



Cost Management Section 3



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 3 Objective & Agenda



Section 3: Cost Flow Methods

- Understanding Army business processes and which cost capture method should be used.
 - Lesson 1: Cost Method Overview
 - Lesson 2: Capture Travel Cost
 - Lesson 3: Capture Labor/Payroll Cost
 - Lesson 4: Capture Contract & Supplies Cost
 - Lesson 5: Capture Output Cost



Lesson 1: Cost Assignments Overview



Objective(s):

Understand the different cost flow methods, the information needed, the Army objective of which method to use.



Cost Flow Overview

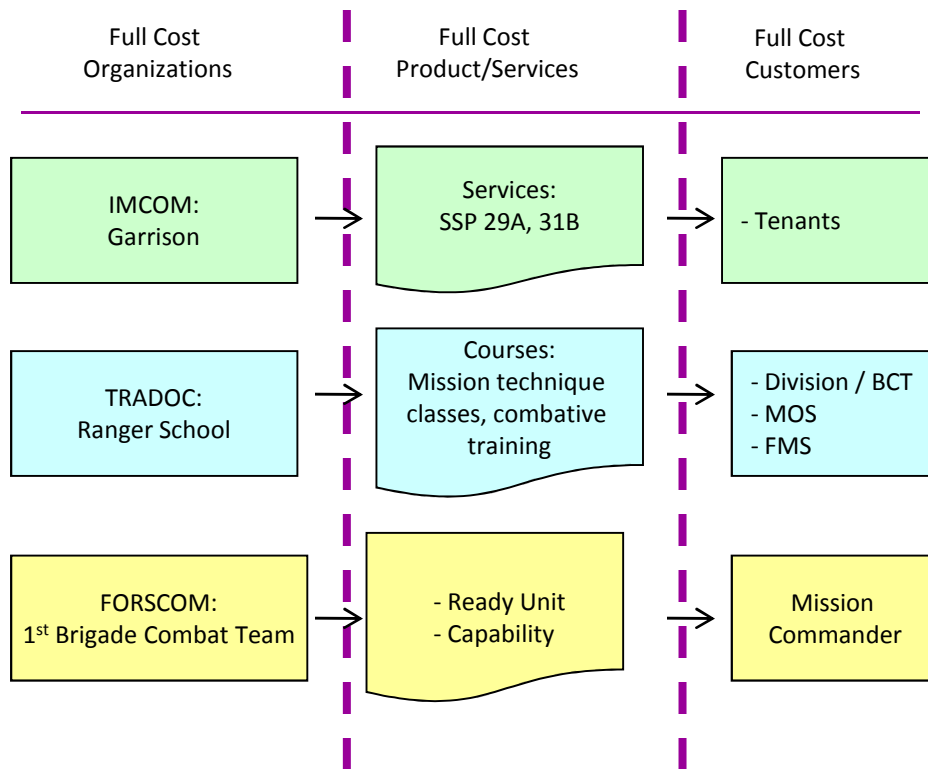


Capturing costs is utilized in order to reflect:

- Budget Execution
- The full costs of organizations
- The full costs of products/services
- The full costs of customers
- How organizations can influence the costs by their behavior (output consumption)



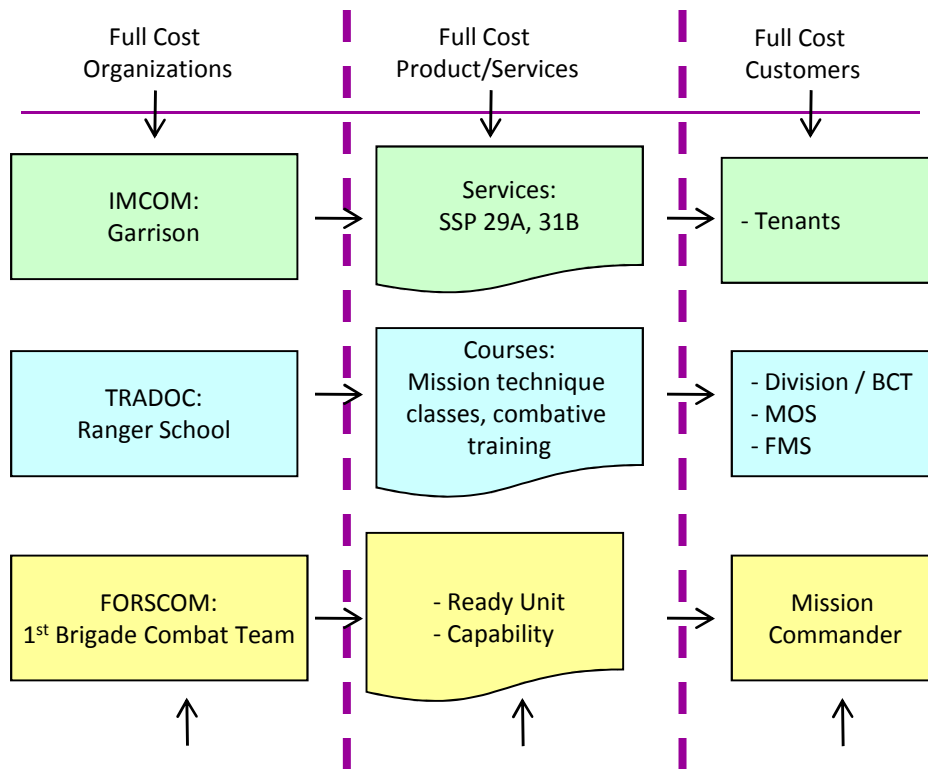
Cost Flow Overview



- Section 2 focused on the shapes depicted in the Cost Model
- Section 3 focuses on the arrows in the Cost Model



Cost Flow Methods



There are three types of Cost Flows:

- Direct Charge – the primary or initial posting
- Assignments – secondary or follow-on movement based on quantity consumption (has Rate x Qty consumed)
- Allocations – secondary or follow-on movements that are value based (\$ or # converted to a % split)



Assignment vs. Allocation



Assignment:

The establishment of relationship between a sending cost object and a receiving cost object based on a quantity (with a rate for valuation) being consumed by the receiver

Requires:

