Managerial Cost Accounting:
DHS Out of the Gate

Peggy Sherry
Acting Chief Financial Officer
June 15, 2010
Why MCA?

- SFFAS No. 4
- Full Activity Cost
- Performance Measurement
- Resource Allocation
Out of the Gate

• Implement planned systems and structures.
• Tie activities and programs to DHS strategic missions.
• Determine Component requirements.
• Align processes at the Components.
Managerial Cost Accounting

QHSR
Bottom-up Review
CGAC/ACS
Appropriation accounting structure
TASC & Business Intelligence
Architecture

Missions
- Goals
- Objectives

Organization
- Components / Directorates

Capabilities / Functional Areas

Management Analyses
- Appropriations
- PPA Structure

Programs
- Subprograms

Activities

Resource Categories

CGAC

Other Supporting Systems

When combined with performance, form building blocks for RAP submission.
DHS Resources

QHSR Mission Areas / S1 Priorities

Salaries & Expenses

Investment

Research & Development

Assistance

Programmatic View
(selected examples)
# Activities Alignment

## FEMA Mission 5: Ensuring Resilience to Disasters

<table>
<thead>
<tr>
<th>Sample Activities</th>
<th>5.1</th>
<th>5.2</th>
<th>5.3</th>
<th>5.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>NFIF Repetitive Flood Claims</td>
<td></td>
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<tr>
<td>Mitigation – Dam Safety Program</td>
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<tr>
<td>National Exercise Program</td>
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<tr>
<td>National Fire Academy</td>
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<tr>
<td>Integrated Public Alert Warning System</td>
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<tr>
<td>Response Operations – Pre-positioned equipment / supplies</td>
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<tr>
<td>Public Assistance (PA) Operations</td>
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<tr>
<td>Federal Coordinating Officer (FCO) Operations</td>
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</tbody>
</table>
DHS Initiatives

Managerial Cost Accounting

- QHSR
- Bottom-up Review
- CGAC/ACS
- Appropriation accounting structure
- TASC & Business Intelligence
CGAC Data Model

**Fund (Appropriation)**
1. Internal Fund Code (10 char)
2. Appropriation Category Code
3. Authority Duration Code
4. BEA Category Code
5. Borrowing Source Code
6. Budget Function/Sub-Function Code
7. Cancellation Data
8. Custodial/Non-Custodial Code
9. Definite or Indefinite Code
10. Direct Or Reimbursable Code
11. Expiration Date
12. FACTS II Reportable Indicator
13. Federal Account Symbol Title
14. Financing Account Code
15. Fund Type Code
16. Receipt Account Indicator
17. Start Date

**Treasury Account Symbol (TAS)**
18. Agency Identifier
19. Allocation Transfer Agency Identifier
20. Availability Type Code
21. Beginning Period of Availability
22. Ending Period of Availability
23. Main Account Code
24. Sub Account Code
25. Sub-level Prefix Code

**Budget Account Fund**
26. Agency Identifier
27. Budget Account Code
28. Budget Account Title
29. Budget Bureau Code

**CGAC Data Model**

- **Organization**
  - 30. Reporting Agency Identifier (070 = DHS)
  - 31. Reporting Bureau Identifier (DHS Components)
  - 32. Internal Organization Code (6 char, 7 level hierarchy)
  - 33. Alternate Organization Code

- **Accounting Event (GL Entry)**

- **Critical Agency Mission Specific**
  - 65. Field 1 (Optional – 20 char)
  - 66. Field 2 (Optional – 6 char)
  - 67. Field 3 (Optional – 6 char)
  - 68. Field 4 (Optional – 6 char)
  - 69. Field 5 (Optional – 6 char)

- **Future Use**
  - 73. Field1
  - 74. Field2

**Agency Strategic Goal**
34. Strategic Goal Code (2,2)

**Agency Program**
35. Program Code (4 char, 3 level hierarchy)
36. Appropriation Category B Program Code
37. Appropriation Category B Program Text
38. Program Report Category
39. Program Report Category Text

