



CM 101 Training Objectives



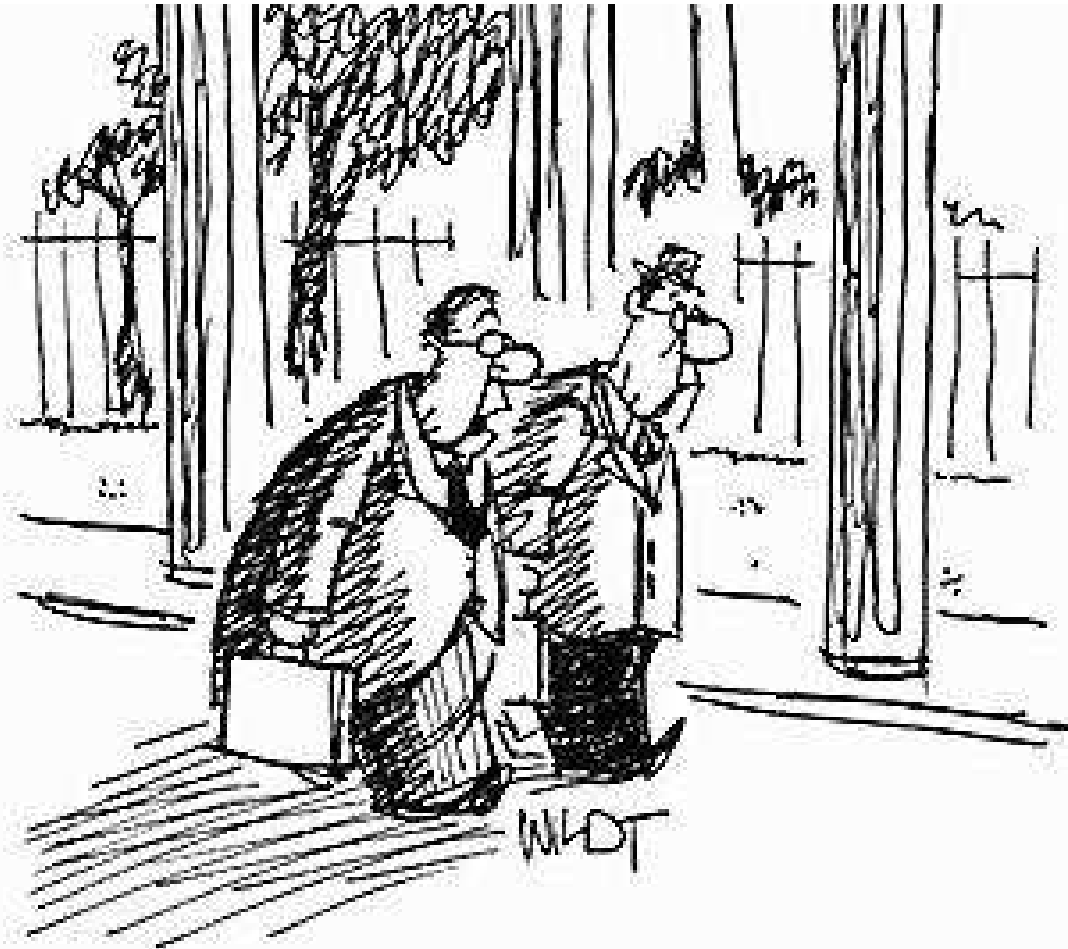
- **Section 1: Cost Management Overview**
 - What are costs and why is managing costs important?
 - Army's overall objectives
 - The process of Cost Management and how it differs from Budget Management
- **Section 2: Cost Object Definition**
 - Understanding what is an ERP (e.g. GFEBS, GCSS, etc.)
 - How to structure ERPs to build the Cost Model
 - Defining the various cost objects (which replace APCs/JONOs) within a Cost Model, e.g. organizations, products, services, jobs, etc.
- **Section 3: Cost Flow Methods**
 - How costs are captured and managed, e.g. travel (DTS), payroll (DCPS), Supplies (PRs, FMC), etc.
 - What level to manage costs to (individual org/UIC or higher in the command structure)
 - The difference between cost capturing, allocations, and assignment
- **Section 4: Analysis and Reporting**
 - Understanding of the results of the Cost Model
 - How to report/analyze Budget Execution data for budget status versus cost management
 - How various types of analysis and decisions are supported



Section 4 Objective & Agenda



- Understanding of the results of the Cost Model and how various types of analysis and decisions are supported
 - **Lesson 1:** Analysis
 - **Lesson 2:** Reporting
 - **Lesson 3:** Summary/Key Take-Aways



**"WELL, MAYBE UMPTEEN ZILLION
WAS TOO GENERAL A COST ESTIMATE."**



Lesson 1: Analysis



Objective(s):

- Understand different types of analysis and how reporting can support analysis





Current Status



- What kinds of analysis occur now?
 - Spend rate
 - Trade-offs
 - Others?





Costs Analysis Types



- **Forecasting**: using prior period information to predict future dollars and quantities
- **Variance Analysis**: comparison analysis of standard vs Actuals, Plan vs Actuals, or multiple periods (e.g. Jan vs Feb)
- **Trend Analysis**: Analysis of cost/qty over multiple consecutive time frames (e.g. Monthly to Month, Year to Year, etc.)
- **Economic Analysis**: Analysis of economic benefits of multiple options over different pans of time



More Costs Analysis Types



- **Cost/Benefit Analysis**: Analysis of Decision to examine costs versus return
- **Life Cycle Cost Estimate**: Estimate of program or project over the full life cycle from concept development to disposal
- **Cost/Risk Analysis**: Analysis assessing cost in reference to probability/risk of potential outcome





Analysis Supported by ERP Reporting



The various types of analysis are supported by ERP reporting by providing:

- Real-time, accurate data
- Drill-down capabilities to generating document (e.g. transparency and audit/integrity)
- Standard definitions, business rules, and methods (commonality in what the data means)
- Multiple cost assignments and views





Provides Multiple Analytical Cost Views

Funds Center	A2ABD	A2ABM	A2ABN	Overall Result
	USAG Fort Benning	SERO Jackson	USAG Fort Stewart	
	Actuals	Actuals	Actuals	Actuals
Product / Services	\$	\$	\$	\$
64A	16,753.06	512.20	50,551.68	67,816.94
64B			16,651.98	16,651.98
64C	54,520.40	9,986.89	65,883.70	130,390.99
64D	10,000.00	0.00	0.00	10,000.00

- Cost Comparison
- Benchmarking
- Forecasting

	Organization	Annual Plan	Year-to-Date Actuals	Variance Plan - Actuals
64X	A2AAB IMCOM HQ	\$29,082,800	\$3,258,873	\$25,823,927
66A	A2ABM SERO Jackson	\$105,281,745	\$38,581,957	\$66,699,788
66B	A2ABN USAG Fort Stewart	\$85,058,653	\$35,604,694	\$49,453,959

- Variance Analysis
- Controlling
- Cost Planning

Cost Center	Posting period	Actuals							
		1	2	3	4	5	6	7	8
Overall Result		\$	\$	\$	\$	\$	\$	\$	\$
ARMY/2ABM0006 DPTMS		13,858.20	61,993.22	45,398.17	47,797.50	19,441.38	52,092.03	15,868.59	23,002.72
ARMY/2ABM0038 PLANS		16,838.42	48,689.07	-23,017.88	3,443.60	-14,811.62	1,865.83	20,725.88	2,790.28
ARMY/2ABM0039 OPERATIONS		8,997.34	43,177.11	-42,121.24	-11,052.94	-56,756.07	-4,615.21	-3,075.84	16,456.84
ARMY/2ABM0041 RANGE OPS BR		20,202.84	105,552.54	-20,734.21	12,712.23	-12,208.49	-54,750.99	79,657.56	-9,293.49
ARMY/2ABM0042 RANGE SPT BR		12,327.93	36,191.72	-4,832.23	4,393.10	-1,390.40	-10,237.85	19,588.59	-1,137.40
ARMY/2ABM0044 SECURITY AND INTEL		-2,548.06	-10,251.89	-42,065.96	-23,464.34	-2,949.30	21,147.55	-17,125.55	-0.11
ARMY/2ABM0045 TASC		12,520.87	25,538.08	19,939.20	21,821.23	-3,716.46	7,711.44	11,602.97	-17.38
ARMY/2ABM0047 DEVICES SECTION		13,649.44	61,477.89	37,927.82	20,957.11	-9,165.38	-16,937.03	15,238.99	-1,951.13
ARMY/2ABM0131 TRAINING BRANCH		11,868.37	50,131.46	-30,175.45	-2,835.33	-27,335.54	-11,938.05	37,677.11	-488.58
ARMY/2ABM0134 SUPPORT SECTION		8,884.35	60,052.83	36,232.77	34,296.44	12,892.47	-42,389.58	12,593.61	-4,178.45