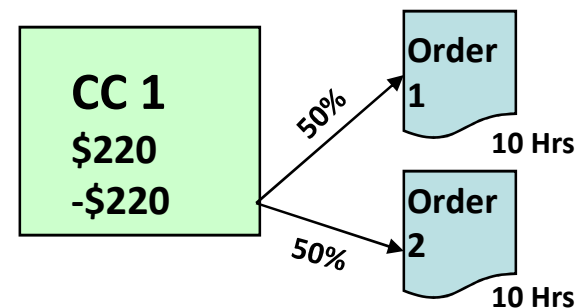
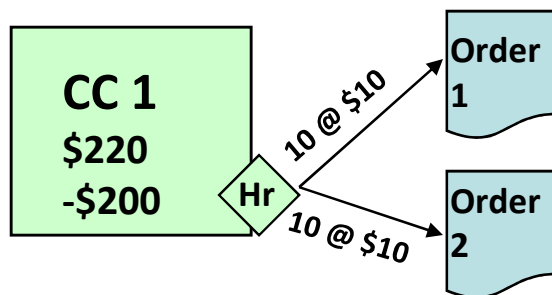
- Activity Type or Business Process quantity as sender
- A rate associated to value the quantity flow
- Mechanism for capturing or imputing the sender quantity

Allocation:

The establishment of a relationship between a sending cost object to one or more receiving cost object(s) based on % (even if a quantity is utilized to generate a %, e.g. # FTEs)

Requires:

- Mechanism for capturing a quantitative or monetary value on the receiver(s) which is then utilized to determine the % split of the sender costs
- Acceptance of batch processing





Assignment vs. Allocation



Assignment:

Pros:

- Direct relationship
- Real-time information for analysis
- Reduces systemic burden during period close
- Dynamic (can change as the environment changes)
- Capacity Mgmt (resource utilization)

Cons:

- Must have the ability to track quantity from send to receiver or impute

Allocation:

Pros:

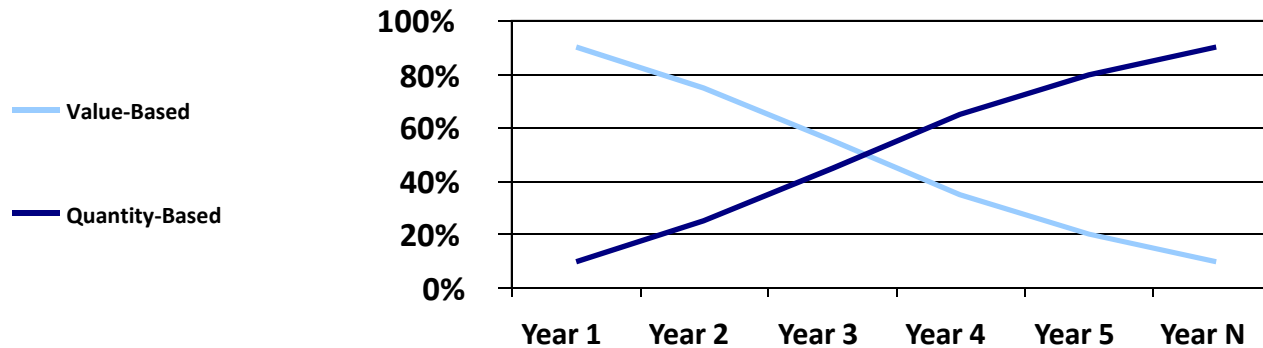
- Provides mechanism for cost association when tracking of quantity is not possible or cost prohibitive

Cons:

- Full-absorption approach
- Typically less accurate
- High demand on system resources during period-end close
- Static assumption set often infrequently updated



Allocation to Assignment Maturation Process



- As the Army's Management Accounting framework matures over time, utilization between cost allocation versus assignment methods will shift.
- **Value-based:** Cost allocations utilizing tracing factors that result in the allocation of dollars between cost objects, e.g. % split or quantitative information such as # FTEs. The result is the cost flow of dollars only. Supports current costing with limited management control and projection capabilities.
- **Quantity-based:** Cost assignments utilizing the quantity of goods and services provided between cost objects, e.g. # Hrs, SQFT, CPUMINS, etc. The result is the flow of quantities between cost objects with a corresponding monetary valuation. Therefore both quantities and dollars flow. Supports current costing with management control and projection capabilities.



Capturing Costs



Today:

- ✓ Not All Cost Allocated
 - ✓ Focused on Direct Obligation by Appropriation
 - ✓ Assigned / Mapped to High Level Programs (e.g. MDEP)
 - ✓ Allocation Done Differently by Organization
-
- Inconsistent Army Reporting
 - Not Full Cost
 - Financial Focus to Meet Budget Execution Reports
 - Not linked to Output

Tomorrow:

- ✓ Standardized Process
 - ✓ Will Use Acceptable Cost Assignment/ Allocation Practices
 - ✓ Will Provide Capability for Multiple Cost Assignments/Allocations
 - ✓ Allocations Only where Direct Assignments not Used
-
- Required for Full Cost Accuracy
 - More Accurately Defines Overhead & Indirect Cost
 - Maintains Budget Execution Capability
 - Linked to Output



Lesson 1: Wrap-Up



- There are 3 forms of cost flows: direct charge, assignments, and allocations
- The primary or initial posting is directly charged to the Cost Object
- Further associations of the costs to consuming organizations, products/services, uses assignments/allocations
- Assignments utilize a generic basis providing both a rate & quantity consumed (e.g. SQFT)
- Allocating utilizes a value basis (either amount or value) to calculate a percentage split.



Lesson 1: Quiz



Question # 1: Which Cost Flow Method is always the primary or initial posting?

- Direct Charge
- Assignment
- Allocation

Question # 1: When Costs are further associated to consuming orgs/products/services, customers using a quantity basis?

- Direct Charge
- Assignment
- Allocation



Lesson 1: Answers

Question # 1: Which Cost Flow Method is always the primary or initial posting?

- Direct Charge
- Assignment
- Allocation

Question # 1: When Costs are further associated to consuming orgs/products/services, customers using a quantity basis?