**Agency Project**
40. Project Code (6 char, 4 level hierarchy)

**Government Wide Project**
41. Government Wide Project Code

**Line of Business Subfunction**
42. Line of Business Subfunction Code

**Cost Center**
43. Cost Center Code (6 char, 3 level hierarchy)

**Activity Code**
44. Activity Code (4 char, 3 level hierarchy)

**General Accounting Details**
45. USBSGL Account Code
46. USBSGL Account Extension Code
47. Accounting Period Code
48. Advance Code
49. Agency Location Code (ALC)
50. Authority Type Code
51. Budget Fiscal Year
52. Business Event Type Code (BETC)
53. Covered Or Not Covered Code
54. Credited Cohort Year
55. Current Or Subsequent Year Code
56. Entity Or NonEntity Code
57. Exchange Or NonExchange Code
58. Federal Or Non Federal Code
59. New Or Balance Code
60. Object Class Code
61. Object Class Extension Code
62. Public Law Number
63. Revenue Source Code
64. Trading Partner Agency Identifier
65. Trading Partner Bureau Identifier
66. Trading Partner Main Account Code
67. Transfer To or From Code

74 CGAC Data Elements:
- 16 Agency (DHS) Defined fields (in red)
- 58 OMB/Treasury defined
### DHS ACS Data Element Definitions

<table>
<thead>
<tr>
<th>Data Element</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Internal Fund Code</td>
<td>An agency-defined code used to identify an individual appropriation or other fund account. Must relate to one and only one Treasury Account Symbol (TAS).</td>
</tr>
<tr>
<td>2. Internal Organization Code</td>
<td>Component determined, hierarchically structured entities to which budgetary resources are internally allotted. Classifies financial transactions by the entities responsible for managing resources and carrying out programs and activities.</td>
</tr>
<tr>
<td>3. Cost Center Code</td>
<td>Component defined, hierarchically structured responsibility areas where actual costs are captured. Areas that benefit from spending (pools where incurred costs are tracked for internal reporting).</td>
</tr>
<tr>
<td>4. Strategic Goal Code</td>
<td>Hierarchical structure for DHS strategic missions, goals and objectives, also includes component-specific programs &amp; sub-programs.</td>
</tr>
<tr>
<td>5. Program Code</td>
<td>Hierarchically defined values representing the operations financed by a specific budget account as per DHS appropriation language – today’s PPA.</td>
</tr>
<tr>
<td>6. Project Code</td>
<td>Planned undertaking of something to be accomplished or produced, or an undertaking with a finite beginning and end. Example: construction project.</td>
</tr>
<tr>
<td>7. Activity Code</td>
<td>Activity Codes are expected to be the specific work-breakdown (WBS) structure for project cost capture. The values of activities can vary (multiple WBS) for specific project groups.</td>
</tr>
<tr>
<td>8. USSGL Account &amp; Extension Code</td>
<td>A DHS defined extension (sub-classification) to the standard Treasury defined USSGL account code.</td>
</tr>
<tr>
<td>9. Object Class &amp; Extension Code</td>
<td>A DHS-wide defined sub-classification (extension) used in conjunction with the OMB (A-11) object class code.</td>
</tr>
<tr>
<td>10. Revenue Source Code</td>
<td>Identifies the type or source of revenue when the general ledger account is not sufficiently descriptive for internal agency purposes.</td>
</tr>
</tbody>
</table>
# FEMA Accounting Line Transformation

## FEMA Current State Accounting Line

<table>
<thead>
<tr>
<th>Segment Name</th>
<th>Budget Fiscal Year</th>
<th>Fund Code</th>
<th>Program Code</th>
<th>Organization Code</th>
<th>Project Code (Not Used)</th>
<th>Object/Revenue Code</th>
<th>Fund Type/Function Code</th>
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</thead>
<tbody>
<tr>
<td>Size</td>
<td>4</td>
<td>2</td>
<td>6</td>
<td>5</td>
<td>N/A</td>
<td>5</td>
<td>8</td>
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<tr>
<td>Example</td>
<td>2009</td>
<td>8B</td>
<td>5511D1</td>
<td>0332</td>
<td>N/A</td>
<td>2610</td>
<td>D or R</td>
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## DHS ACS Future State Accounting Line

