

# **Activity Based Cost/Management**

**Office of Inspector General  
Department of Interior**

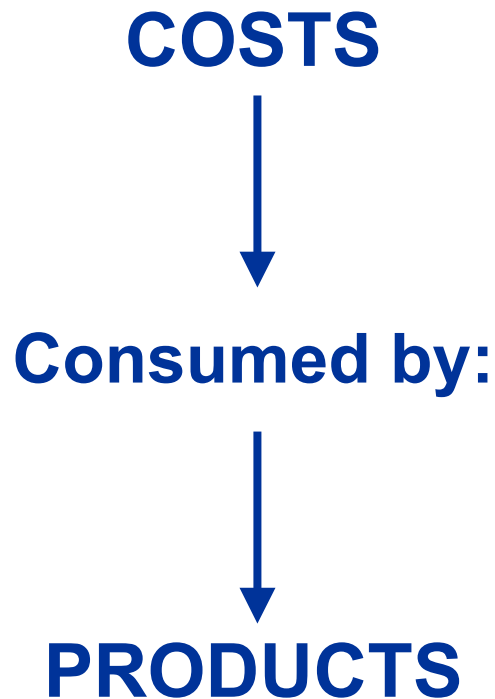
**March 11, 2004**

# **Key Factors in Developing ABC/M**

- **Management Support**
- **Staffing**
- **Decisions on Model**
- **Decisions on Drivers & Activity Definitions**
- **Data Collection Methodology**
- **Software**
- **Process will Force Change/Require Refinements**

# Traditional Costing (How we operate now)

Traditional product costing simplistically *allocates* costs.



## Allocation:

- **Costs are applied to products based on assumed linkages or convenient alternatives such as direct labor hours**

# Activity Based Cost Management

ABC traces costs based on cause and effect.

**COSTS**



Consumed by:



**ACTIVITIES**



Consumed by:



**PRODUCTS**

## Resource Drivers:

- Identifies how the activity consumes the resource (i.e. # of labor hours)

## Activity Drivers:

- Identifies how the cost object (product) consumes the activity (i.e. # of respondents/witnesses)

# Current Cost Snapshot

FROM: GENERAL LEDGER

## CHART-OF-ACCOUNTS VIEW

Salaries	\$ 24,000,000	Immediate Office	\$ 25,000
Equipment	6,000,000	ASIM	325,000
Travel Expense	2,400,000	Audits	1,000,000
Supplies	1,600,000	Investigations	1,000,000
Use and occupancy	1,200,000	General Counsel	50,000
Total	\$ 35,200,000	Total	\$ 2,400,000

What is spent

Headquarters	?
Eastern Region	?
Central Region	?
Western Region	?
Total	\$ 1,000,000

Where resources are spent

# Consider the Possibility...

FROM: GENERAL LEDGER

TO: ABC/M DATABASE

## CHART-OF-ACCOUNTS VIEW

## ACTIVITY-BASED VIEW

### Investigations

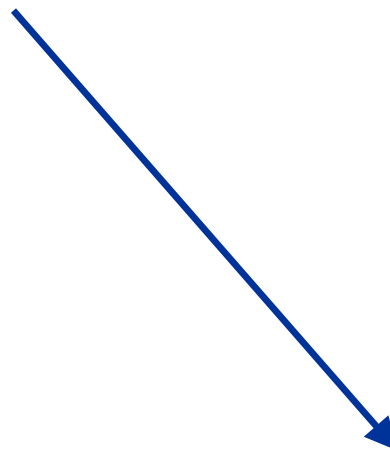
Salaries	\$ 6,000,000
Equipment	250,000
Travel Expense	1,000,000
Supplies	250,000
Use and occupancy	500,000
Total	\$ 8,000,000