- Direct Charge
- Assignment
- Allocation



Lesson 2: Capture Travel Costs



Objective(s):

- To understand how travel costs can be captured, maintenance required, and what information can be reported/analyzed



GFEBBS Costing



DCPS



Employee 1
Employee 2
Employee 3
Employee 4
Employee 5
Employee 6
Employee 7

DTS



SPS



FCM



Purchase Cards

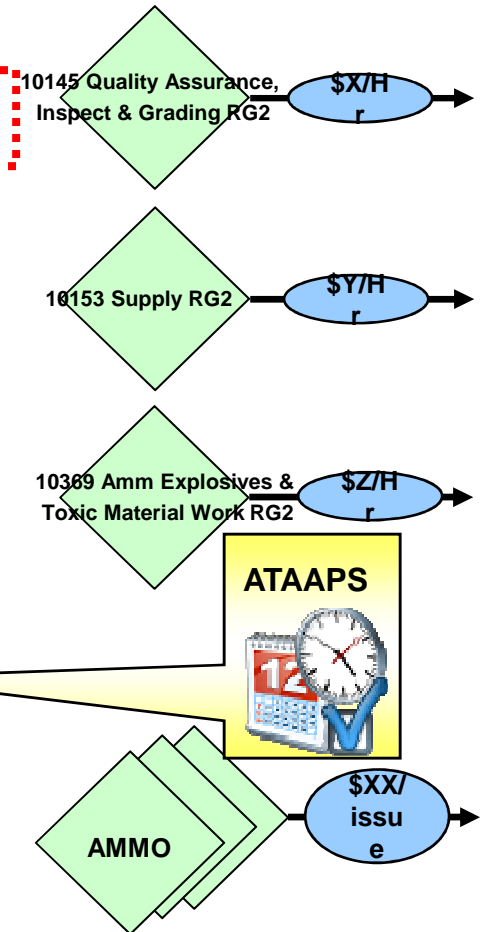


WARS



2ABM0065 Ammo Supply Point

Name	Cost Element	Actuals	Quantity
Perm	6100.11B1	\$4,000	80 hrs
Overtime	6100.11D0	\$1,200	20 hrs
Benefits	6100.12Y0	\$1,000	
Travel	6100.21T0	\$800	
Contracts	6100.252G	\$2,000	
Supplies	6100.26T0	\$1,000	
Purchase Cards	6100.262B	\$1,500	
DOL Support	9100.0000	\$2,000	
Facilities Cost	9400.SQFT	\$1000	300ft
Labor Charge	9300.0100	(\$5,000)	
Ammo	9400.AMMO	(\$500)	



Workload Drivers
 # of Requests
 # of Inspections



Capturing Travel Costs Overview



- DTS is the operational system utilized by the Army to support the travel process.
- To associate travel processed and completed to the financial system, a DTS Line of Accounting is created within DTS.
- To support multiple requirements an updated DTS LOA (10X20) and process is utilized by organizations deployed to GFEBS
 - FMR Compliance for Funds Availability Check
 - BTA SFIS Compliance for 4 digit year identifier
 - Multiple Cost Objects versus a single APC.



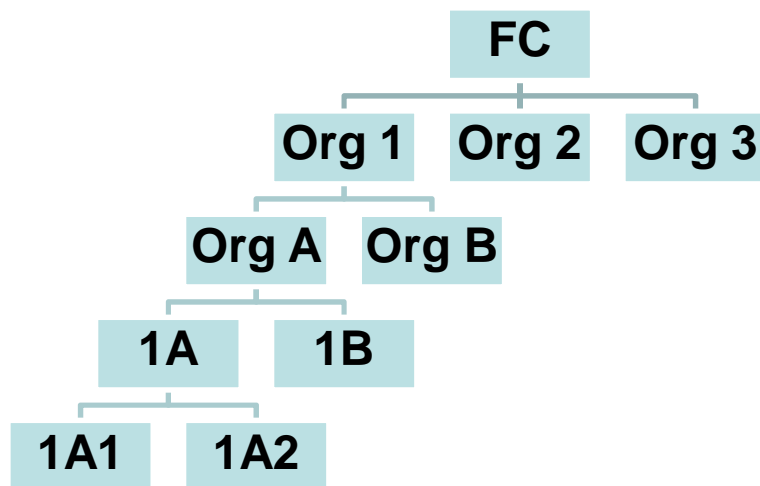
Capture Travel Costs Setup



- Need to first determine where the travel cost needs to be recorded: Organization? Event? Project? Customer?
 - Customer: directly to WBS Element representing that reimbursement
 - Event: (e.g. GFEBBS Training) then to the order representing that event
 - Organization: then to a Cost Center
- Need to identify if further transparency required (e.g. emergency leave, TDY in transit)



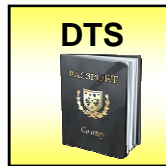
Capture Travel Costs Cost Center



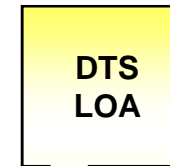
- Control: Where are informal budgets pushed to?
- Influence: Where are discretionary decisions made?
- Transparency: Is it material to see cost of travel at the lowest level?
- Maintenance: What is the level of effort vs. benefit



Capture Travel Costs Cost Center



MSE G8			
Name	Cost Element	Actuals	Quantity
Travel	6100.21T0	\$800	



CO:	2ABM0053	(16)
COT:	CC	(16)



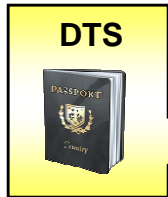
Capture Travel Costs Internal Order



- DTS LOA's can capture costs directly to orders being used to reflect events (conferences, products, SSP's, FCA codes, etc)
- If "kind" of travel is needed then IO's can reflect that level therefore multiple cost objects can be on DTS LOA (e.g. Emergency Travel, TDY, etc)
- Can consume multiple budget addresses on same order which requires multiple DTS LOAs with the same internal order number



Capture Travel Costs Internal Order



1000269 Command Conference			
Name	Cost Element	Actuals	Quantity
Travel	6100.21T0	\$400	

DTS
LOA

CO:	1000269	(16)
COT:	OR	(16)

Assignments Control data Prd-end closing General data Investments

General data

Applicant Application date

Telephone Department

Person responsible Work Start

Telephone End of Work

Estimated costs USD Work approval

Processing group

Funding Data

Functional Area

Funds Center A2ABM

Main Account

Fund

Funded Program ARMY

**BUDGET ADDRESS FROM
GFEBs INTERNAL ORDER
IS IGNORED**

AAID:	021001	(6)
DEPT:	21	(3)
DEPT TRS:	Blank	(3)
MN ACCT:	2020	(4)

SUB ACCT:		(3)
AFY	20092009	(8)

UDF: D0131096QDPW (19)

**BUDGET ADDRESS FROM
DTS: FUND: 202010D09
FA: 131096QDPW**



Capture Travel Costs WBS Elements

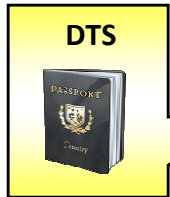


- DTS LOA's can capture costs directly to WBS Elements being used to represent customers, products/services, projects, etc.
- Unlike orders the budget address of the WBS Element can't be overwritten and therefore an error will occur if not aligned



