DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
FINANCIAL MANAGEMENT AND COMPTROLLER

WASHINGTON DC 20310-0109

REPLY TO ATTENTION OF

25 FEB 2002

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Cost Management and Activity Based Costing

We recently received an update on the status of the implementation of Cost Management and Activity Based Costing (CM/ABC) throughout the Army's 11 Business Areas. We are pleased to report that activity has increased in the last few months, but progress still is slower than needed. We believe that it is essential for Business Area leaders and MACOM commanders to stress the importance of this initiative and to serve as champions for this effort.

Applying CM/ABC will enable the Army to attain its strategic goals and objectives. CM/ABC provides operational managers with a proven process for gaining efficiencies, improving performance and making informed resource decisions.

Moreover, we are committed to retaining at the local level any savings that result from the implementation of CM/ABC. CM/ABC is not a method for HQDA to harvest your hard-earned savings.

Your reports to us about the implementation of CM/ABC, including successes and challenges, are critical to our understanding the collective success of the program and to sharing results. Therefore, Business Area leaders will have a more prominent role in the Quarterly Reviews, starting with Base Operations and Civilian Human Resources, in the 1QFY02 Review in mid February. Additionally, we have asked CEAC to conduct MACOM and Installation visits for on-site reviews to see your progress first hand.

We must continue to ensure that our operational managers are managing costs actively to enhance performance through process improvement. This can only be accomplished through leadership commitment, involvement and support at all levels of command. We look forward to discussing your progress in future reviews.

Sandra L. Pack

Sandra L. Pack
Assistant Secretary of the Army
(Financial Management & Comptroller)

John M. Keane
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