- Trend Analysis
- Cash Flow
- Operational Cost Mgmt



Sample Analysis

Cost Planning & Forecasting					
BCT w/ 58 Vehicles	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Annual
Planned Cost	\$4,872,000	\$4,872,000	\$4,872,000	\$4,872,000	\$19,488,000
Planned Miles / Vehicle	200	200	200	200	200
Planned \$ / Mile	\$420	\$420	\$420	\$420	\$420
				Projected Actuals	
Actual Cost	\$4,060,000	\$4,872,000	\$6,820,800	\$5,250,933	\$21,003,733
Actual Miles / Vehicle	200	240	280	240	240
Actual \$ / Mile	\$350	\$350	\$420	\$377	\$377
Cost Variance	-\$812,000	\$0	\$1,948,800	\$378,933	\$1,515,733
Activity Variance	0	40	80	40	40
Unit Cost Variance	-\$70	-\$70	\$0	-\$43	-\$43

Price Variance
 Change in Total Cost
 No Change in Activity
 Drives Change in Unit \$

Quantity Variance
 Change in Activity
 No Change in Total Cost
 Drives Change in Unit Cost

Cost Variance
 Change in Activity
 No Change in Unit Cost
 Drives Change in Total Cost



Budget Execution Before & After GFEBs

Budget Management View

ASN/Fund Center : Ft. Jackson

Process	Budget	Commitment	Obligation	Expenditure	Disbursement	Available
25-Sep Budget Load	\$ 100,000					\$ 100,000
15-Oct Pur. Req		\$ 10,000				\$ 90,000
30-Oct Pur. Order		\$ (5,000)	\$ 5,000			\$ 90,000
15-Nov Goods Rec.			\$ (2,500)	\$ 2,500		\$ 90,000
30-Nov Payment				\$ (1,000)	\$ 1,000	\$ 90,000
Total COED	\$ 100,000	\$ 5,000	\$ 2,500	\$ 1,500	\$ 1,000	\$ 90,000

Cost Management View

CC/MAINT.

	Actual	Plan/Target	Variance
25-Sep Budget Load			
15-Oct Pur. Req			
30-Oct Pur. Order			
15-Nov Goods Rec.	\$ 2,500	\$25,000	\$22,500
30-Nov Payment			
Total Plan/Actual/Var	\$ 2,500	\$25,000	\$22,500

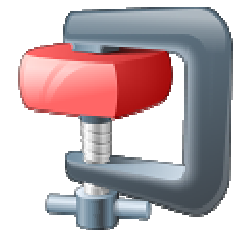
- The way GFEBs reports Budget Execution information is very different than current environment
- The current view of COED is called Cumulative in GFEBs reporting
- Both views of Budget Execution will be provided



Lesson 2: Wrap-Up



- There are many kinds of analysis each with a different purposes and supporting different decisions
- ERP reporting supports/enhances analysis through real-time, accurate, transparent data built within a common framework of definitions, business rules, and processes
- Reports are generated around the type of analysis being performed
- Some reports within GFEBs will provide the ability to see COED as cumulative





Question



ERPs support analysis by (check all that apply):

- o Real-time, accurate data
- o Drill-down capabilities to generating document (e.g. transparency and audit/integrity)
- o Standard definitions, business rules, and methods (commonality in what the data means)
- o Multiple cost assignments and views
- o Does the analysis for you





Answers



ERPs support analysis by (check all that apply):

- Real-time, accurate data
- Drill-down capabilities to generating document (e.g. transparency and audit/integrity)
- Standard definitions, business rules, and methods (commonality in what the data means)
- Multiple cost assignments and views
- Does the analysis for you





Lesson 2: Reporting



Objective(s):

- Understand an overview of the types of cost reports supported by GFEBs





GFEBBS System Components

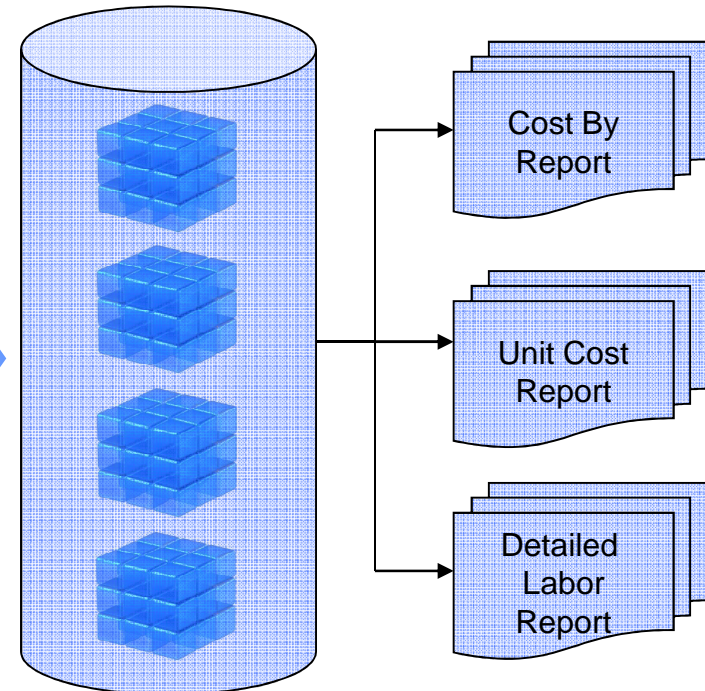


ECC – Enterprise Central Component

FI – Financial Acct. & Mgmt.
FM – Funds Acct. & Mgmt.
CO – Cost Acct. & Mgmt.
MM – Materials Mgmt. and Procurement
PPE – Property, Plant & Equipment [PM, PS, RE, AA]
SD – Sales & Reimbursables

- Optimized for Data Input
- Transaction Processing
- Real-time; recon analysis
- Structured reporting

BI – Business Intelligence



- Optimized for Data Extraction
- Analytical Processing
- Near real-time; trending analysis
- Slice-n-dice reporting (pivot)



Why ECC vs BI



ECC:

- Real-time
- Drill-down to originating document
- Reconciliation
- Period-End and year-end closing activities
- Support external reporting
- Utilized for auditing activities
- Usually researching a smaller data set
- Typically set to time-out within 15 minutes to maintain system resources for receiving postings

BI:

- Nightly, 4 hrs, near real-time
- Drill-down to some level of aggregation – detailed line items researched in ECC
- Reconciliation
- Support internal reporting
- Utilized for costs analysis activities
- Usually researching a large data set
- Typically set to time-out within 90 minutes to support end-users performing analysis





ECC Report Types



- ***Plan vs Actual Variances*** – each cost object has a standard report for comparing Plan/Actual/Var which contains the dollars and the activity type and SKF quantities
- ***Trend Analysis Reports*** – std. reports are available to compare Quarter to Quarter, Period by Period
- ***Statistical Key Figure/Quantity Reports*** – period-based reports on the quantities of SKFs
- ***Rate Reports*** (Activity Types and Business Processes) – provides the rates per each Cost center/Activity Type and Business Processes



ECC Report Capabilities



- **Multiple Filters** – every std. report has multiple filters/parameters, e.g. From To and Ranges such as single value of a Cost Center of a Range of Cost Centers are a Group of Cost Centers
- **User Defined Layout/Variants** – each report has a standard layout provided with the ability for the end user to add/remove/change fields and save the layout as their default for ease of report
- **Excel Integration** – the reports can be executed as Excel if desired
- **Export Functions** – reports can be exported into various formats such as xls, csv, etc.



BI Report Types



- ***Standard Reports*** – most of the std. reports within ECC are provided within BI as well
- ***Cost By*** – provides the cost by all cost objects, budget plan, cost plan, variances, with multiple attributes
- ***Unit Cost*** – Generates a \$\$/# based on the selection parameters chosen
- ***Detailed Labor Report*** – provides information by employee for payroll and ATAAPs
- ***Audit Labor Report*** – utilized to reconcile and make adjustments for payroll related issues



BI Reporting Capabilities



- **User Defined Variants** – like in ECC, users can define filter values and save as a variant for repeated use for data set they are always working with
- ***Ad-hoc reports*** – the report structure is pre-define, however the users can drag-n-drop fields in as needed to generate their own versions of the report
- ***Favorites*** – users can save their own versions of the report as a favorite and then execute that report when performing analysis



Cost By Report



Cost By Report (Example)				
Cost Objects	Names	Planned Cost	Actual Cost	Cost Variance
Cost Center	2ABM0051 (Food Svc Br)	\$17,945	\$17,659	-\$286
SSP	29B (In-House Dining)	\$4,920	\$4,180	-\$740
Cost Element Group	Labor	\$2,500	\$2,400	-\$100
	Material	\$175	\$180	\$5
	Supplies	\$495	\$400	-\$95
	Equipment	\$750	\$750	\$0
	Training	\$1,000	\$450	-\$550
SSP	29C (Take-Out Dining)	\$6,500	\$6,479	-\$21
Cost Element Group	Labor	\$5,200	\$5,330	\$130
	Material	\$200	\$225	\$25
	Supplies	\$350	\$300	-\$50
	Equipment	\$750	\$624	-\$126
	Training	\$0	\$0	\$0
SSP	29D (Remote Site Feeding)	\$6,525	\$7,000	\$475
Cost Element Group	Labor	\$4,000	\$4,125	\$125
	Material	\$450	\$500	\$50
	Supplies	\$400	\$625	\$225
	Equipment	\$750	\$750	\$0
	Training	\$925	\$1,000	\$75



Cost By Report Variables



- ▼ Columns
 - Key Figures
- ▼ Rows
 - Fund
 - Cost Center
 - Functional area
 - Cost Element
 - Product / Services
- ▼ Free characteristics
 - ARGORGEN Phase
 - Activity Type
 - BA- budget Activity
 - Building
 - Business Entity