### Investigations

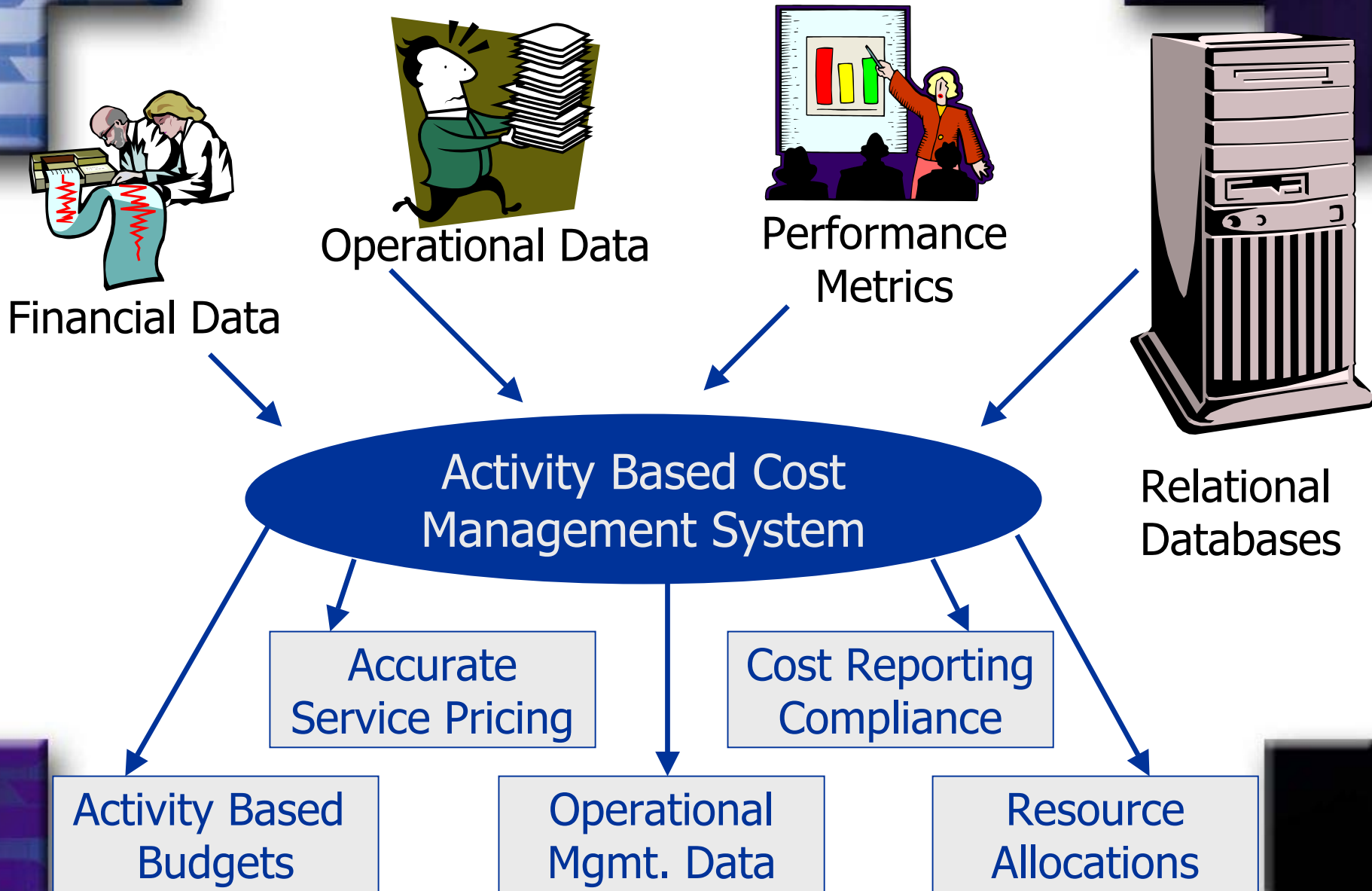
Process Allegations	\$ 315,000
Conduct Interviews	650,000
Document Reviews	750,000
Subpoena Prep & Service	670,000
Conduct Surveillance	1,000,000
Warrant Prep & Execution	830,000
Make Arrests	450,000
Proceeding Prep & Attendance	430,000
Report Writing	1,580,000
Hotline Ops	325,000
Physical Fitness	1,000,000
Total	\$ 8,000,000

