DEPARTMENT OF THE ARMY
HEADQUARTERS UNITED STATES ARMY FORCES COMMAND
1777 HARDEE AVENUE SW
FORT MCPHERSON GEORGIA 30330-1062

REPLY TO
ATTENTION OF

AFLG-PR

20 August 2001

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Contracting Information Letter (CIL) 01-30, Activity Based Costing/Management (ABC/M) Implementation Plan for Contracting

1. References:

a. E-mail from SAALT, Phil Carney, dated 01 August 2001, subject: Activity Based Costing/Management (ABC/M) (enclosure 1).

b. Memorandum from the Secretary of the Army, dated 10 November 1999, subject: Strategic Plan for Implementing Cost Management/Activity Based Costing (ABC) (enclosure 2).

2. For your information and action as required.

3. The former Secretary of the Army endorsed Activity Based Costing for all 11 Army major business areas. This CIL contains notification to the contracting community of its participation in ABC/M. It also contains the strategic plan for implementing cost management/activity based costing in the contracting community. Please provide comments on the draft plan to the FORSCOM POC by COB 24 August 2001.

4. The POC for this action is Brenda Good Miller, DSN 367-6224 or e-mail: goodmilb@forscom.army.mil.

2 Encls
as

CHARLES J. GUTA
Colonel, AC
Chief, Contracting Division, DCSLOG
Principal Assistant Responsible
for Contracting

Good Miller, Brenda A. - DCSLOG

From: Guta, Charles COL - DCSLOG
Sent: Thursday, August 16, 2001 09:30
To: Good Miller, Brenda A. - DCSLOG
Subject: FW: Activity Based Costing/Management (ABC/M)

ABC Implementation Plan.url

-----Original Message-----
From: Carney, Philip J Mr SAALT [mailto:philip.carney@saalt.army.mil]
Sent: Wednesday, August 01, 2001 13:13
To: PARC
Subject: Activity Based Costing/Management (ABC/M)

ABC planContract SAAL-PA.doc

This e ail will provide additional background information on ABC/M and recent data call requested by DASA(P) memo of 16 July same subject. The former Secretary of the Army endorsed ABC for eleven business areas within the Army, attached. The Contracting process is one of these areas identified as a candidate for implementing ABC/M for local manager use. The contracting process is defined as all actions taken within the contracting office to receive requirements, solicit, evaluate, award and administer contracts, orders and agreements to closeout. You should also include overhead expenses of such functions as employee training, customer education, equipment costs, contractor support, etc. The executed funding information requested in the DASA(P) memorandum should include all funding sources required to accomplish these actions; OMA funding, customer reimbursements, etc.

The purpose of ABC/M is provide you and your Directors of Contracting with two important management tools. First, with an accurate picture of your business process depicting the activities performed and the resources required in accomplishing those activities you will be able to identify efficiencies or inefficiencies in your organization. Additionally, it is intended to establish an ABC/M Community of Practice on the Army Contracting Knowledge Management website where PARCs will be able to review the models of other contracting organizations. Second, and equally, if not more important, you will be able to formulate a more well defined budget with justification based on documented resource requirements. Requests for additional funding will show actual efficiencies to be gained in Warfighter support or, conversely, which activities will suffer if funding is not forthcoming.

The items requested by the data call are only part of the actual plan which will be submitted to the Cost and Economic Analysis Center (CEAC) for approval on behalf of the Secretary of the Army. The attached draft plan is provided for your comments and/or input. It contains preliminary comments from this office but requires definitive input from your viewpoint to ensure a complete plan is submitted. As you will see the CEAC developed format hopes to establish baselines on both funding and existing management techniques; as well as outline how we will incorporate ABC/M into the contracting business process. It is possible that two plans will be required to accurately depict our intentions; one for installation support activities and one for systems/spares support. Comments on this proposal for two plans are solicited.