- Business Process
- Commitment item
- Contract
- Controlling area
- Cost Type
- DMIS ID
- Document Date
- Fiscal year
- Functional Designator Code
- Funded Program
- Funds Center
- Land
- MDEP
- Network Activity
- OID

- Order
- Order type
- Partner Activity Type
- Partner Business Process
- Partner Cost Center
- Partner Functional Area
- Partner Fund
- Partner Order
- Partner WBS Element
- Posting date
- Posting period
- Program Element
- Project Definition
- Project Number
- Rental Object



Capture Cost by Organization



		Actual Execution Year-to-Date by MDEP									
TRADOC Cost Centers - Fort Benning		TADV	TAPE	TATC	TFNC	TRCS	TSPU	VMUS	VTRD	Overall Result	
ARMY/57660001	COMBAT DEV DIR								\$7,941	\$7,941	
ARMY/57660002	HHC			\$862						\$862	
ARMY/57660003	CH-BOLC			\$883						\$883	
ARMY/57660004	C4/ADTS		\$1,855							\$1,855	
ARMY/57660005	OFFICE OF THE CMDT	\$21,747			\$27,218		\$22,391			\$71,356	
ARMY/57660006	FUNCTIONAL TNG BR	\$10,429					\$9,884			\$20,313	
ARMY/57660007	RESERVE TNG						\$4,690			\$4,690	
ARMY/57660008	RESOURCE MANAGEMENT	\$17,324			\$6,248		\$47,673			\$71,244	
		FORSCOM - Brigade Cost by Period				Actuals	Actuals	Actuals			
ARMY/57660009	INFORMATION M					April 09	May 09	Summary			
ARMY/57660010	TDD ADMIN					\$	\$	\$			
ARMY/57660011	QUALITY ASSUR	ARMY/76VVWAR9T0	3BCT 3/1 CAV		4,503.11	2,864.16	7,367.27				
ARMY/57660012	CHAPLAIN MUS	ARMY/76VVWARXA0	3BCT 1/10 FA			69,902.00	69,902.00				
ARMY/57660013	AIT	ARMY/76VVWARXT0	3BCT 1/10 FA		12,158.21	11.64	12,169.85				
Overall Result		ARMY/76VVWGM6T0	3BCT 2/69 AR		52,455.02	28,670.32	81,125.34				
		ARMY/76VVWJD2A0	3BCT 203 BSB		19,554.72	11,298.08	30,852.80				
		ARMY/76VVWJD2C0	3BCT 203 BSB			1,276.00	1,276.00				
		ARMY/76VVWJD2D0	3BCT 203 BSB			2,304.75	2,304.75				
		ARMY/76VVWJD2T0	3BCT 203 BSB		102,807.33	36,187.85	138,995.18				
Overall Result						191,478.39	152,514.80	343,993.19			

- IMCOM Installations
- TRADOC Schools
- FORSCOM Brigades



Capture Cost by Product/Service and Customer



Service	SSP	USAG Fort Benning	SERO Jackson	USAG Fort Stewart	Overall Result
Facilities Mgmt	53A	\$66,068	\$67,036	\$113,434	\$246,538
	53B	\$53,650		\$38,521	\$92,171
	53C	\$154,008		\$1,474	\$155,481
	53D	\$13,858		\$229,009	\$242,866
	53E	\$3,538		\$19,770	\$23,307
Refuse Removal	53G		\$19,033	\$19,842	\$38,875
	60A	\$7,333			\$7,333
Env Compliance	60C		\$26,861	\$6,023	\$32,884
	66A	\$28,957	\$1,969	\$55,200	\$86,126
	66B	\$39,738		\$6,553	\$46,291

Cost of Installation Services Provided to Tenants

Overall Result	Brigade Cost		Labor	Travel	Acrrt POL	Purchase Card	Overall Result
	ARMY/76VV0034	3 BCT AUG	\$ 32,597				\$ 32,597
	ARMY/76VWAR0T0	3BCT 1/15 IN			\$ 21,286	\$ 7,339	\$ 28,625
	ARMY/76VWAR4AA	3BCT 3/3 IN		\$ 33,913		\$ 28,940	\$ 62,853
	ARMY/76VWAR9T0	3BCT 3/1 CAV			\$ 4,018	\$ 3,350	\$ 7,367
	ARMY/76VWARXT0	3BCT 1/10 FA				\$ 12,158	\$ 12,158
	ARMY/76VWGM6T0	3BCT 2/69 AR			\$ 51,945	\$ 29,121	\$ 81,066
	ARMY/76VWJD2A0	3BCT 203 BSB			\$ 25,317	\$ 5,372	\$ 30,689
	ARMY/76VWJD2T0	3BCT 203 BSB			\$ 108,497	\$ 30,116	\$ 138,613
Overall Result			\$ 32,597	\$ 33,913	\$ 211,062	\$ 116,396	\$ 393,969

BCT Cost by Resources Consumed



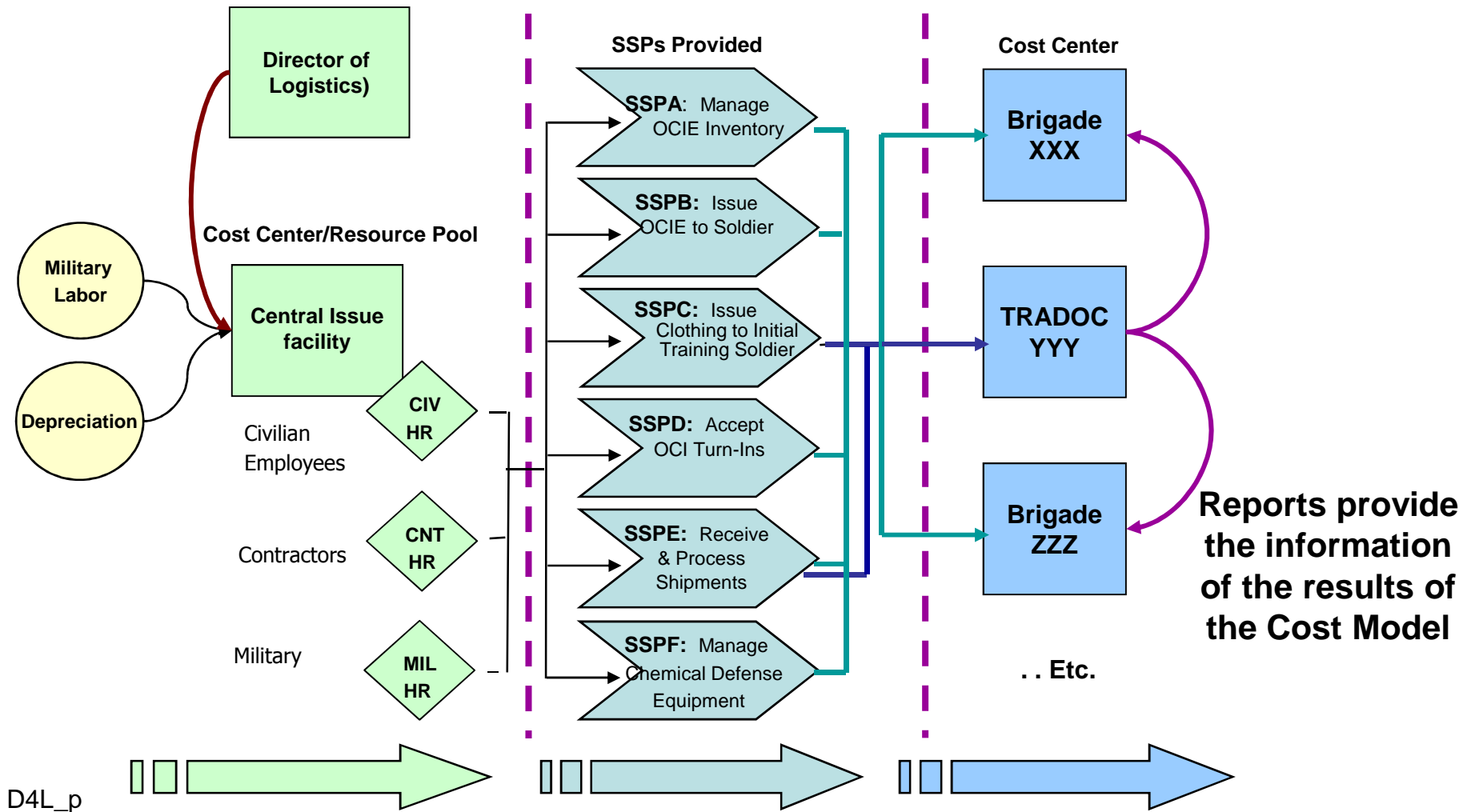
CCD – Cost Model



Full Cost Organizations

Full Cost Product/Services

Full Cost Customers





GFEBs Sample Cost By



Cost Center		Functional area		Cost Element		Product / Services		Cost Plan	Actuals	BP vs. Act Var	CP vs. Act Var
									\$	\$	\$
• ARMY/ZABM0061	Food SVC & BR	131096QLOG	Base Operations	ARMY/6100.11B1	O/E-Civ BasePay F/T	29B	INHOUSE DINING SIK		987.00	-987.00	-987.00
						Result		987.00	-987.00	-987.00	
				ARMY/9300.CIV1	CIVILIAN BAND 1	29B	INHOUSE DINING SIK		8,280.00	-8,280.00	-8,280.00
						29C	TAKEOUT DINING SIK		8,440.00	-8,440.00	-8,440.00
						29D	REMOTE SITE FEEDING		1,160.00	-1,160.00	-1,160.00
						29E	IN HOUSE DINING BAS		1,160.00	-1,160.00	-1,160.00
						Result		19,040.00	-19,040.00	-19,040.00	
				Result		20,027.00	-20,027.00	-20,027.00			
				Result		20,027.00	-20,027.00	-20,027.00			
				Result		20,027.00	-20,027.00	-20,027.00			