What is spent

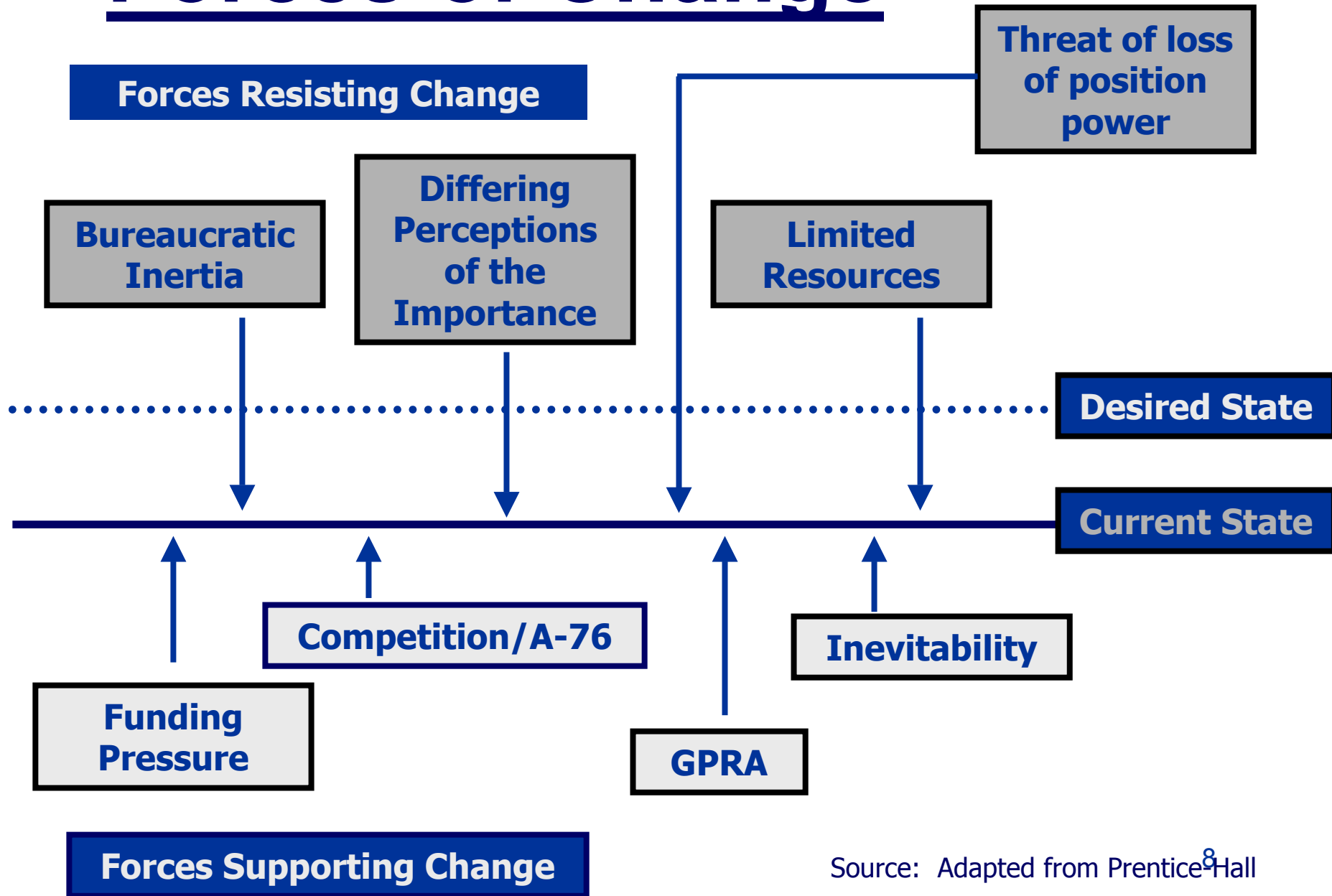


How resources are spent

# Government ABC/M Overview



# Forces of Change





# Implementing ABC/M

- **Keep in mind**
  - There is more than one way to
    - Define cost objects
    - Develop and define activities
    - Implement and deploy ABC
- **Clearly articulate**
  - The purpose for ABC/M
  - How ABC/M fits in with the mission/strategy
  - What you want to measure & why



# ABC Dictionary

## General Activities

### Examples

- **Provide Senior Management**
- **Provide Supervision**
- **Administration**
- **Provide Clerical Support**
- **Attend/Conduct Training**
- **Respond to FOIA Request**
- **Travel Time**

# ABC Dictionary

## Audits, Evaluations, & Assessments

### Examples

- Conduct Interviews
- Create Workpapers
- Story Conferencing
- Prepare/Edit Draft Report
- Reference Report
- Prepare/Issue Final Report

## Investigations

### Examples

- Conduct Interviews
- Document Reviews
- Subpoena Preparation & Service
- Preparation & Execution of Search Warrants
- Report Writing
- Attend Firearms Training



WELCOME!

User ID:

Password:

[Forgot your password?](#)

[Log in](#)



WELCOME!