CEAC will pay for a "rapid model" development at one site per business area. It is anticipated this will be within AMC as installation contracting support models already exist within FORSCOM which could be adapted for other MACOM use. ABC Technologies, Inc. will assist in this adaptation effort. Rapid model development will take about a weeks time on site with follow-up visits monthly starting two months after the model is finalized. Once the pilot models are finalized the pilot sites will begin a four to six month test period. Upon completion of the test, models will be furnished to all PARCs to adapt for their use in implementing ABC/M. The data contained in the plan and the models developed will be for the PARC's use in managing their contracting organization.

POC for above is Philip J Carney, comm. (703) 681-1053, email, philip.carney@saalt.army.mil.

Atch One
<<ABC Implementation Plan.url>>

Atch Two
<<ABC planContract SAAL-PA.doc>>

SECRETARY OF THE ARMY
WASHINGTON

10 November 1999

MEMORANDUM FOR PRINCIPAL OFFICIALS OF HEADQUARTERS,
DEPARTMENT OF THE ARMY
MACOM COMMANDERS

SUBJECT: Strategic Plan for Implementing Cost Management/Activity Based Costing (ABC)

In response to the USD(A&T) Memorandum on Defense-Wide Implementation of Activity Based Costing/Management (ABC/M) dated July 9, 1999, the Army has developed the enclosed Strategic Implementation Plan. We fully endorse Cost Management, using ABC where appropriate, as a process of continuous improvement. The Army will pursue ABC as a tool for the local manager to better understand operational cost and performance. We have an aggressive goal to complete implementation in 11 major business areas that support mission readiness within three years.

To meet this challenging timeline, we will provide ABC software and sustainment, establish a Cost Management/ABC course to rapidly train each business area, conduct prototypes in business areas as needed, and provide Cost Management/ABC training material. Each business area will prepare and submit detailed implementation plans through the Army Managerial Costing Steering Committee. The Army Cost and Economic Analysis Center will provide detailed instructions to each functional proponent in preparation for the upcoming steering committee meeting in December 1999, with information briefings available upon request.

Cost Management is not a one-time event; it is a long-term, continuous process solution to control cost and improve operations. This is an important culture changing event within the Army and must have leadership commitment from each business area. We expect the fullest participation throughout the Army and will monitor progress through the Quarterly Army Performance Review.

Louis Caldera

Enclosure

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ABC Implementation Plan for the Contracting Process

Section I: Define the Business Area

1.01.1 Description

1.011 Business Area Name: Deputy Assistant Secretary of Army, Procurement, SAAL-PA

1.012 Address: Suite 302, Bldg. 5119, 5109 Leesburg Pike, Falls Church, VA 22041-3201

1.013 HQ POC: Dr. James Edgar, SES, email, james.edgar@sarda.army.mil, Comm. (703) 681-1043, FAX (703) 681-XXX

1.02 Mission Statement:

Provide complete range of supply, service, weapons systems and spares contracting needed to support the operational and tactical mission of the US Army.

1.03 Organizational Structure

Contracting policy and authority flow hierarchically from the Secretary of the Army down to the contracting officer. The Assistant Secretary of the Army for Acquisition, Logistics & Technology function responsible for providing contracting support is the Deputy Assistant Secretary for Procurement (DASA(P)). The DASA(P) passes contracting authority to and monitors the activities of the Principal Assistants Responsible for Contracting (PARC) assigned to each MACOM staff. The PARCs monitor and oversee operation of the Directors of Contracting who are responsible to accomplish all actions required to provide the acquisition support outlined above.

1.031 Number of employees (Total by End Strength Mil/Civ)

FY 2000 TDA (Army Fact Book)

MACOM	PROCUREMENT SERIES			OTHERS	TOTAL CIV	MIL	
	1102	1105	1106			51C	
AMC	2098	60	198	200	2504	35	
NGB	237	17	51	6	321	15	
DSS-W	122	0	0	0	131	5	
FORSCOM	487	17	38	11	572	5	
INSCOM	28	0	0	5	33	1	
MDW	79	5	3	13	112	1	
MEDCOM	135	31	21	25	220	6	
USAMRMC	49	0	10	0	74	1	
MTMC	68	5	0	2	75	2	
SMDC	60	3	3	1	67	1	
TRADOC	262	58	38	35	377	9	
USACCE	239	16	20	48	332	3	
USACE	839	166	79	800	1722	16	
USARCENT	4	0	0	1	5	7	
USARPAC	63	2	7	9	81	4	