Exportable Cost By Report for Analysis



							Budget Plan	Cost Plan	Actuals	BP vs. Act Var	CP vs. Act Var
									\$	\$	\$
Funded Program	Cost Element	Prod / Svcs									
Environmental Conservatio	ARMY/ARMY Army Default ARMY/6100.260E O/E-Aircraft POL	26B RECONCILE GARRISON PROPERTY AUTH							-110.77	110.77	110.77
		Result							-110.77	110.77	110.77
		Result							-110.77	110.77	110.77
		Result							-110.77	110.77	110.77
LAW ENFORCEMENT, PHYSICAL	ARMY/ARMY Army Default ARMY/9300.CIV1 CIVILIAN BAND 1	77B PROVIDE LE EMERGENCY DISPATCH SERVICES							9,080.00	-9,080.00	-9,080.00
		77D CONDUCT LE INVESTIGATIONS							1,600.00	-1,600.00	-1,600.00
		77F PROVIDE LE REPORTING SERVICES							1,160.00	-1,160.00	-1,160.00
		Result							11,840.00	-11,840.00	-11,840.00
	ARMY/9300.CIV2 CIVILIAN BAND 2	77D CONDUCT LE INVESTIGATIONS							10,710.00	-10,710.00	-10,710.00
		77E DETER AND PREVENT CRIME BY LE PATROLLING							28,560.00	-28,560.00	-28,560.00
		Result							39,270.00	-39,270.00	-39,270.00
		Result							51,110.00	-51,110.00	-51,110.00
		Result							51,110.00	-51,110.00	-51,110.00
PHYSICAL SECURITY MATTERS	ARMY/ARMY Army Default ARMY/9300.CIV2 CIVILIAN BAND 2	78A MANAGE AND DIRECT PS PROGRAM							7,597.50	-7,597.50	-7,597.50
		78B EXECUTE INSTALLATION ACP OPERATIONS							5,107.50	-5,107.50	-5,107.50
		78C INSPECT COMMERCIAL AND POV							652.50	-652.50	-652.50
		78D MAINTAIN ALARM SYSTEMS FOR AA&E AND SCIF							652.50	-652.50	-652.50
		Result							14,010.00	-14,010.00	-14,010.00
		Result							14,010.00	-14,010.00	-14,010.00
		Result							14,010.00	-14,010.00	-14,010.00
PUBLIC WORKS & MUNICIPAL	ARMY/ARMY Army Default ARMY/9300.CIV2 CIVILIAN BAND 2	68B EMERGENCY DISPATCH SERVICES							15,250.00	-15,250.00	-15,250.00
		68C EMERGENCY RESPONSE FOR STRUCTURE FIRES							12,850.00	-12,850.00	-12,850.00
		68D EMERGENCY RESPONSE FOR ARFF							1,750.00	-1,750.00	-1,750.00
		68E EMERGENCY RESPONSE HAZMAT AND CBRNE							1,750.00	-1,750.00	-1,750.00
		Result							31,600.00	-31,600.00	-31,600.00
		Result							31,600.00	-31,600.00	-31,600.00
		Result							31,600.00	-31,600.00	-31,600.00



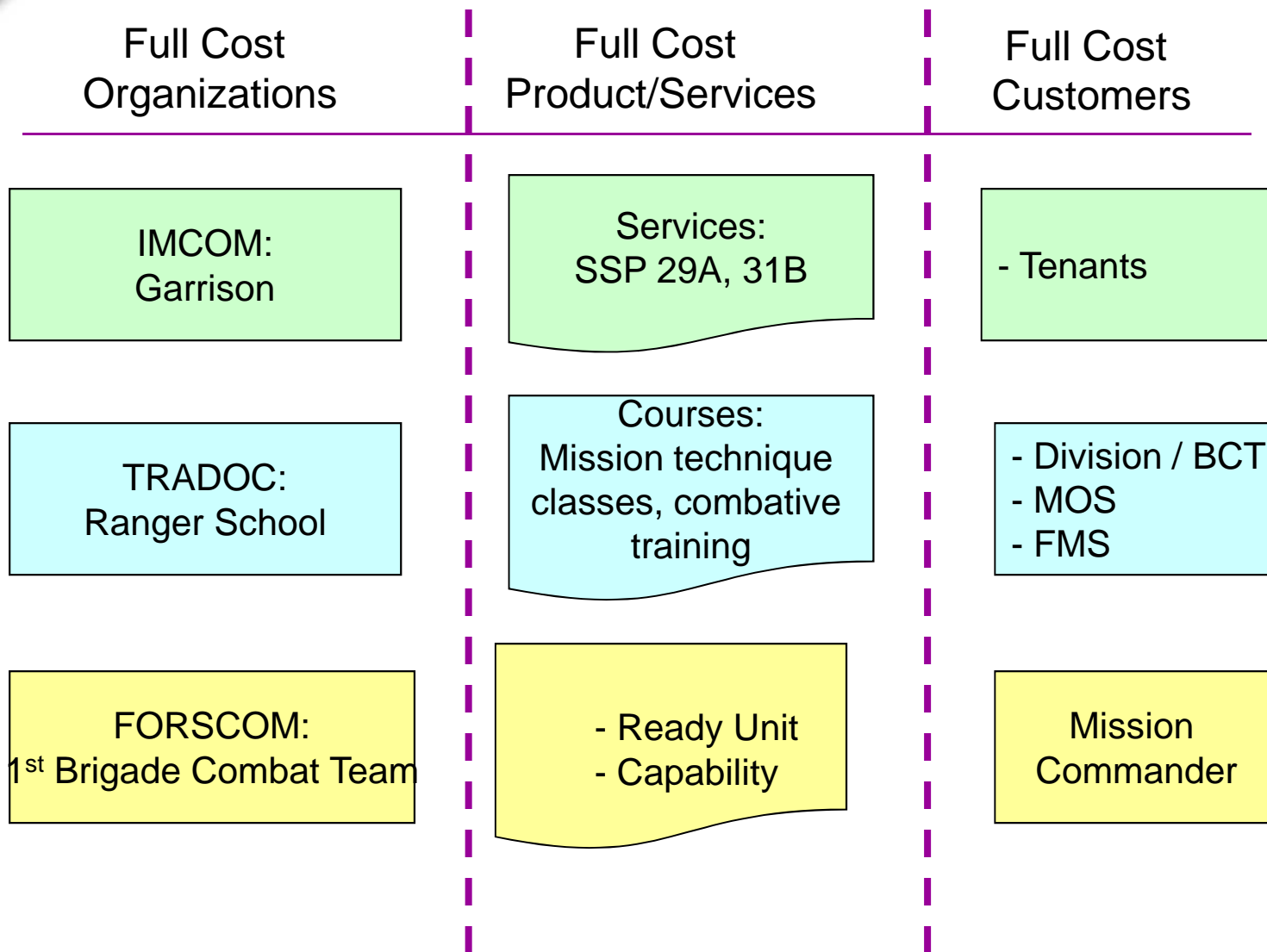
Unit Cost Report



Unit Cost Report (Example)							
Cost Objects	Names	Unit of Measure	Planned Qty	Planned Cost per Unit	Actual Qty	Actual Cost per Unit	Unit Cost Variance
Cost Center	2ABM0051 (Food Svc Br)	Soldiers Sppt	175	\$102.54	165	\$107.02	\$4.48
SSP	29B (In-House Dining)	Meals	1890	\$2.60	1782	\$2.35	-\$0.26
Cost Element Group	Labor	Hrs	100	\$25.00	93	\$25.81	\$0.81
	Material	x	x	x	x	x	x
	Supplies	x	x	x	x	x	x
	Equipment	x	x	x	x	x	x
	Training	x	x	x	x	x	x
SSP	29C (Take-Out Dining)	Meals	1200	\$5.42	1500	\$4.32	-\$1.10
Cost Element Group	Labor	Hrs	208	\$25.00	235	\$22.68	-\$2.32
	Material	x	x	x	x	x	x
	Supplies	x	x	x	x	x	x
	Equipment	x	x	x	x	x	x
	Training	x	x	x	x	x	x
SSP	29D (Remote Site Feeding)	Meals	1600	\$4.08	1511	\$4.63	\$0.55
Cost Element Group	Labor	Hrs	160	\$25.00	160	\$25.78	\$0.78
	Material	x	x	x	x	x	x
	Supplies	x	x	x	x	x	x
	Equipment	x	x	x	x	x	x
	Training	x	x	x	x	x	x