Capture Travel Costs WBS Elements

DTS
LOA



30000.XX.XX CLEAN-UP SITE X				
Name	Cost Element	Actuals	Quantity	
Travel	6100.21T0	\$1,200		

CO:	30000.XX.XX	(16)
COT:	PI	(16)
CO:	2ABM0053	(10)
COT:	CC	(10)

Funding Data	RPIR/CIPR/EIPR	Environmental Liability	PPS Report
Functional Area	132078QRPA	<input checked="" type="checkbox"/> Copy Superior Funding	
Funds Center	A2ABM	<input checked="" type="checkbox"/> Funding Approved	
Main Account	2020	<input checked="" type="checkbox"/> Execution Exists	
Fund	202010D09	<input checked="" type="checkbox"/> Create Funded Program	
Funded Program	2000		
Funded Program Type	GENR		
Funded Program Start Date	10/01/1900		
Fiscal Year of Execution			
Approver			
Asset Capitalization Rules			

BUDGET ADDRESS FROM
GFEBs: FUND: 202010D09
FA: 132078QRPA

AAID:	021001	(6)
DEPT:	21	(3)
DEPT TRS:	Blank	(3)
MN ACCT:	2020	(4)

SUB ACCT:		(3)
AFY	20092009	(8)

UDF: D0131096QDPW (19)

BUDGET ADDRESS FROM DTS:
FUND: 202010D09
FA: 131096QDPW





Capture Travel Costs Maintenance



- With the changes to the DTS LOA to support requirements the on-going maintenance will be impacted
- DTS LOA's must be maintained annually due to fiscal year dependent funding master data
- New DTS LOA's can be established prior to new FY open within DTS



Capture Travel Costs Analysis



- Depending on the different views needed multiple analysis can be done
 - Visibility into the purpose of the travel costs for events, customers or organizations and/or groups of organizations.
 - Visibility over the kind of travel costs such as TDY en route and return, emergency leave
- Reconcile travel costs based on standard DTS reports
- If analysis indicates incorrect postings expenses can be moved to appropriate location



Lesson 2: Wrap Up



- Capturing travel costs is still performed through DTS, IATS and manual processes
- DTS LOAs have been enhanced for GFEBs due to Financial Management (FMR, SFIS, BTA) and Cost Management (posting to multiple Cost Objects) requirements.
- Decisions on purpose, level and kind of information have to be answered prior to cost object determination
- Multiple cost objects can be posted to (e.g. Cost Center and Internal Order/WBS Element)



Lesson 2: Quiz



- DTS Lines of Accounting need to be updated prior to going live?
 - True
 - False
- GFEBS is capable of receiving two Cost Centers on an employee's LOA from DTS?
 - True
 - False
- Why would you have a need to record two cost objects on a travel posting?



Lesson 2: Quiz Answers



- DTS Lines of Accounting need to be updated prior to going live?
 - True
 - False
- GFEBBS is capable of receiving two Cost Centers on an employee's LOA from DTS?
 - True
 - False
- Why would you have a need to record two cost objects on a travel posting? The need to capture costs for both events and organizations or customers and organizations.



Lesson 3: Capture Payroll/Labor Costs



Objective(s):

- To understand how payroll and labor costs can be captured, maintenance required, and what information can be reported/analyzed



GFEBS Costing

2ABM0065 Ammo Supply Point

Name	Cost Element	Actuals	Quantity
Perm	6100.11B1	\$4,200	80 hrs
Overtime	6100.11D0	\$1,500	20 hrs
Benefits	6100.12Y0	\$ 800	
Travel	6100.21T0	\$800	
Contracts	6100.252G	\$2,000	
Supplies	6100.26T0	\$1,000	
Purchase Cards	6100.262B	\$1,500	
DOL Support	9100.0000	\$2,000	
Facilities Cost	9400.SQFT	\$1000	300ft
Labor Charge	9300.0100	(\$6,500)	
Ammo	9400.AMMO	(\$500)	

DCPS



Employee 1
Employee 2
Employee 3
Employee 4
Employee 5
Employee 6
Employee 7

DTS



SPS



FCM



Purchase Cards

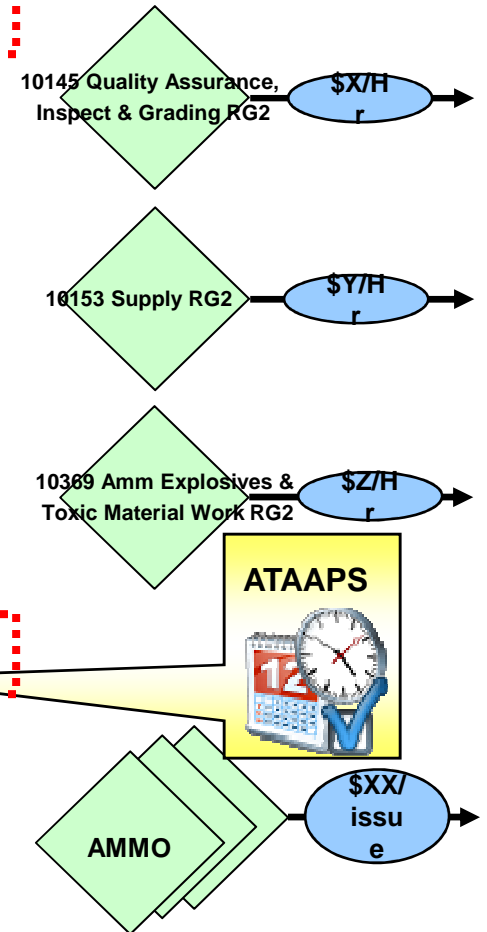


WARS



Workload Drivers

- # of Requests
- # of Inspections





Payroll vs. Labor Process



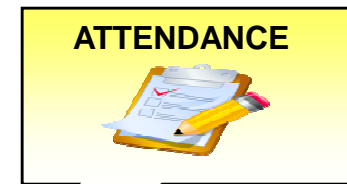
- Payroll Process - the tracking of time for attendance purposes and corresponding payment to employees as well as accruing for work performed but not yet paid
- Labor Process - the tracking of time for recordation to a specific cost of outputs (services, customers, course, etc.)