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<th></th>
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</thead>
<tbody>
<tr>
<td>Size</td>
<td>2</td>
<td>10</td>
<td>4</td>
<td>Short Code: 4 digit, 3 level</td>
<td>Short Code: 6 digit, 3 level</td>
<td>3</td>
<td>3</td>
<td>Short Code: 6 digit, 4 level</td>
<td>4 digit, 3 level</td>
<td>6</td>
<td>2</td>
<td>6</td>
<td>11</td>
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<tr>
<td>Example</td>
<td>70</td>
<td>0400000000</td>
<td>2010</td>
<td>HQ01</td>
<td>IT0100</td>
<td>211</td>
<td>100</td>
<td>004015</td>
<td>1.23</td>
<td>610600</td>
<td>21</td>
<td>FEE943</td>
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</table>
Managerial Cost Accounting

QHSR
Bottom-up Review
CGAC/ACS
Appropriation accounting structure
TASC & Business Intelligence
Appropriation account structure

- Consolidates legacy structures
- Aligns programs and processes with the BUR structure
- Adaptable to internal and external change
- Effective across the Department in FY 2013
Managerial Cost Accounting

DHS Initiatives

- QHSR
- Bottom-up Review
- CGAC/ACS
- Appropriation accounting structure
- TASC & Business Intelligence
• Consolidation of financial, asset, and acquisition management systems
• A framework to align and prioritize programs and resources
• Provide better cost estimating and tracking actual costs against budgeted costs
• Access to real-time, reliable, actionable data
• Charter a Department-wide MCA working group
• Measure current use of MCA within the Components
• Identify best practices
• Develop a communication plan
• Determine the best path forward
Cost Estimating: ICE Investigations

Define the activities

Assign Costs

Measure actual expenditures

Worksite
Enforcement

Cybercrime & Child Pornography

Human Smuggling & Trafficking

Munitions Control & Illegal Export

Indirect

Direct

Travel
Salaries

Weapons
Rent

IT

Security

Storage

Utility costs

Recruitment

Vehicles

Rent

Costs
Change Management

Cost-allocation Rules

Oversight

Internal Controls
• Strategic communication has laid the groundwork for Component support of using cost data to make management decisions.

• Systems and accounting structures are in place to provide accurate, real-time data.

• We have determined what we are measuring and how to allocate costs.

• Business intelligence and cost accounting systems: getting the right information, to the right decision-makers, at the right time.
<table>
<thead>
<tr>
<th>Segment Name</th>
<th>Source Data</th>
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<tbody>
<tr>
<td>Budget Project / Budget Code</td>
<td>7</td>
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<tr>
<td>Accounting Project / Project Task Code</td>
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</tr>
<tr>
<td>Fund (Appropriation Short Code)</td>
<td>2</td>
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<tr>
<td>Program Element</td>
<td>9</td>
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<tr>
<td>Funding Organization (Location Code)</td>
<td>16</td>
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<tr>
<td>Sub Object Class</td>
<td>8</td>
</tr>
<tr>
<td>UDF</td>
<td>6</td>
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</table>

Example:

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<tbody>
<tr>
<td>NONE000</td>
<td>0</td>
<td>BA</td>
<td>12-20-21-000</td>
<td>30-30-0115-00-00-00-00</td>
<td>GE-23-02-00</td>
<td>0</td>
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</table>
• With good accounting and reporting systems in place, DHS financial managers can tailor reports that provide the appropriate data to make decisions.

• The cost data in these reports can drive decisions that will improve processes, which in turn will improve agency performance.

• Management has a picture of the total cost of the programs, activities, and projects that support DHS strategic missions.

• Total cost and performance data are used to allocate resources.
Winner’s Circle

Activity

- Logistics
- Travel
- Overhead
- Time
- Feeder systems

Performance Metric

Resource Allocation Decision