CCD – Cost Model





Lesson 2: Wrap-Up



- There are hundreds of standard reports provided from both ECC and BI
- Several special reports have been generated to support Army specific needs, Cost By, Detailed Labor, Unit Cost Rate, etc.
- ECC and BI provide different reporting abilities
- Users can create their own filters, views of the data within the reports and favorites



Question: Which system(s) is described below



- ECC Real-time
- BI Nightly, 4 hrs, near real-time
- ECC Drill-down to originating document
- Both Reconciliation
- ECC Smaller data set
- ECC Time out normally around 15 mins
- BI Larger data set
- BI Time out normally around 90 mins



Answers



<u>ECC</u>	Real-time
<u>BI</u>	Nightly, 4 hrs, near real-time
<u>ECC</u>	Drill-down to originating document
<u>Both</u>	Reconciliation
<u>ECC</u>	Smaller data set
<u>ECC</u>	Time out normally around 15 mins
<u>BI</u>	Larger data set
<u>BI</u>	Time out normally around 90 mins



Lesson 3: Summary/Key Take-Aways



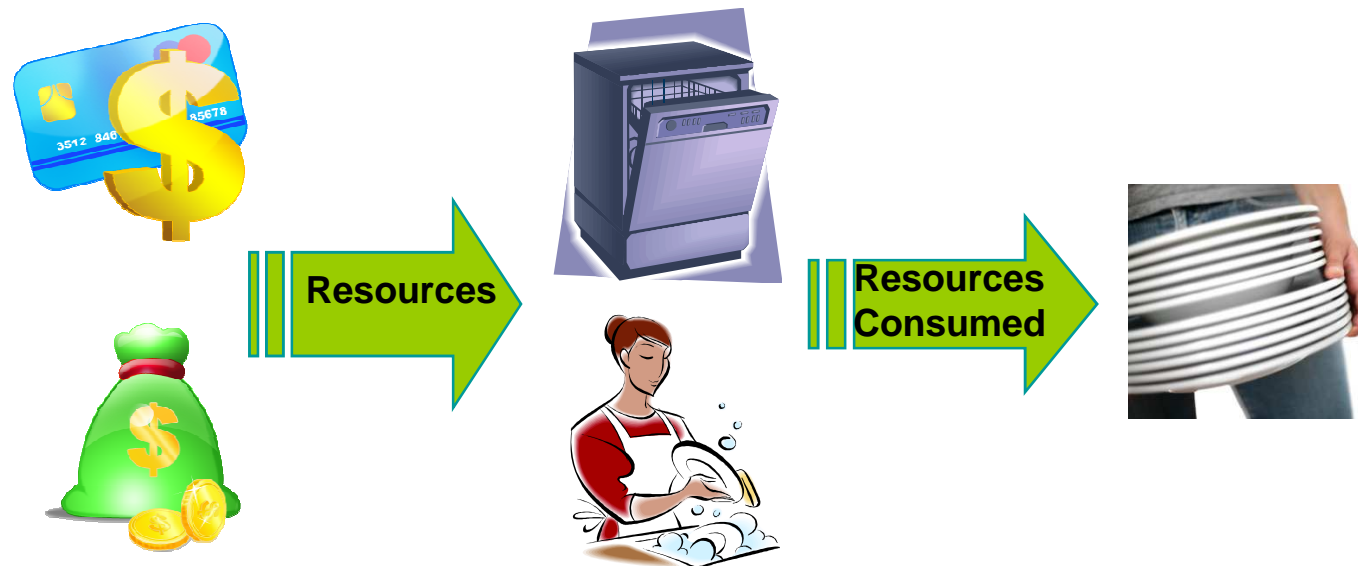
Objective(s):

- Highlight the most important concepts addressed throughout the training





What is Cost?



“**Cost** is a monetary measure of the sacrifice associated with:

- expending resource functionality to achieve a specific objective, or
- utilizing resource output required to achieve a specific objective, or
- the provision of resource functionality or resource output while not using it.

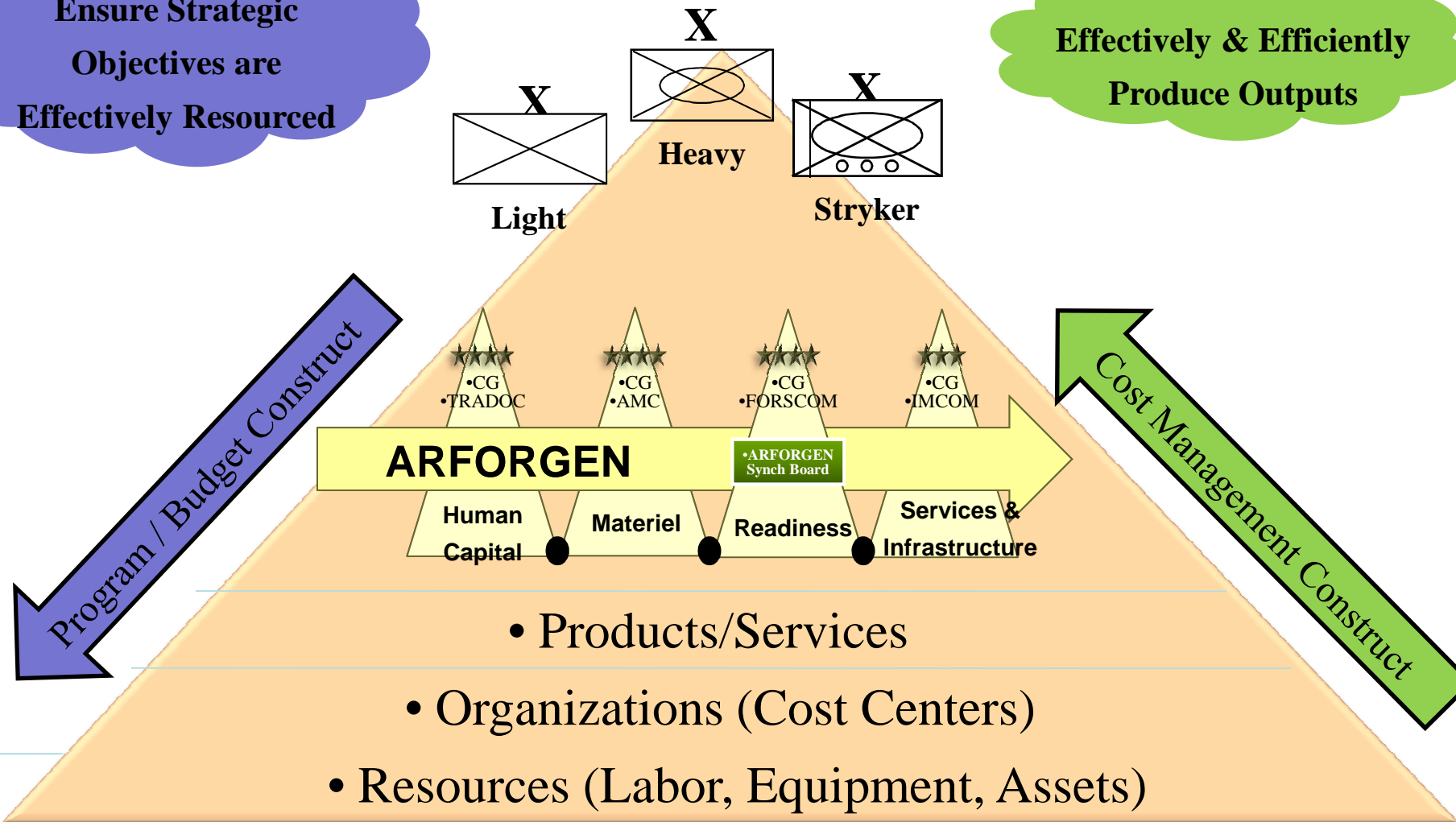


Need to Understand What the Resources Buy – The Army Product



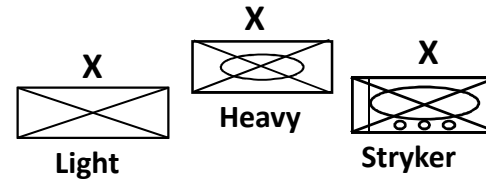
Ensure Strategic Objectives are Effectively Resourced