Capture Payroll/Labor Costs Time Tracking vs. Attendance



	Mon	Tues	Wed	Thur	Fri	
Bob Dylan	8	9	8	8		
Bob Dylan-Holiday					8	
TOTAL						41



Bob Dylan	Mon	Tues	Wed	Thur	Fri	
Land Ops	3	4	2	2		
Maint. Work	2	3	4	4		
Idle Time	2	2	2	2		
Holiday					8	
TOTAL						41



Capture Civilian Payroll Costs Overview



- DCPS remains the operational system for calculating and disbursing Civilian payroll
- Reports gross disbursements from ARMY
- Utilizes Primary Cost Elements
- Accruals for work earned but not paid is also a part of the GFEBS payroll process
- DCPS line of account changes with GFEBS
 - No more APCs/JONOs therefore a cost object had to be utilized
 - DCPS doesn't support all the GFEBS cost objects
 - People are management within Cost Centers
 - Within GFEBS ALL Payroll costs post to a Cost Center and then most be associated with the products/services/customers



Capture Civilian Payroll Costs Ongoing



- DCPS Employee LOA
 - When people shift organizations then need to update the Cost Center in the record
 - On the Employee LOA an Activity Type is assigned as well
 - Identifies type of resource pool - e.g. Budget/Accounting
 - Is utilized to charge out for organizations doing Labor Tracking



Capture Civilian Payroll Costs Analysis



- Payroll reporting provides
 - Payroll costs per organization
 - Information by employee by budget address
 - Visibility over paid hrs by pay type/GRC – REG, OT, Holiday
 - C-type information
 - Variance analysis showing Employee Actuals versus Std. Rate charged out

DCPS



XXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXX
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XXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXX



2ABM0065 Ammo Supply Point			
Name	Cost Element	Actuals	Quantity
Perm	6100.11B1	\$4,200	80 hrs
Overtime	6100.11D0	\$1,500	20 hrs
Benefits	6100.12Y0	\$ 800	
TOTAL		\$6,500	100 hrs

REPRESENTS THE EXPENSES CURRENTLY RESIDING ON THE COST CENTER



Capture Labor Costs Overview



- No Army wide approach for time tracking currently
- Army's need for Time Tracking
 - Labor accounts for nearly 70% of Army AFP
 - Visibility into what tasks are being performed by who and to which output
 - Ability to determine what Products/Services are worked on
 - Visibility into non-productive time
 - Need to bill reimbursable customers for services rendered
- Work is tracked by cost center to receiving Cost Object
 - Quantity of hours worked are charged out by standard rates
 - Rates are established to represent groups of similar work
- Military labor costs will be imputed based on composite rates by rank



Capture Labor Costs Overview



- Military and Contractor Hours may also be tracked
- Labor charge outs do not always signify cash movement (e.g. non-budget relevant)
- Labor is tracked by using a secondary cost element
- Generates additional budget availability on Cost Center (e.g. performs “cost transfer” between sender budget address and receiver budget address)
- Utilize a std. rate by activity-type – not employee
 - Rates must be maintained for movements/personnel actions – if new combination
 - Std. rates requires variance analysis
 - Rates updated annually with calendar year – with pay increases



Capture Labor Costs Setup



- Can utilize an already identified Labor Tracking interface to GFEBS
 - ATAAPS Interface
 - WMT Interface
 - CIMS Interface
- Additional Manual Time Tracking Load Sheets – for command specific labor tracking systems or to charge reimbursable customers



Capture Labor Costs Ongoing



- When using Labor Tracking system, employee LOAs must be maintained for:
 - Cost Center when employee moves
 - Activity Type when changing kind of work (e.g. Budget/Acct to say Admin)
- Rates must be maintained for movements/ personnel actions
 - New combinations of cost centers/activity types
 - Used for variance analysis
 - Rates Updated annually with calendar year – i.e. pay increases



Capture Payroll/Labor Costs Analysis



DCPS



2ABM0065: AMMO SUPPLY

Name	Cost Element	Amount	Quantity
Perm	6100.11B1	\$4,200	80 hrs
OT	6100.11D0	\$1,500	20 hrs
BEN	6100.12Y0	\$ 800	
Labor	9300.0100	(\$6500)	100 hrs

CIV HR

60 hrs
at
\$60/hr

20 hrs
at
\$75/hr

20 hrs
at
\$60/hr

RECEIVING JOB ORDER #1

Name	Cost Element	Amount	Quantity
Labor	9300.0100	\$3,600	60 hrs

RECEIVING JOB ORDER #2

Name	Cost Element	Amount	Quantity
Labor	9300.0100	\$1,500	20 hrs

2ABM0065: AMMO SUPPLY

Name	Cost Element	Amount	Quantity
Labor	9300.0100	\$1,200	20 hrs

Qty is
valuated
with rate

ATAAPS





Lesson 3: Wrap Up



- Payroll process is the reporting of attendance with the corresponding disbursement to the employees
- Capturing payroll costs through DCPS requires modification to DCPS LOA's. Updated information will be part of "Faces to Spaces" deployment exercise.
- Payroll process includes the accruals, but not the earmarking of funds to ensure availability for future payroll
- Labor-tracking is the capture of hours worked on specific tasks. Attendance is the recording of presence only.
- Labor charge outs are used to charge hours out based on a std. rate. This rate corresponds to a Cost Center/Activity Type combination and updated annually (calendar year)



Lesson 3: Quiz

- All employees are assigned to a _____ during the “Faces to Spaces” exercise.
- _____ are used to charge out labor allocations in order to assign quantity and a dollar amount to specific tasks. Also leveraged in variance analysis to ensure that the correct amounts are being allocated.
- _____ is responsible for updating the employee’s DCPS LOA information prior to an installation using GFEBS.
- Time Tracking is the business activity of ensuring that employee’s are present for work
 - True
 - False
- Explain how the employee’s LOA should look in both the payroll and Time Tracking Source System



Lesson 3: Answers

- All employees are assigned to a Cost Center during the “Faces to Spaces” exercise.
- Std. Rates are used to charge out labor allocations in order to assign quantity and a dollar amount to specific tasks. Also leveraged in variance analysis to ensure that the correct amounts are being allocated.
- DCPS CSR is responsible for updating the employee’s DCPS LOA information prior to an installation using GFEBS.
- Time Tracking is the business activity of ensuring that employee’s are present for work
 - True
 - False
- Explain how the employee’s LOA should look in both the payroll and Time Tracking Source System: The same



Lesson 4

Capture Contract & Supply Costs

Objective(s):

- To understand changes to the contracting process, make a determination of when and where costs are recorded and if the initial posting to a cost object is where all costs should reside or if secondary allocations/assignments are needed.