Welcome! EDDIE SAFFARINIA

Main

ABC

Log Out

ABC TIME ENTRY

Pay Period: 2003-12 05/18/2003 - 05/31/2003 Total Hours: 72.00 Hours Remaining: 0.00

Select an Office: AD - INFORMATION TECHNOLOGY DIVISION

Project Number: -- Select One --

Activity: -- Select One --

Hours:

Add \*Note: Required Field.

\* Note: To Remove a record, select a row and click "Remove" button. Remove

Project Number	Activity	Hours
OIG-GEN-1 (GENERAL PROJECT 1)	Analysis	26.00
OIG-GEN-1 (GENERAL PROJECT 1)	Design	44.00
OIG-GEN-1 (GENERAL PROJECT 1)	Analysis	2.00
	Total	72.00

# ABC/M Status

- **Operational – data collected on a pay period basis**
- **Data driving management decisions in some areas**
- **Some changes needed**
- **Metify runs will assist in more in-depth product cost analysis**





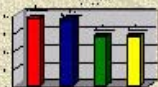
## OFFICE OF THE INSPECTOR GENERAL DOI - Metify ABM Reports Menu



C:\P\AM\BCSTUFF\Dept. of Interior\DMS FY03 test.ABM

March 9, 2004

Select Period



*Unit Cost per Audit  
and Investigation*



*ART Hrs by Cost  
Center*



*Resource Costs by  
Major Cost Center*



*Activity Costs by  
Major Cost Center*

*Resource Req't  
between any 2  
selected Periods*

*Unit Cost Trends  
per Audit*

*Top 10 Activity  
Costs*

*\$ and Unit Cost per  
Investigation*

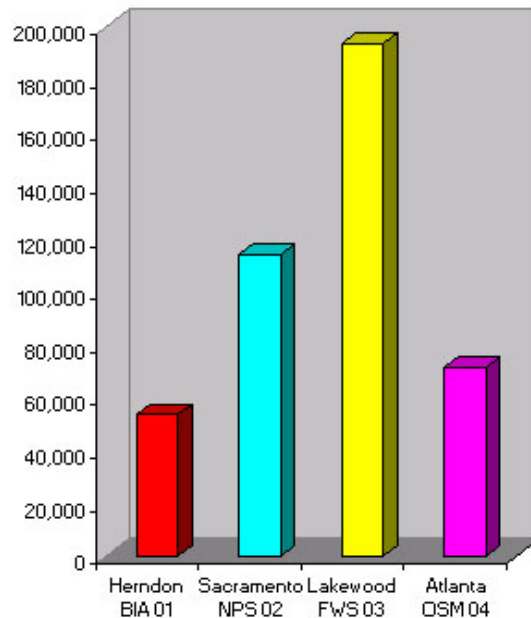