Effectively & Efficiently Produce Outputs

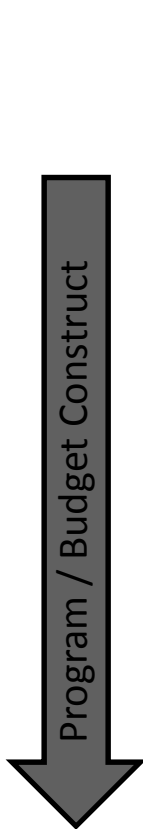




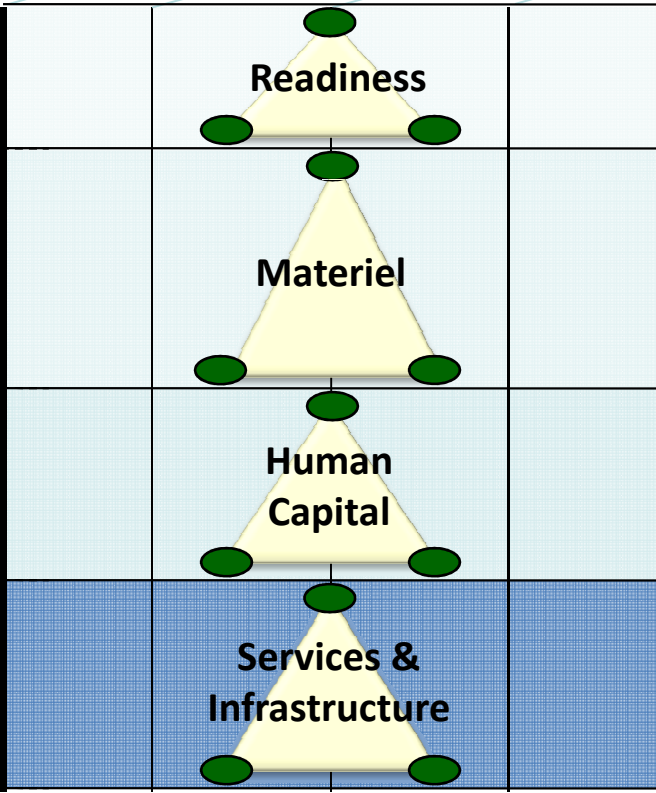
Army Cost Management Framework



Available / Deploy
Train / Ready
Reset

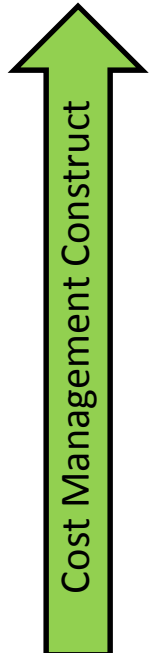


- Train Units
•Operations & Activities
- Research
•Procure
•Sustain
•Distribute
•Dispose
- Acquire & Train
•Manage (Pay) & Distribute
•Develop & Educate
•Force Development
- Facility
•Installation
•Command Programs
•Centrally Managed Programs



- Command & Intelligence
•Operating Forces
- Depot Maint / Repair of Mil Eqt
•Ordnance
•S&T & R&D
•Systems Acquisition, T&E, Engineering, & Contracting
- Civ Education / Training
•Civ Personnel Svcs
•Mil Education / Training
•Mil Personnel Svcs
•Prof. Development Educ.
- Community & Family Svcs
•Environmental Security & National Resource Svcs
•Health Svcs
•Installation / Facility Mgt

Common to CEs
Communications, Computing, & Info Systems
Financial Management / Budget
Operation Planning & Control

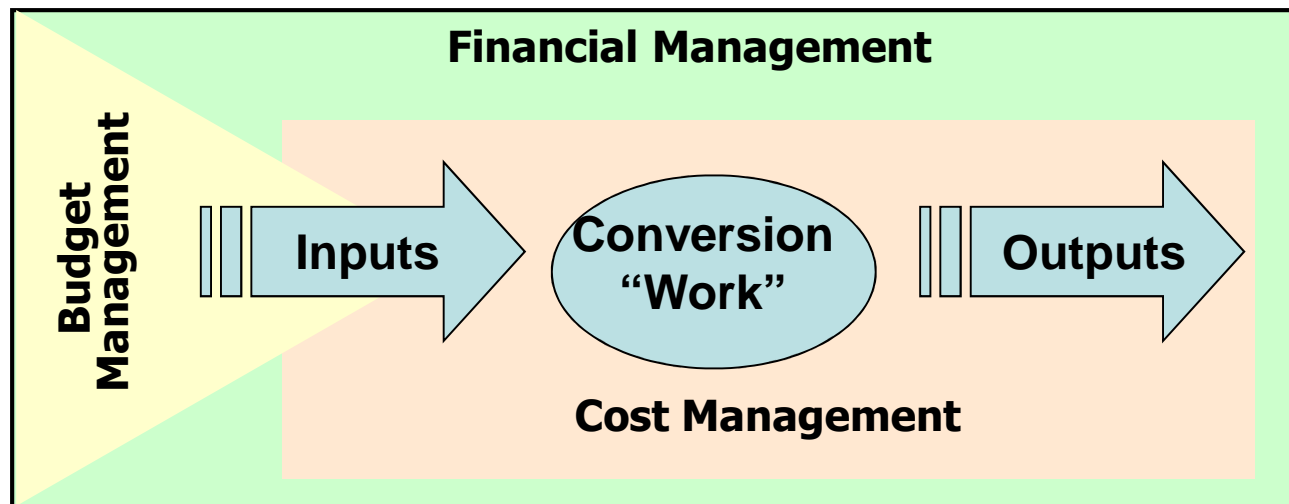


S4L3_p4

Note: Program / Budget and Cost Management constructs shown represent subset of overall framework



Management Domains



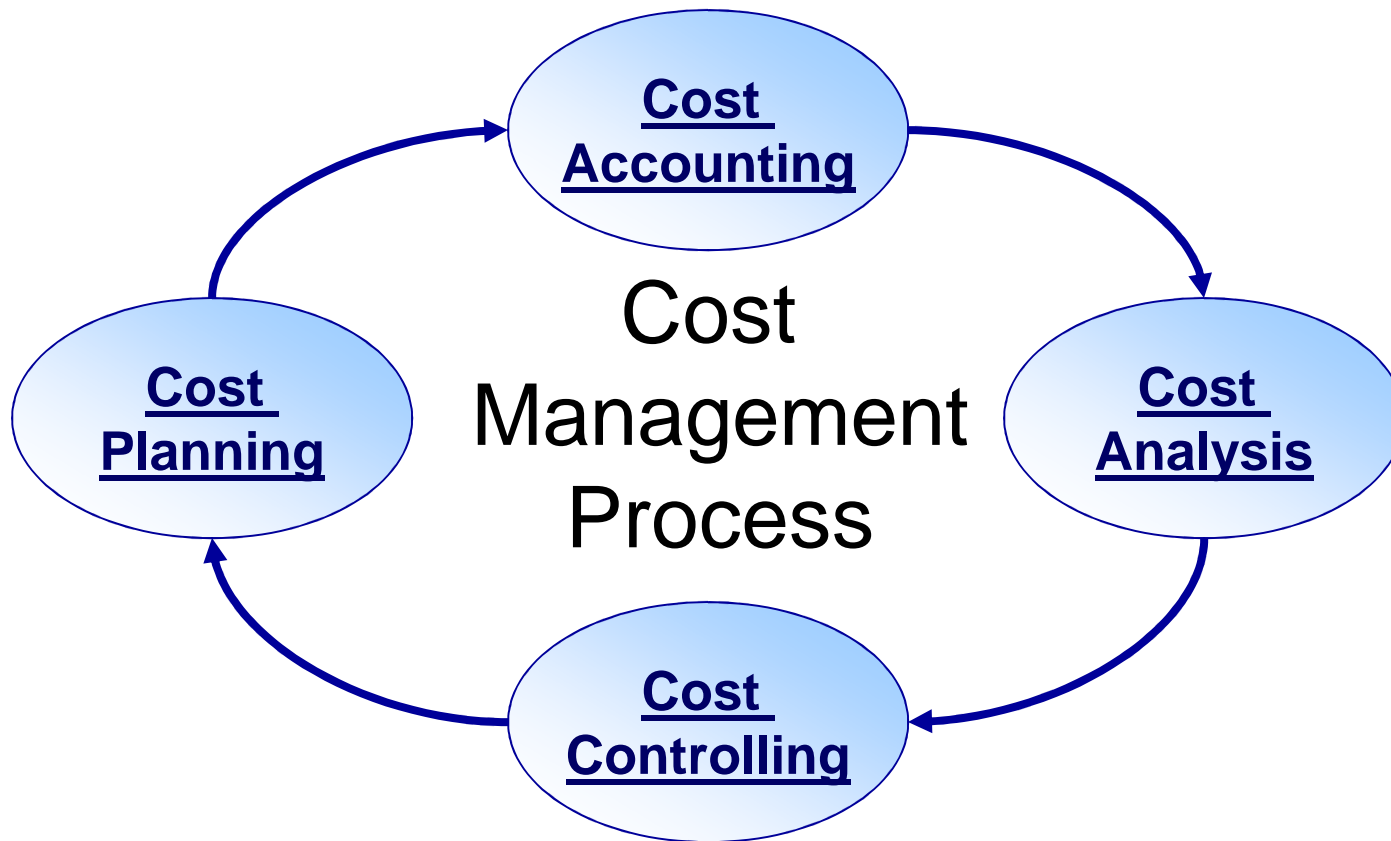
- All business operations, regardless of industry or function, require the conversion of inputs into the outputs of the organization
- Budget Management provides ‘authority’ and control of the conversion activity in order to provide the agreed upon outputs of the agency (primarily input focused)
- Cost Management provides ‘efficiency and effectiveness’ and control of the conversion activity in order to provide the agreed upon outputs of the agency (primarily output focused)
- Financial Management provides ‘historical and comparative’ information of an externally defined view of the conversion activity



Cost Management



Managing Business Operations *Efficiently* & *Effectively* Through the Accurate Measurement & Thorough *Understanding of the "Full Cost"* of an Organization's Business Processes, Products & Services in Order to Provide the *Best Value* to *Customers*.