GFEBs Costing



DCPS



Employee 1
Employee 2
Employee 3
Employee 4
Employee 5
Employee 6
Employee 7

DTS



SPS



FCM



Purchase Cards

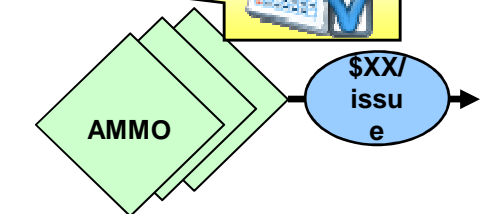
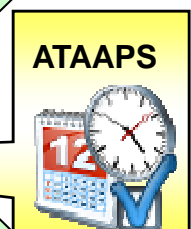
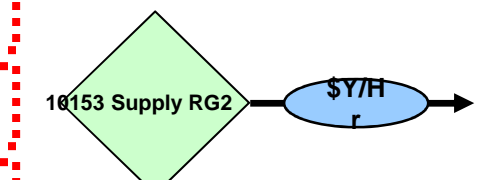
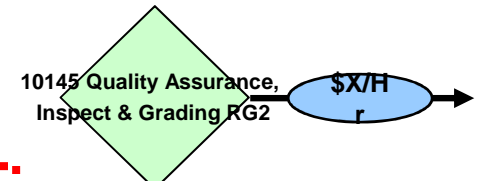


WARS



2ABM0065 Ammo Supply Point

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Facilities Cost	9400.SQFT	\$1000	300ft
Labor Charge	9300.0100	(\$6,500)	
Ammo	9400.AMMO	(\$500)	



Workload Drivers

of Requests

of Inspections



Capturing Contracting/Supply Costs Overview



- The Army uses a variety of systems and methods to procure goods/services needed for organizations
- To associate procurement actions taken and ensure that resources are available to complete and pay for items procured funding attributes are required through all steps of the procurement lifecycle
- To support multiple requirements attributes must be kept intact on procuring documents by organizations deployed to GFEBS:
 - FMR Compliance for Funds Availability Check
 - BTA SFIS Compliance for 4 digit year identifier
 - Multiple Cost Objects versus a single APC



Capture Contracting/Supply Costs Setup



- Need to determine what receives the benefit of the contract or supply along with additional reporting needs:
 - Organization - Cost center
 - Event - Order
 - Project/Customer – WBS Element
 - Multiple cost objects
- Determination of multiple line items or single cost object and then split after the fact
 - Multiple lines on a contract vs cost allocations



Capture Contract/Supply Costs Determine Cost Object



- What Cost Object(s) might be used?
 - Parts & Supplies for maintenance repair
 - Printing and reproduction
 - Office supplies – pencils, paper, etc.
 - Cell Phones/Blackberrys
 - Contracted services



Capture Contract/Supply Costs Multiple Line items



- Individually post line items to the cost objects:
 - Direct Charge: Primary Posting
 - PR/PO/Funds Commitment with multiple lines references different cost objects



PR # 1234				
Line	Name	Cost Element	Amount	Quantity
1	IO X	6100.260B	\$400	3 EA
2	WBS X	6100.260B	\$1,200	1 EA
3	CTR X	6100.260B	\$80,000	100,000 EA

INTERNAL ORDER Event/Service			
Name	Cost Element	Amount	Quantity
Supplies	6100.260B	\$400	3 EA

COST CENTER LOG – Materials & Supplies			
Name	Cost Element	Amount	Quantity
Supplies	6100.260B	\$80,000	100,000EA

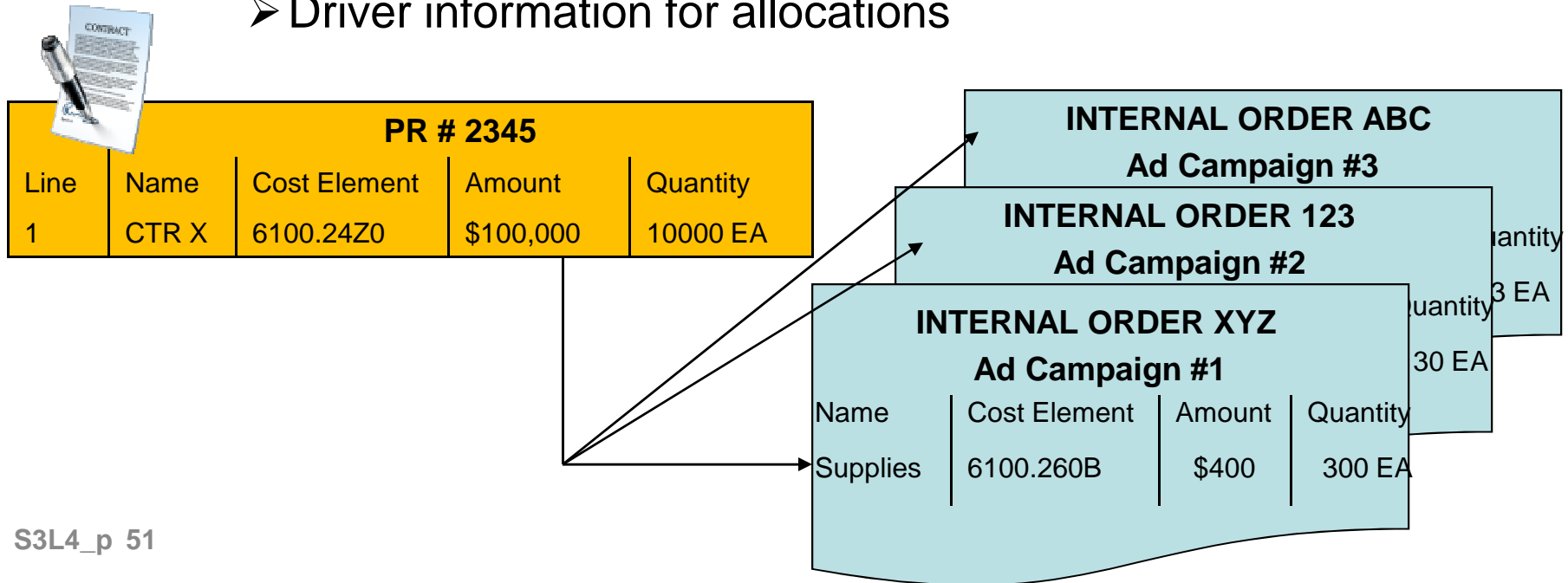
WBS ELEMENT Project Name			
Name	Cost Element	Amount	Quantity
Supplies	6100.260B	1,200	1 EA



