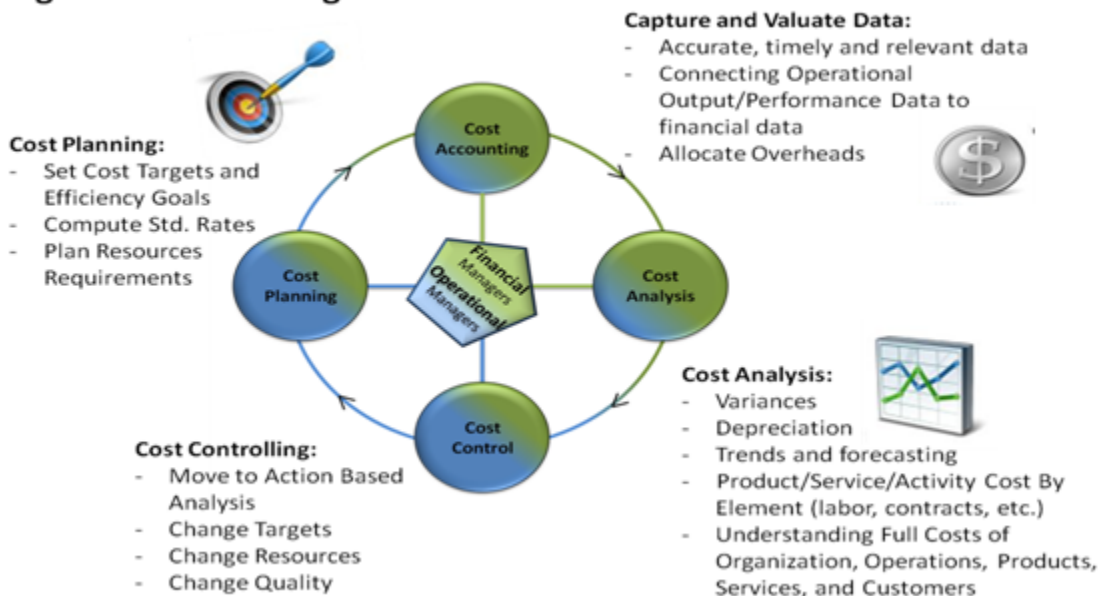


## Statement of Purpose

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**

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U.S. Army Space and Missile Defense Command / U.S. Strategic Command, (SMDC/ARSTRAT) has responsibility for space and missile defense operations in support of U.S. Strategic Command (USSTRATCOM) and Geographic Combatant Commanders (GCC) missions. Space and missile defense operations include planning, integration, and control of Army forces in support of USSTRATCOM missions. SMDC/ARSTRAT provides trained and ready forces for Space and Missile Defense and is the future forces proponent for high altitude, space, and global missile defense. To build future forces and capabilities, SMDC/ARSTRAT conducts research, development, and testing within the Space, Missile Defense, Cyber and other related areas. Additionally, SMDC/ARSTRAT builds and sustains collaborative relationships throughout the Space and Missile Defense community

## **Cost Management Objectives**

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### **Current Objectives**

SMDC/ARSTRAT cost management objective is to provide visibility to the support provided by each organization and Unit. Given that Cost Centers are organizations within the Army ERP landscape, tracking all costs to SMDC/ARSTRAT Cost Centers supports the main cost objective

### **Future Objectives**

To achieve the Army-wide objective of capturing full costs of organizations requires more than just understanding and capturing direct costs. Organizations within SMDC/ARSTRAT need to capture shared (indirect) costs for the units and support organizations and should associate the benefit of those shared costs to the consuming organization 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 headcount 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 for the units.

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**

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### **Cost Centers**

#### **Overview**

Cost Centers (CCs) represent the organizations (e.g. 1<sup>ST</sup> SPACE BN HQ) listed within the Modification Table of Organization and Equipment (MTOE) or Table of Distribution and Allowances (TDAs) entities (e.g. DIR OF COMBAT DEVELOPMENT.) 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**

SMDC/ARSTRAT integrates with the GCSS-Army 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-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

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

- 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 SMDC/ARSTRAT.
  - 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. SMDC/ARSTRAT does currently perform Time Tracking for Civilian labor hours and as such Labor Activity Types are needed to support both the payroll and labor tracking process.
  - Military – Currently, SMDC/ARSTRAT 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 – SMDC/ARSTRAT does not have Local National (LN) Payroll and therefore does not utilize LN Activity Types.
  - Contractor – SMDC/ARSTRAT currently does not track Contractor labor hours to outputs.
- Non-Labor Related Activity Types – Currently, SMDC/ARSTRAT does not utilize non-Labor Related 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**

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**

SMDC/ARSTRAT does not utilize Internal Orders. SMDC/ARSTRAT has one Internal Order automatically generated for the Unfunded Leave process.