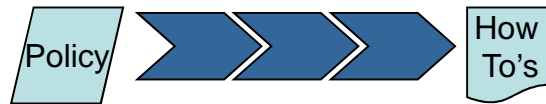
Army Cost Culture Change “Making a Square a Circle”

“A Culture of Entitlement”

- Budget-focused
- Spend rate driven – inputs
- Performance objective - 99.9% obligated
- Free goods has infinite demands



- Develop/Recruit Analysts
- Enhance Training
- Performance Focus (NSPS)



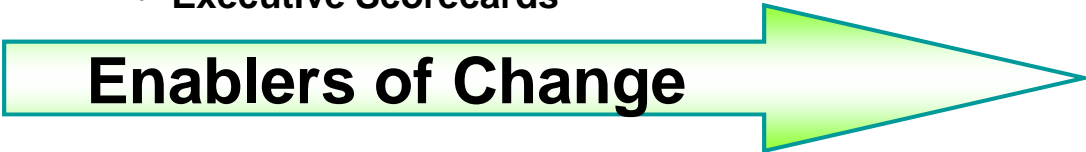
- Process Improvement (Lean 6-Sigma)
- Integrated Business Design



- ERP Applications e.g. (GFEBs, LMP, GCSS)
- Business Warehouses
- Executive Scorecards

“A Culture of Influence”

- Cost and performance focused
- Results driven - output & outcome
- Performance objective – resource consumption optimization (efficiency & effectiveness)
- Use what is necessary to obtain the objective



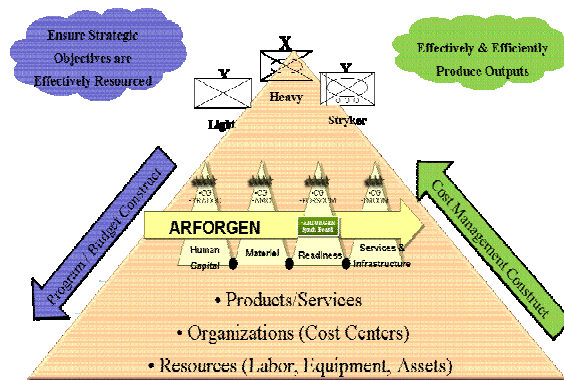


Enhanced Ability to Capture Cost



Cost Objects	Organizational Entities	Real Property / Equipment	Program / Project	Task / Activity	Special Event or Initiative
ERP (SAP) Cost Collectors	Cost Centers	Assets / Real Estate Objects	Project / WBS	Business Process	Internal Order
Army Examples	<ul style="list-style-type: none"> • Installation • Brigade • School • Directorate • Lab 	<ul style="list-style-type: none"> • Building • Training Range • Weapon System 	<ul style="list-style-type: none"> • Acquisition • RDTE Project • MILCON Project • System Test 	<ul style="list-style-type: none"> • Services • Instructional Course • Repair Process • Test Run 	<ul style="list-style-type: none"> • BRAC • Training Event • Mandatory Training • Support to Olympics