USARSO	30	0	4	7	41	4	
USACCK	91	4	0	0	95	7	

1.032 Management Structure/Chain of Command

CHARTS to be inserted by ASA(ALT)

1.033 Organizational Chart (By location)

CHARTS to be inserted by ASA(ALT)

1.04 Business Area funding sources (Provide last 3 years of funding by NAF, APF, Obligation Authority)

MACOM DAATACALL

1.05 Products and services

Execution of supply, services, weapons systems and spares contractual arrangements to support PMs/PEOs and all installation and deployed units.

1.06 Major Customers

Program Managers, Program Executive Officers, Installation Director of Public Works, Installation Management activities, Logistic/unit supply activities.

Section II: Baseline your Cost Management / ABC efforts (MACOM DATACALL)

2.01 Overview of your current Business Area Cost Management / ABC initiatives if any (include location, size, purpose, software, and POC, etc.) (explain your existing Cost Management program, ABC/M or otherwise

2.011 Current ABC efforts.

– F orces Command has been using ABC for over four years. Following Director of Contracting offices/Acquisition Centers have developed models and are actively practicing and participating in ABC Management at their respective locations: (FORSCOM locations) (Enter your locations which are/or have used ABC)

2.012 Existing MIS used to manage costs (Enter title of any Management Information System which your activity may be using)

2.013 Other Cost Measurement methodology (Job Order, Process, Target, etc.)

2.014 Software used

2.02 Assessment of Employee Cost Management skills

2.021 Management Level Skills Trained to do ABC/M

Will require training of PARC POCs and Contracting Activity POCs

2.0211 Number with ABC training (Certification)

Obtain from FORSCOM and ABC

2.0212 Number with On the Job Training

2.022 Staff level Cost Management Skills Trained to do other CM methodologies

2.03 Existing Cost Accounting Systems

2.031 Location

2.032 Type System

2.033 Methodology

2.034 Does it feed a Cost Management or Decision Support System?

2.04 Describe Current Performance Management System(s).

2.041 What performance metrics do you use?

2.042 How do you use your performance metrics to manage?

2.043 How and what performance measures support the GPRA?

2.044 Are your performance measures aligned with your cost management systems?

Section III: Describe Full Implementation of Cost Management / ABC (Based on the Army's Strategic Cost Management Plan (Appendix A) describe your vision for implementation)

3.01 Describe your end-state vision for Cost Management/ABC (From both Strategic and Operational Perspective).

3.011 Cost Management (How will you use Cost Management to drive continuous cost and process improvement? How will you create a cost management culture?)

Cost management will be a byproduct of the business process improvements and resultant reduction of overall contracting processing time. We will endeavor, funding permitting, to incorporate a record keeping function into the existing automated request/purchase action tracking system to provide a seamless and transparent cost management process. The ASA(ALT) Knowledge Management website will be utilized to both publicize our efforts and provide all PARCs with capability to acquire and share knowledge of their individual ABC modeling and cost management efforts. An ABC Community of Practice will be established on the site for this purpose.

3.012 ABC (If ABC is cost measurement choice, how will it be used – cost / product improvement, A-76 support, Pricing, etc? And how will you report with it?)

ABC will be used to identify business process improvements that may or may not require statutory changes to implement. The contracting function normally does not charge for support provided. The contracting function has been determined to be "inherently governmental" and, as such, is not subject to A-76 studies.

3.013 Performance Measurement for Management (Will you incorporate performance measures with the Balanced Scorecard? Show linkages of operational performance measures to Business Area Strategic Objectives.)