Capture Contract/Supply Costs Cost Splitting



- Reallocating costs from Contracts/Supplies
 - Credit Cards can be redistributed prior to sending (e.g. AXOL alternate line of accounting)
 - Contracts can require line item detail as support for details:
 - Used to support manual expense movement
 - Spreadsheet load to reassign costs to lower level object
 - Driver information for allocations





Capture Contract/Supply Costs Realizing the Cost



- Wide Area Workflow
 - Used to create invoice and good receipts for items procured
 - Needs to match attributes of PR/PO
 - First realization of procurement expense in Cost Management
 - PR/PO/Pre-Commitments are budgetary movements
 - Cost Allocations/Assignments can only occur on the expense (i.e. Obligations cannot be allocated)



Wide Area Workflow



Capture Contract/Supply Costs Maintenance



- **Contracts** – balancing of the contract doc/cost information needed
- **Supply Systems (e.g. FCM)** – generating FMY1 documents and map to supply systems (replacing APC crosswalk tables)
- **Purchase Cards (e.g. AXOL)** – updating either an APC mapping table or FMY1 documents (replacing APC crosswalk)
- **Shop/Bench Stock** – determining Rate for associating with each maintenance hr works to associate material costs to orders



Capture Contract/Supply Costs Analysis & Correction



- Contracts/Supply Costs can be reported by the cost object
- Original PR is an estimate only and will likely change
 - When contract is awarded, funds commitment is upwardly/downwardly adjusted to match obligation
- Correcting Use of the Wrong Cost Object
 - If midway through the procurement cycle, “unwind” document chain to ensure that all records related have been updated, otherwise the next step in the procurement process will fail due to non-matching
 - If procurement process is complete and full payment has been disbursed and cleared, then expense postings can be corrected.



Lesson 4: Wrap Up



- Multiple systems/sources for the procurement of contracted services/supplies
- Original line can be posted to the detailed level or an aggregate level and then redistributed/allocated
- Legacy systems still require some mapping which replaces current APC in tables
- Expenses related to contracting aren't realized until the Invoice or Goods Receipt is posted via WAWF – which is when costs are recognized. Budgetary postings are made at all phases of the procurement cycle.
- Cost allocations can occur only after receipt of the benefit (i.e. obligations cannot be allocated.)
- Corrections to mistakes made during the procurement process can only be executed once the item has been fully procured and paid for, or unless corrections have been made in the source system.



Lesson 4: Quiz



- At what point in the procurement cycle are costs recorded?
 - Purchase Request
 - Purchase Order
 - Invoice Receipt
- PR's can have multiple Cost Objects?
 - True
 - False
- A journal voucher can be used to correct an error with a posting on a Cost Object at any point in the procurement process
 - True
 - False



Lesson 4: Answers



- At what point in the procurement cycle are costs recorded?
 - Purchase Request
 - Purchase Order
 - α Invoice Receipt

- PR's can have multiple Cost Objects?
 - True
 - α False

- A journal voucher can be used to correct an error with a posting on a Cost Object at any point in the procurement process
 - True
 - α False



Lesson 5

Capture Output Costs



Objective(s):

- To understand which outputs are captured, how the outputs are classified (quantitative or qualitative) and how these outputs are captured



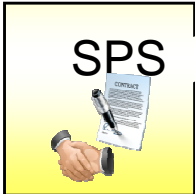
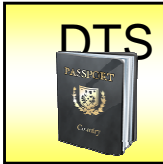
GFEBBS Costing



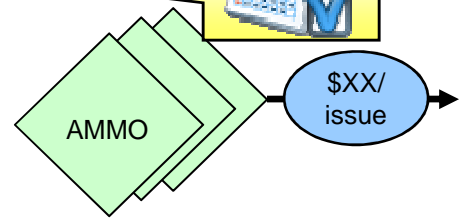
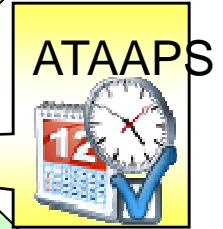
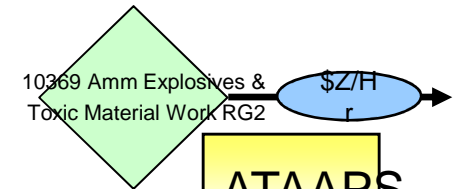
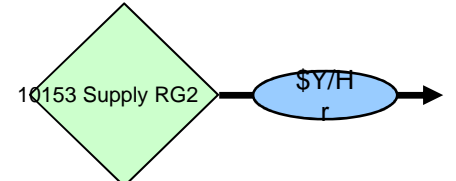
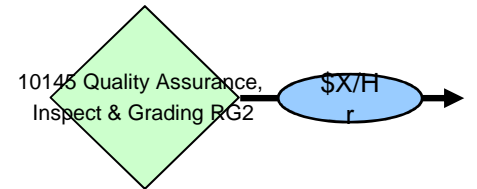
DCPS



Employee 1
Employee 2
Employee 3
Employee 4
Employee 5
Employee 6
Employee 7



2ABM0065 Ammo Supply Point				
Name	Cost Element	Actuals	Quantity	
Perm	6100.11B1	\$4,200	80 hrs	
Overtime	6100.11D0	\$1,500	20 hrs	
Benefits	6100.12Y0	\$ 800		
Travel	6100.21T0	\$800		
Contracts	6100.252G	\$2,000		
Supplies	6100.26T0	\$1,000		
Purchase Cards	6100.26RB	\$1,500		
DOL Support	9100.0000	\$2,000		
Facilities Cost	9400.SQFT	\$1000	300ft	
Labor Charge	9300.0100	(\$6,500)		
Ammo	9400.AMMO	(\$500)		



Workload Drivers
 # of Requests
 # of Inspections



Capture Output Costs Overview



- In addition to capturing cost, non-financial quantity information is necessary to support Cost Management
- Non-financial quantity information can be:
 - Quantitative, e.g. # of helpdesk tickets, # students
 - Qualitative, e.g. average # days to close helpdesk ticket, % Completion Rate



Capture Output Costs Decisions



- Does the output quantity support the cost by BCT/AFROGEN? HQ Need? or Field product/services?
 - (e.g. ammo used for training, # soldiers)
- Is the output quantity currently used by scheduling/operational managers on a timely basis?
- Can an output change the behavior of an organization/individual to be more efficient and effective (e.g. # cancelled course registrations in ATAARS)
- Are output quantities used for justifications and/or requests for funding?
- If it supports cost management – efficiently & effectively - then considered