Cost assigned Directly or Indirectly



Customer / Product

- Brigade
- Tenant
- Command
- Weapon System
- PEO / PM
- Course





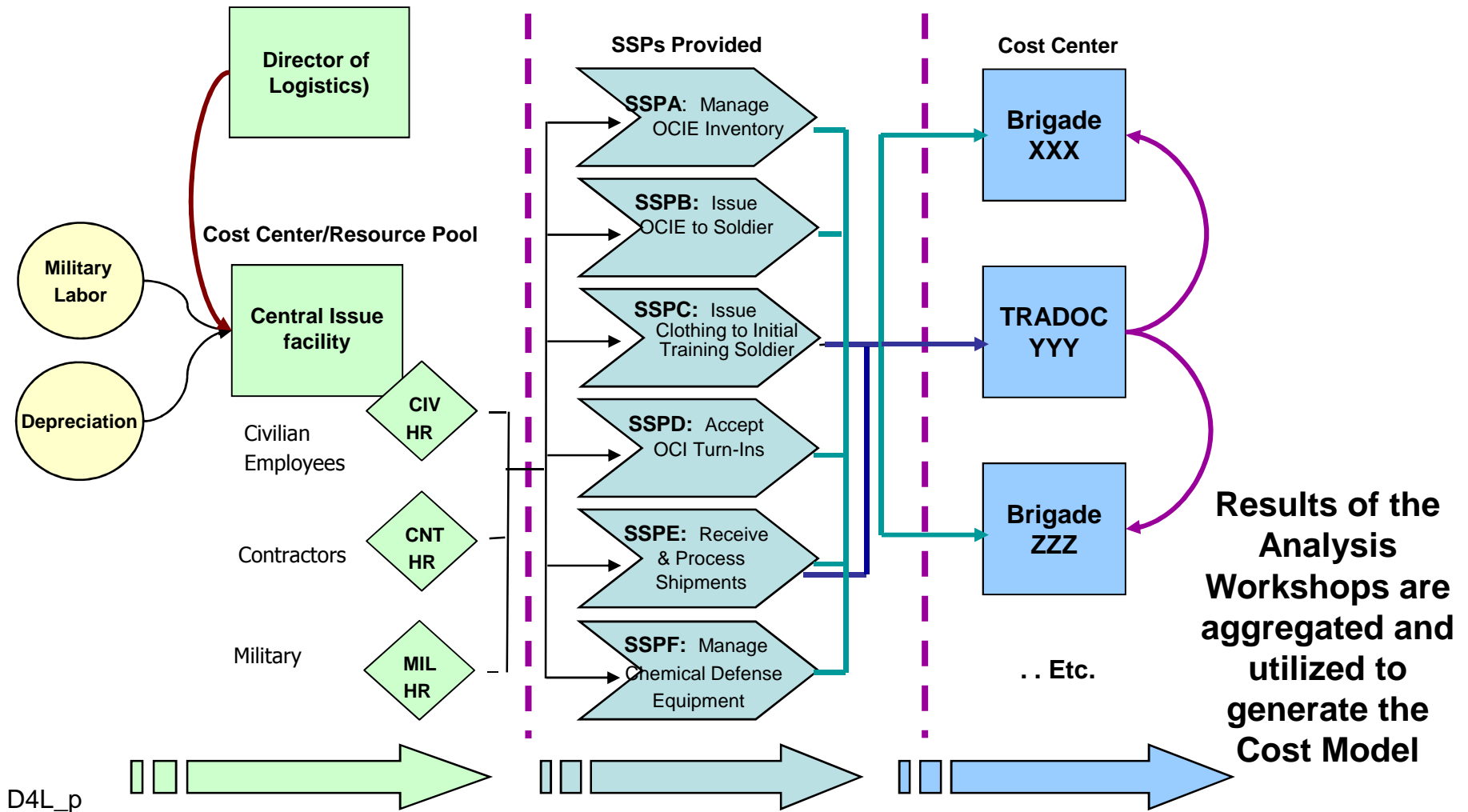
CCD – Cost Model



Full Cost Organizations

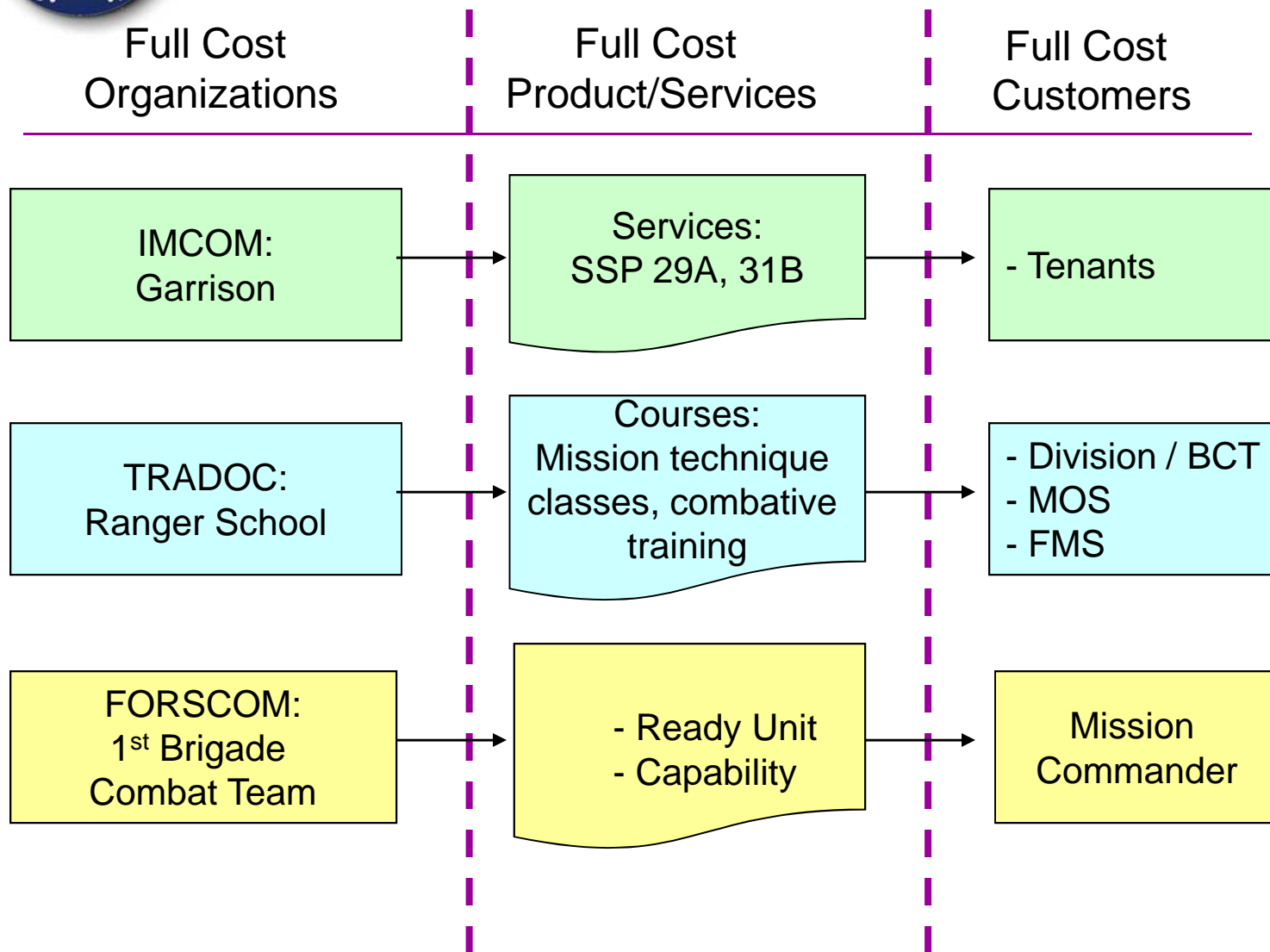
Full Cost Product/Services

Full Cost Customers





Army Cost Design

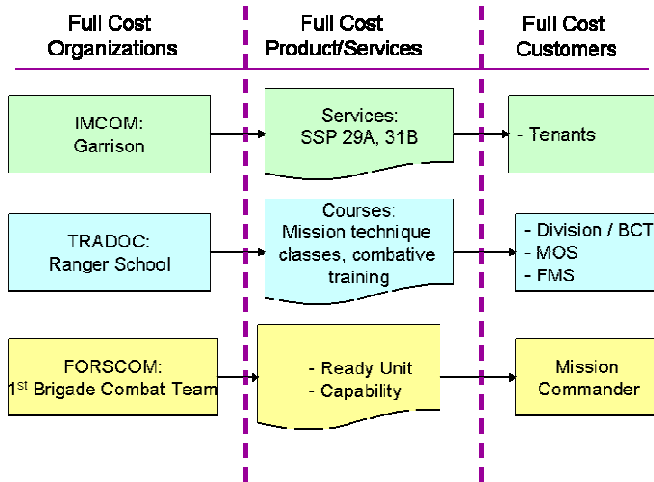


A monetary valuation of the economic goods and services of the organization – full burden cost flows

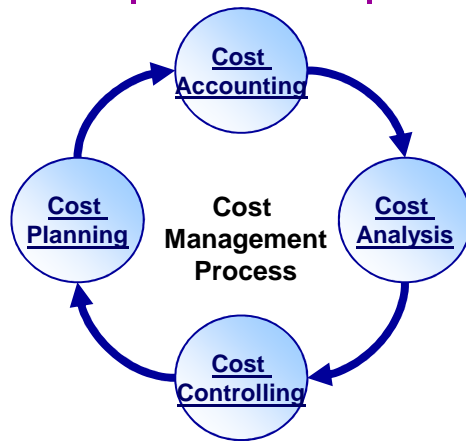
maturity over years



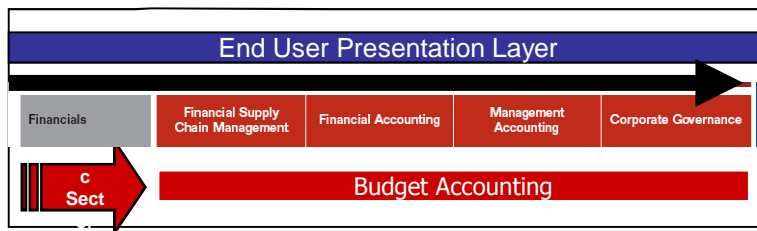
Costing Conceptual Design



What/Why information is entered, stored, used, and presented



How the information is entered, stored, used, and presented



Where the information is entered, stored, used, and presented



Many Types Costs



- **Direct costs**— A cost such as labor, materials/supplies that can be directly traced to producing a specific output of an organization, product/service.
- **Indirect costs** – A cost that cannot be directly traced to a specific organization, product/service output.
- **Funded Costs** -- The value of goods or services received because of an obligation of funds (obligation authority), by the organization performing the work.
- **Unfunded costs** -- A cost that are financed by another organization's or activity's appropriations.
- **Variable Costs** -- A cost that changes with change in output.
- **Fixed Cost** -- A cost that remains the same regardless of the change in output.
- **Recurring Cost** -- A cost that is incur repeatedly for each organization and/or product/service produced .
- **Non-Recurring Cost** -- A cost that is unusual and unlikely to occur again.
- **Avoidable Costs** -- A cost incurred on an object that will no longer be incurred due to a decision to change the output.
- **Unavoidable Cost** -- A cost incurred on an object that will be incurred regardless of the decision to change.

- **Common Understanding of Types of Cost is Necessary for Informed Decision Making**

- **Each Decision Should be Focused on Only Relevant Cost that Impact the Decision**



Current World – APC Example

Budget Address					APC	DESC	FAC	Point Account	Mgmt Info	CUST #	FCA
ASX	BSN	AMS	MDEP	LIMIT	J3CD	COUNTER DRUGS	3	00	000		
XXXX	2020	13518900000	VCNA	CNPO	J3R5	JSS GOVERNMENT TEST	8	00	000	5J3R50	
XXXX	2020	11101100000	WEAD	0000	J3R7	MOBILE TRNG TEAM IN JAPAN	8	00	000	5J3R70	
XXXX	2020	11101100000	WEAD	0000	JGMS	FOREIGN VISIT 0012 LIMIT	3	00	000		
XXXX	2020	12101800000	XISQ	0012	JRCF	PROFESSIONAL CERTIFICATION	3	00	000		
XXXX	0100	04WH4100000		1101	JTR3	READINESS BRANCH	3	00	000		
XXXX	2020	11101100000	WEAD	0000	JTRG	RETIRED GENERAL OFFICERS CONFERENCE	3	00	000		
XXXX	2020	11101100000	WEAD	0000	JTS2	STRENGTH MANAGEMENT BRANCH	3	00	000		
XXXX	2020	11101100000	WEAD	0000	JTS3	NCO SOLDIER OF THE YEAR BOARD	3	00	000		
XXXX	2020	11101100000	WEAD	0000	JTS3	NCO SOLDIER OF THE YEAR BOARD	3	00	000		
XXXX	0130	84790033RAK	HSDH	1881	ACFA	MISSION/OPERATION - RADIOLOGY SVC	3	33	RAK		
XXXX	2020	13519700000	VIRQ	0000	AG41	41 BCT MOBILIZATION	3	00	0000		F1202
XXXX	2020	43478900000	VCND	CNPO	PN1B	DEMAND REDUCTION EDUCATION PREVENTION	3	00	000		
XXXX	2020	13109623A80	QNMG	0000	PN23	ADVISE CMD LAW ENFORCEMENT	3	23	A80		
XXXX	2020	32173120000	TFNC	0000	TK04	LIBRARY SPT	3	20	000		
XXXX	2020	13519700NSH	VIRQ	0000	H8C8	TRAP 52 - 199TH	3	00	NSH		F1202
XXXX	2020	12201818000	VTRD	0000	H9EH	DIS OPERATIONS	3	18	000		
XXXX	2020	116001AB000	VFHP	0000	J158	A CO 1/58TH ATC	3	AB	000		
						W902YM					

Budget Objects are used to:

- Indicate kind of money consumed
- By which funds controlling area (ASN/FC)
- Perform funds checking for availability

Cost Objects are used to:

- Indicate who/what consumed the money
- Provide the Full Costs of view
- Associate money consumed with output provided



Cost Objects



- **Cost Center** - A cost center is a responsibility center that incurs costs and has a manager who is accountable for those costs.
 - **Activity Type** - An Activity Type is a cost object that represents a group of resources within a Cost Center. These resource groups have capacity and a unit of measure such as: labor hours, machine hours, square footage, etc. Activity Types are consumed and utilized to produce the products and services of the organization.
 - **Cost Element** - A Cost Element is the lowest level component for classifying costs and revenues (as negative costs) of a resource and indicates the category/type associated with a posting (e.g. allocation type, revenue, expense)
 - **WBS Element** - WBS elements are activities in the Project used for planning and updating cost data. Some examples of WBS Elements are: Tasks, Partial tasks that are further subdivided, and work packages.
 - **Order** - Orders are cost objects used to plan, collect, monitor, and settle the costs of specific jobs and tasks. Orders are used to monitor the costs of short term projects and event/job costing.
 - **Business Process** - A business process is a cost object used to capture costs of cross-functional (cost center) activities.
- Other:**
- **Statistical Key Figure** - A Statistical Key Figure is a piece of information about the cost object it is assigned to, e.g. # FTE for a cost center, # telephones, etc.



Cost Management Enables Optimization