3.014 Quality Program (Will your performance measures support your APIC program or other if you have one?)

Yes. ABC models will provide our Assistance team with a clear understanding of the scope and business flow of the contracting organizations they review. For the MACOMS, AMC in particular, business process improvements should contribute to development of a more complete Quality Assurance/Evaluation program

3.02 Describe how your Cost Management / ABC program will be integrated vertically and horizontally (in your reporting / authority responsibility).

The involvement of Army contracting management will begin with the PARC at the top and extend down to the ABC monitor appointed in each individual Director of Contracting office. The MACOM PARC staff will be responsible for comparing models and output results between their own offices. The ASA(ALT) Knowledge Management website will be established for the PARCs to interact and compare models of the other PARC organizations.

3.03 Provide Statement of Cost Management Goals and Objectives.

The goal of Cost Management will be to provide accurate accounting of costs of services to provide contracting support in all contracting environments.

Section IV: Describe Plan to Get from Baseline to Full Implementation (Describe your procedures to achieve implementation at the strategic and operational level.)

4.01 Describe your Strategic and Operational level Plans as follows:

4.011 Goals and Objectives for Implementation

The goal is to develop the most efficient system of providing contracting support to the Warfighter using present technology while allowing for improvements from future technological advances. Provide contracting managers at PARC level and below with management capability to identify those offices which are deviating from the norm by either applying too many resources or consuming an inordinate amount of time to accomplish certain contract actions compared to other offices.

4.012 Concept of Operations (include methodologies for managing cost)

PARCs will coordinate with MACOM ABC office to maintain currency in ABC developments and provide assistance in form of providing contract cost data to other MACOM staff managers in monitoring and modeling their functions.

PARC ABC function will monitor model development at the DOC level and provide training and assistance as needed on individual installation basis. As models become finalized, cost data can be monitored for budgeting purposes.
DOCs will develop their models individually and collectively with emphasis on process and resource identification. DOCs will provide contract cost information to other installation support activities to assist them in developing their ABC model development and cost gathering efforts.

4.013 Size and Scope

Each MACOM PARC will establish an ABC model for their DOCs to use. These models will be monitored on a command-wide basis and adjusted until the most efficient model for that particular MACOM's contracting function is achieved.

4.014 Roles and Responsibilities

4.015 Implementation schedule (a three-year timeline of major actions / events)

Project plan is enclosed. Projects completion by XXXXX (dependent on DATACALL)

4.016 Identify any planned prototypes.

FORSCOM and AMC site will be used for rapid modeling efforts and initial pilot site deployment.

4.017 Describe proposed initial training program – in outline format. (How many to be trained? How will training resources be leveraged i.e. train-the-trainer, etc.?).

To be determined based on Datacall submissions and MACOM volunteers for pilot.
19 MACOMS, estimated ten per MACOM Train the trainer will be implemented

4.018 Identify software requirements (Software to be centrally procured).

4.019 Define criteria for assessing ABC as cost measurement tool.

4.02 Performance Measures

4.021 Describe how you will develop performance metrics.

4.022 How will performance be measured and evaluated?

4.023 How will performance measure support continuous improvement i.e. cost, product/service, and process?

4.024 How will the performance measures be linked to strategic goals and objectives (i.e. Balance Scorecard or other)?

4.03 Indicate how your Cost Management / ABC program will be sustained and improved.

Using the principal of Knowledge Management a website will be established to facilitate a cross feed of modeling and business process change information

4.04 Explain how you will provide training support for, model building, implementation, and sustainment (In-house, AAA, or contractor support, etc.).

Plan calls for contracting with ABC Technologies, Inc to provide rapid modeling support in order to establish initial piloting efforts. We will leverage the existing FORSCOM expertise as much as possible and supplement with other contractor support should the training provided by CEAC prove inadequate to implement ABC in an expeditious manner.

Section V: Special Considerations:

5.01 List Business Area unique requirements (software/hardware/training).

5.02 Identify any implementation constraints or obstacles specific to your Business Area.

Advance in SPS technology or a change in system in use

5.03 Specifically describe how your Cost Management / ABC or other Cost Management activities that will relate to and support VAMOSC.