# Unit Cost per Audit and Investigation

March 9, 2004

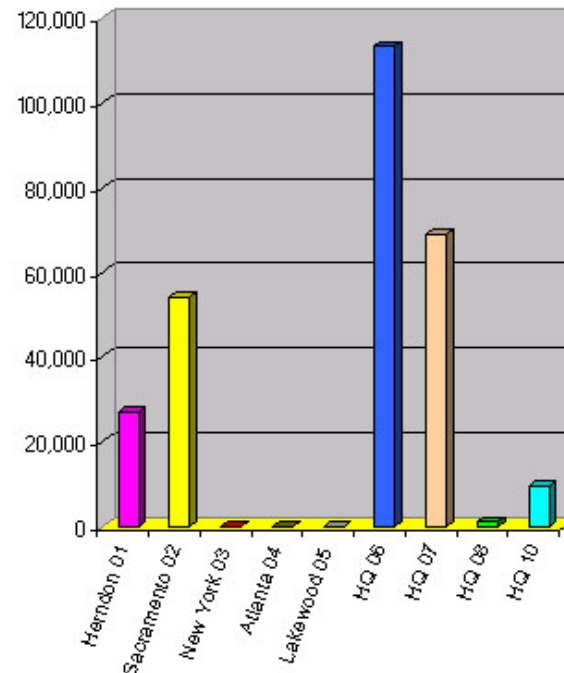
MAIN MENU

FY03 - ART Dollars

AUDITS



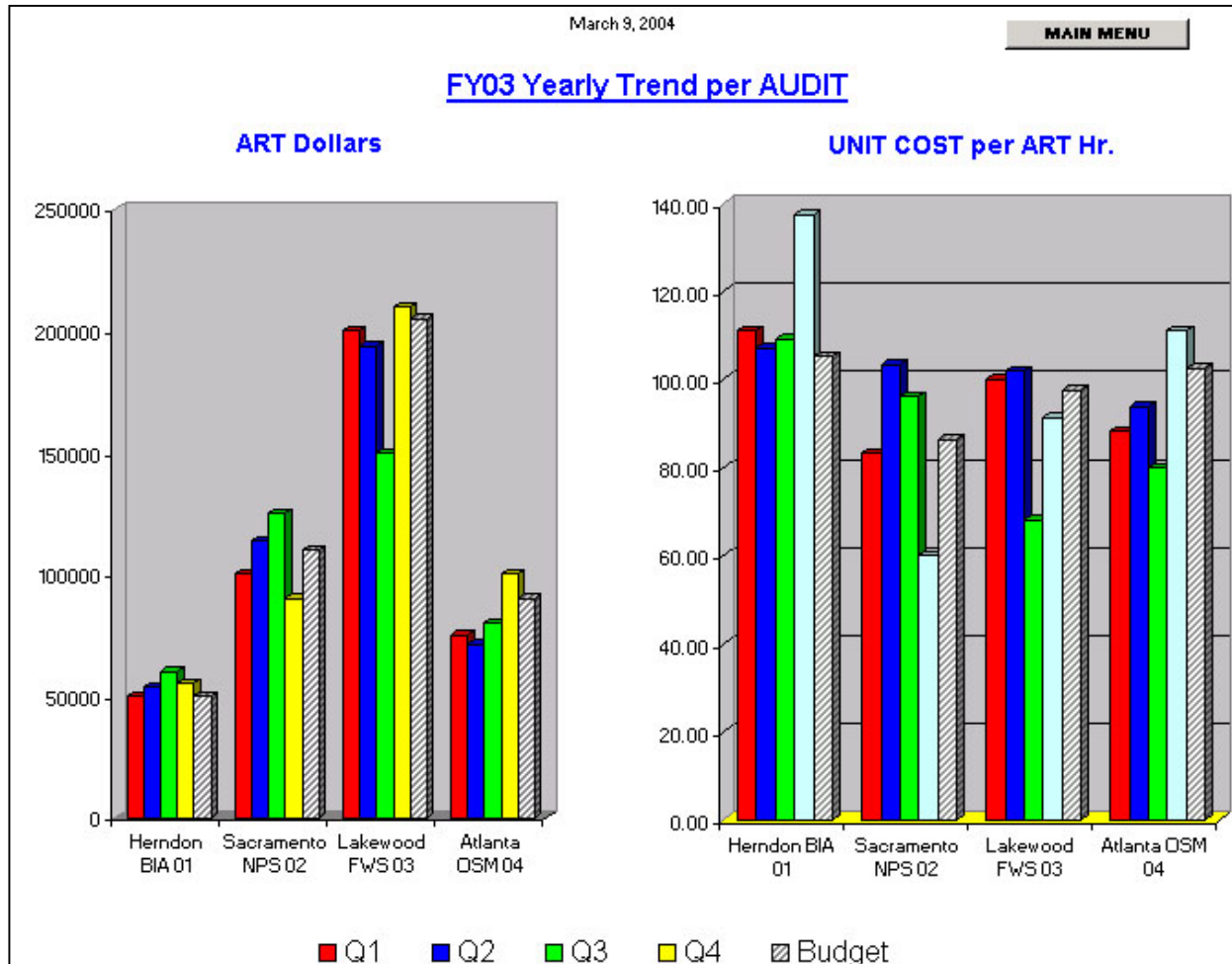
INVESTIGATIONS



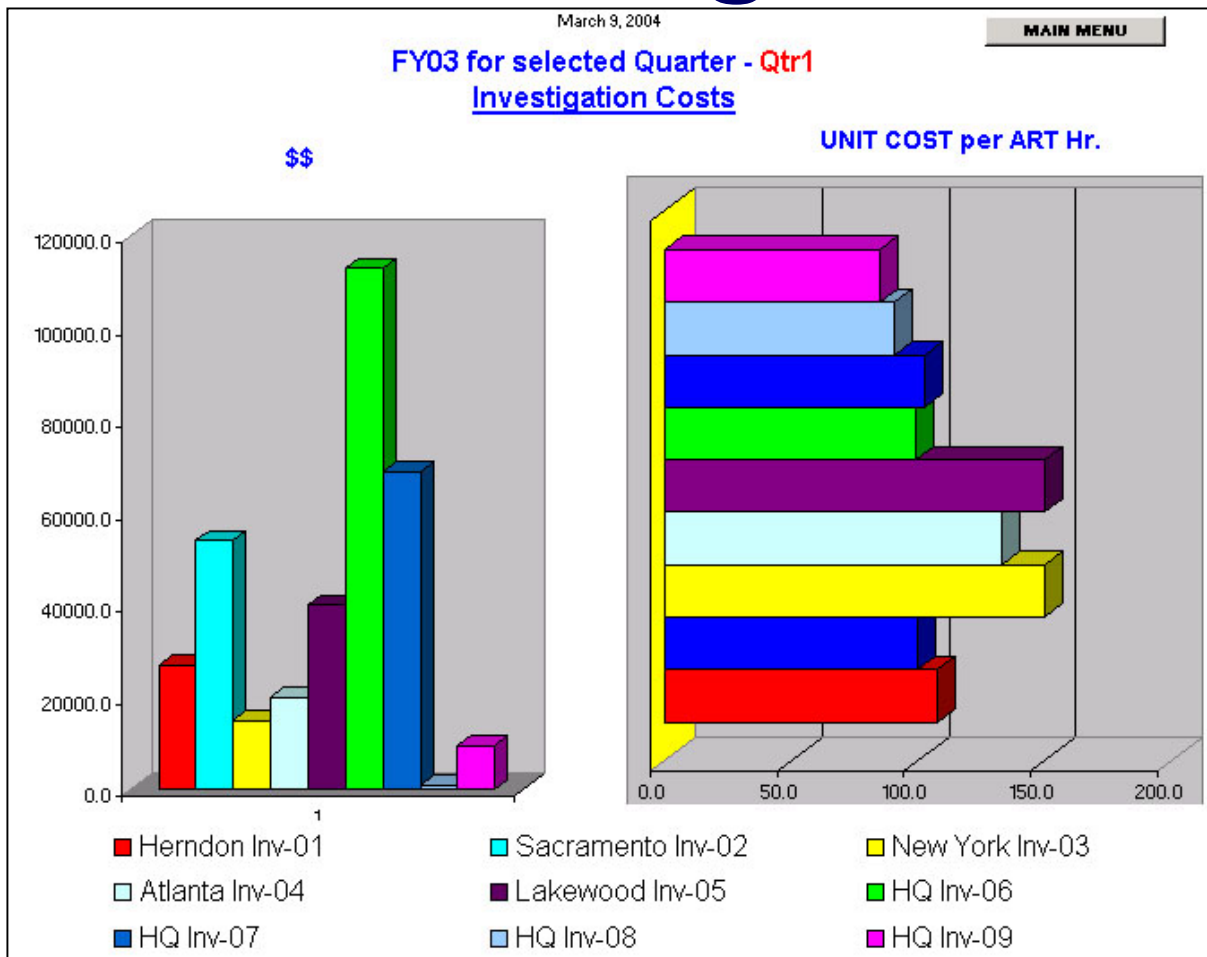
CurrYr - Qtr2



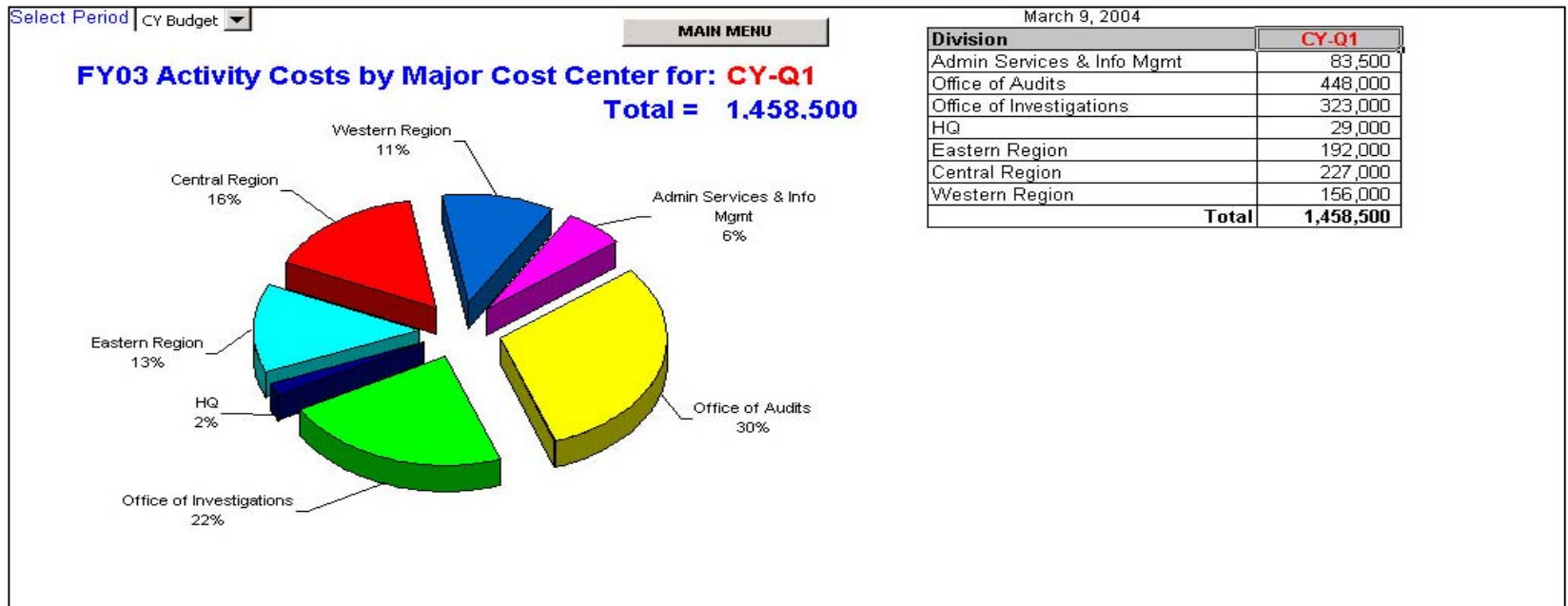
# Unit Cost Trends per Audit



# \$ and Unit Cost per Investigation



# Activity Costs by Major Cost Center

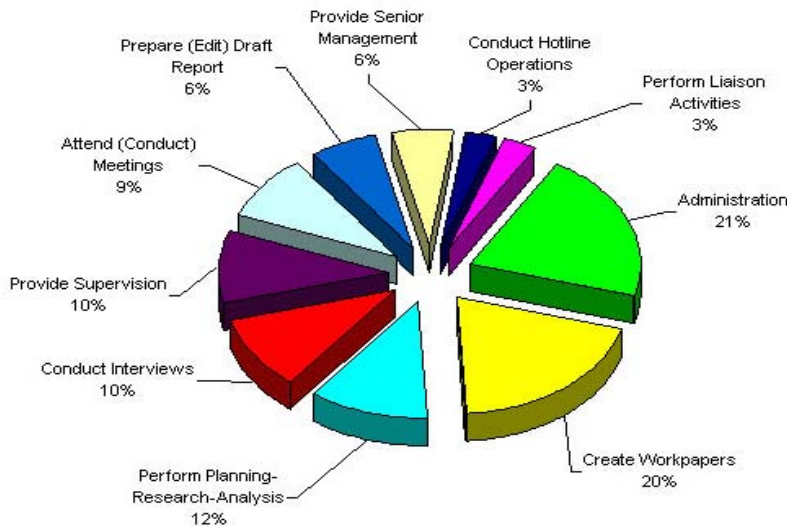


# Top 10 Activity Costs

Select Period | CY Budget

MAIN MENU

**FY03 Top 10 Activity Costs for: CY-Q1**  
**Total = 656,409**



March 9, 2004

Division	CY-Q1
Administration	138,706
Create Workpapers	128,548
Perform Planning-Research-Analysis	76,222
Conduct Interviews	67,389
Provide Supervision	64,375
Attend (Conduct) Meetings	61,557
Prepare (Edit) Draft Report	41,559
Provide Senior Management	37,072
Conduct Hotline Operations	21,306
Perform Liaison Activities	19,675
<b>Total</b>	<b>656,409</b>

# **Some Observations on Data/Use**

- **Time & travel charged to closed or non-existent audits/investigations**
- **Tracking resources used on top priorities**
- **Misunderstanding on some definitions**
- **Assessment of decisions and software**
- **Strategy for end-of-year evaluation**
- **Ability to use data for strategic planning and budgeting**