

SUBJECT: Cost Management / Activity Based Costing (CM/ABC) Software Issues

PURPOSE: Discuss HQDA policy and plans relating to CM/ABC Software

BACKGROUND:

- a. **ABC Implementation:** In November 1999 the Secretary of the Army (SA) directed that CM/ABC be implemented in the Army's 11 support Business Areas (BAs). Since that time DASA-CES has become the CM/ABC proponent at HQDA. We created an overall Army CM/ABC implementation plan and each BA created plan(s) for their areas. The BAs have had varying degrees of implementation progress, but all have begun to implement. CM/ABC is compatible with other process improvement initiatives such as LEAN. CM/ABC can assist in deciding where LEAN can be applied most effectively and can quantify and verify LEAN results.
- b. **ABC Software:** The Army leadership mandated Cost Management through use of ABC, but not the method. OROS and ABM are particular vendors' products and are not mandatory. DASA-CES provides software licenses and training to users Armywide. We chose to use OROS ABC (Version 5.5 is standard) as the leading product in the Cost Management arena, but other organizations can use their own methods and software. However, they must do so using their own funds. DASA-CES has limited resources and must limit the number of licenses available. We are currently working with organizations having multiple copies of the software to redistribute it to users who don't have enough (based on BA priorities). The LMP system is being fielded within AMC, but AMC did not purchase the CO-ABC module required to allow the sharing of information between LMP and the ABC software with OROS Bridge. DASA-CES is working with AMC, CECOM, and the contractors to develop a "work around" for this problem.
- c. **ABM 6.1 Pilot:** DASA-CES is currently conducting a pilot project to test the new web-based software, called ABM 6.1. At the pilot's conclusion (around Feb 04) DASA-CES will decide whether the Army will begin purchasing and fielding ABM 6.1. If adopted, ABM 6.1 will be phased-in over a period of time. ABM 6.1 is a significant change from the current OROS 5.5 and requires new training and conversion of existing models. An organization will know well in advance should it be chosen to receive the new software.

KEY POINTS:

- CM/ABC and LEAN complement each other
- DASA-CES supplies CM/ABC software Armywide
- DASA-CES is testing a new web-based CM/ABC software