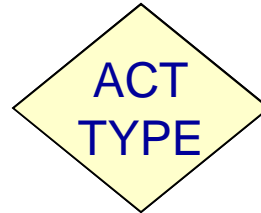


Capturing Output Costs Posting Data



- Output Costs are captured as SKF's, Activity Types, or Business Processes

SKF #



- Entry Methods:
 - **Interface**: Direct communication from legacy system to ERP
 - **Load Spreadsheets**: Taking an output of an existing legacy system (command and control), formatting appropriately, and processing in ERP
 - **Direct Entry**: Currently captures manually or taking a low volume output from existing system and posting an aggregate of the values in ERP

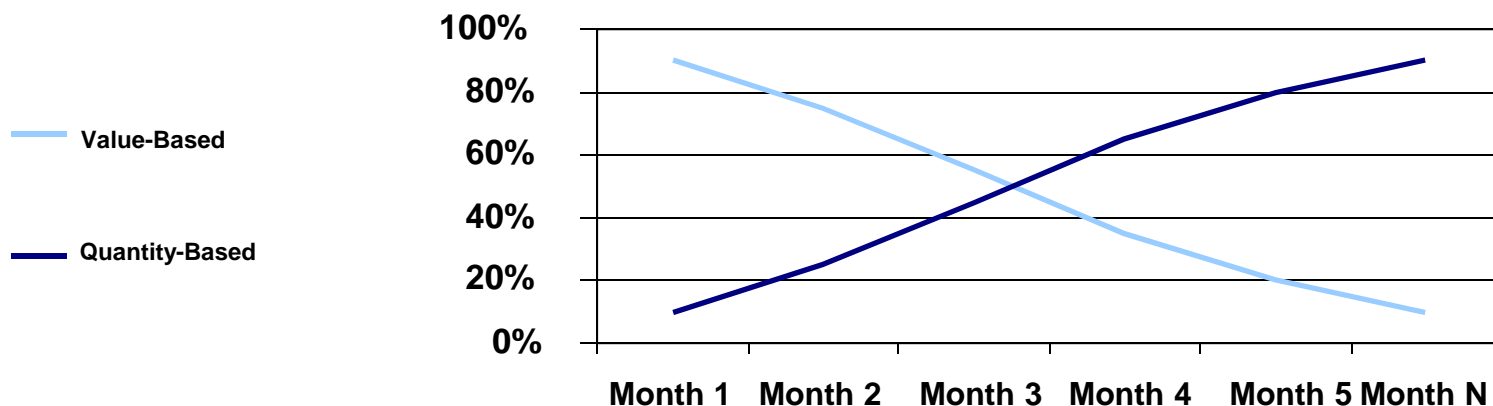


Capturing Output Costs Analysis

- Understanding the dollar amount of unit provided, based on number delivered Cost/Per



- Understanding the relationship between Resource Capacity to Output generation (e.g. 3 Hrs: 1 Output)

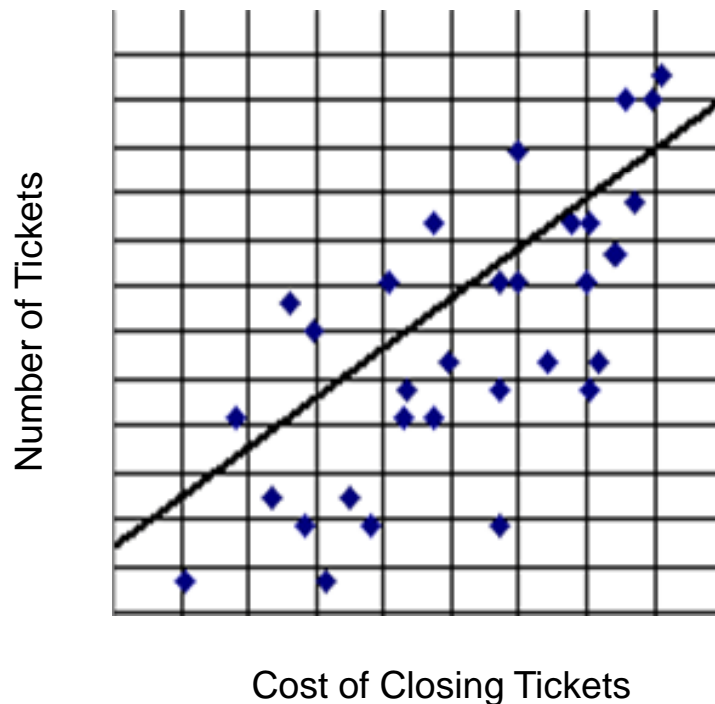




Capturing Output Costs Analysis



- Visibility across the Army as to what tasks should costs



- Supports Comparative Analysis between sites, tasks, types of work, groups of resources to identify best practice vs inefficiencies
- Allows for realization of trade-offs between delivery and resource consumption



Capture Output Costs Analysis



2ABM0065: AMMO SUPPLY			
Name	Cost Element	Amount	Quantity
Ammo	9400.AMMO		10 EA

AMMO FIRED

10 rounds at \$50

Training Event (UIC)			
Name	Cost Element	Amount	Quantity
Ammo	9400.AMMO	\$500	10 EA



Qty is valued with rate

AMOUNT AND QUANTITY ARE THE OUTPUTS OF THIS PROCESS



Lesson 5

Wrap Up



- Output measures can be used to justify resources, to capture total costs, to influence behavioral changes, to retain operation tasks completed daily.
- The output measures facilitate both qualitative and quantitative measures. This can also be viewed as efficiency and effectiveness:
 - How **efficiently** are resources utilized (e.g. how much is expended to close a ticket in 4 hrs, 8, hrs, 2 days?)
 - How **effectively** is the product/service provided to the customer? (e.g. how long does it take for me to close a ticket)



Lesson 5

Quiz



1. Outputs are being used to ensure GFEBS is Army's Performance Management System
 - True
 - False
2. Which method can outputs be captured in the ERP
 - Direct Entry
 - Interface
 - Upload Spreadsheets
 - All of the Above
3. Output measures can't be used to justify resources, capture total costs, or influence behavior.
 - True
 - False



Lesson 5

Answers



1. Outputs are being used to ensure GFEBS is Army's Performance Management System
 - True
 - False
2. Which method can outputs be captured in the ERP
 - Direct Entry
 - Interface
 - Upload Spreadsheets
 - All of the Above
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