## **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 SMDC/ARSTRAT is the WBS Element in order to track the transparency, visibility, and activity of the efforts being supported. In summary, SMDC/ARSTRAT uses WBS Elements to:

- Provide funding to other entities via the Direct Charge process
- Manage Official Representation Funding (ORF)
- Collect any reimbursable cost for services provided
- Handle miscellaneous collections processes
- Track costs by purpose of travel (e.g. G6 HSV Travel, G6 PAC Travel, G3 MTSA Travel.)



## **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, SMDC/ARSTRAT 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, Army has not developed anything specific for the SMDC/ARSTRAT 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 SMDC/ARSTRAT requirements.

## **Business Processes**

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

## **Real Property**

SMDC/ARSTRAT does have Real Property for Kwajalein Atoll related activities and therefore this cost object is present within the SMDC/ARSTRAT Cost Model.

## **Attributes (Custom Fields)**

Currently, SMDC/ARSTRAT is not using any of the Custom Fields added to the base SAP master data elements of Cost Centers, Internal Orders, and WBS Elements.

## **Planning**

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SMDC/ARSTRAT currently does not utilize any Cost Planning capabilities.





## **Capture Actuals**

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### **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).

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

### **Labor**

SMDC/ARSTRAT currently tracks Civilian Labor to products/services. Therefore, Secondary Cost Elements, such as 9300.0100 Labor Charge are seen assigning the cost of labor from SMDC/ARSTRAT-related Cost Centers to WBS Elements.

SMDC/ARSTRAT additionally receives the benefit of Labor charges associated to an activity performed against Direct Charge-related WBS elements.

### **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**

SMDC/ARSTRAT 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**

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Various kinds of Allocations/Assignments can be supported within the Cost Model. SMDC/ARSTRAT currently does not perform allocations or cost assignments. SMDC/ARSTRAT does utilize the Manual Cost Transfer process to support the recuperation of contract support fees back to Cost Centers utilizing the 9300.01VR – Labor Variance.

## **CM Data Load**

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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, SMDC/ARSTRAT Cost Centers do not receive any data loads.



## Reporting

No specific reports are associated for the SMDC/ARSTRAT command only. Table 3 below 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 Centers (CCs)	KS03 and KS13/ EPS_EC_CM_ECC_DISPLAY_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_DISPLAY_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_DISPLAY_RPTR_0000	Displays AcType Rates Associated to a Cost Center.
Actuals – CCs	Cost Centers: Actual/Plan/Variance	S-ALR_87013611/ EPS_EC_CM_ECC_DISPLAY_RPTR_0000	Actual \$s for Cost Centers and AcType, SKF Quantities.
Actuals – IOs	Orders: Actual/Plan/Variance	S-ALR_87012993/ EPS_EC_CM_ECC_DISPLAY_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_DISPLAY_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 below lists items for consideration for updating/improving the SMDC/ARSTRAT 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	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
2	Master Data	Review Cost Centers for Federation and GFMDI.	Aligns structures to future automated approach for maintenance of Cost Centers.	QX FY15
3	Master Data	Review Real Property associated to Cost Centers and validate whether IMCOM took over RP ownership for Kwajalein Atoll or did it remain with SMDC/ARSTRAT.	Ensures Real Property Depreciation reporting is correct for Army.	QX FY15
4	Allocations & Assignments – GFEBS	Validate SMDC/ARSTRAT should not be receiving Training Ammo data from WARS	Ensures Total Cost of a Unit is accurately reflected.	QX FY15
5	Allocations & Assignments – GFEBS	Generate Overhead Allocations.	Associate centralized and Indirect Costs to the benefiting organization for Full Costs by Organization.	QX FY15
6	Non-Financial Measures	Determine what Metrics SMDC/ARSTRAT 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