

S-260: Interagency Incident Business Management

Unit 11 – COST ACCOUNTING

Cost accounting requires an awareness of your financial surroundings. For instance, is there a dozer sitting idle? Do you consistently forget to post your time daily? Maybe the incident management team (IMT) has recognized a big-picture problem leading to wasteful spending.

Cost accounting is managing costs wherever and whenever you can. It's doing what you can to ensure the best use of federal, state, and local funds.

In this unit, we'll review who's responsible for tracking costs and how costs are analyzed, managed, and contained.

Balancing an incident's needs with cost expenditures is yet another challenge on a fire. We're going to tell you why and how it's done and who's responsible.

This topic covers:

- Reasons to track costs
- Responsibilities
- Daily reporting requirements
- Cost categories

Any sound business has its eye on the bottom line. Documenting, tracking, and analyzing expenditures are all part of fiscal responsibility.

There's a delicate balance between saving money and spending money in order to make the best strategic decisions.

There are five identified reasons why costs need to be tracked:

- Financial oversight
- Recoup billable or reimbursable costs
- Efficient resource management
- Ensure compliance
- Satisfy reporting requirements

Financial Oversight

Financial oversight of the incident is the responsibility of the agency administrator, who develops the Wildland Fire Decision Support System (WFDSS) to assist in financial decision making.

The WFDSS is a critical document linking delegation of authority with agency-preferred operational strategies and spending limitations.

Recouping Costs

Tracking costs allows departments to identify which expenditures can be recovered.

For example, the Colorado State Forest Service keeps track of single-engine air tanker costs so it can bill the county or a federal agency to cover expenditures.

Efficient Resource Management

Efficiently managing incident resources is another key component of tracking costs, allowing incidents to get more for their money. For example, two adjoining fires might share a strike team of engines, therefore saving costs for both incidents.

Ensure Compliance

Cost tracking ensures compliance with cooperative and established agreements as well as agency requirements. Most agreements address cost and cost recording within the cost share agreement, which is an implementing document playing a supporting role to the main agreement. The cost share agreement documents the financial responsibility for multijurisdictional incident resource costs.

Cost share agreements should be transparent and correspond to agency cost accounting and tracking methods in order to facilitate the billing process.

Reporting Requirements

Tracking costs satisfies the requirements for both daily incident cost reporting as well as national cost reporting. Individual incidents submit cost reports to the incident dispatch center. Costs are upward reported to the geographic area coordination centers (GACCs).

Then national cost reports are gathered from the GACCs by the National Interagency Coordination Center (NICC). Reporting requirements are covered in more detail later in this topic.

Managing costs ensures the best use of federal, state, and local funds, and there are several positions, in particular, responsible for doing so.

The agency administrator establishes the incident's financial marching orders in a threefold manner by:

- Establishing cost objectives and actively participating in cost monitoring procedures
- Providing financial caps to incidents
- Developing and negotiating the terms of the *cost share agreement*, including the cost share period

Not all agreements include a cost share document. See Chapter 50, Interagency Cooperative Relations, for further information on cost share agreements.

The incident commander (IC) is responsible for:

- Managing the incident in the most practical and economical means consistent with the value of the threatened resources
- Reviewing documentation of incident costs according to agency requirements
- Documenting cost containment actions implemented by the incident management team (IMT) and submitting them to the agency administrator for review and comment

The administrative representative is responsible for:

- Informing or advising incident personnel of accrual requirements
- Establishing procedures for notifying other units of their applicable incident costs
- Ensuring validation of incident cost share agreements with the master cooperative agreement and agency policies

The incident business advisor (IBA) is a support-role position working as an incident agency liaison between IMT and finance.

The IBA is responsible for:

- Providing advice to the agency administrator if there is a need for cost apportionment personnel or additional cost analysis beyond what the IMT provides
- Reviewing or assisting in the development of cost share agreements
- Communicating to the IMT the agency administrator's requirements for cost tracking and containment requirements
- Providing incident agency–specific cost information to the finance/administration section chief

The finance/administration section chief (FSC) is responsible for:

- Ensuring cost data is submitted to the incident agency and included in accrual *reports*, as required
- Furnishing updated cost data on a daily basis to the planning section for inclusion in the Incident Status Summary, ICS 209
- Providing resource cost information to the IMT in order to manage resources, implement cost containment measures, and develop costs for strategic alternatives
- Ensuring costs are tracked and documented per cost share agreements
- Preparing and validating cost share information

The cost unit leader is responsible for:

- Developing incident component cost estimates in the absence of a geographic area supplement
- Coordinating with incident cost centers to gather on- and off-incident cost information
- Developing current and projected incident costs using e-ISuite
- Analyzing incident resource cost information, including the evaluation and tracking of inefficient and uneconomical operations and communicating information to the IMT through the finance/administration section chief
- Providing information (such as management information reports and accrual reports) to the IMT, incident agency, and the agency responsible for payment, as requested

The IMT is responsible for:

- Providing cost information on a daily basis to the cost unit leader in the manner and within the time frame requested
- Identifying areas of incident management activities where cost containment measures can be improved
- Providing input to the IC

Match the personnel with their corresponding cost accounting responsibility.

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|----------------------------------|--|
| ▪ Agency administrator | ▪ Develops and negotiates the terms of the cost share agreement |
| ▪ Incident commander | ▪ Manages the incident in the most practical and economical means |
| ▪ Administrative representative | ▪ Informs or advises incident personnel of accrual requirements |
| ▪ Incident business advisor | ▪ Serves as a liaison between the IMT and finance |
| ▪ Incident management team (IMT) | ▪ Provides cost information on a daily basis to the cost unit leader |

There are two documents required for daily local and national reporting:

- ICS 209
- Situation report

ICS 209

The finance section provides to the planning section an estimate of costs to date and of total anticipated costs. Planning then reports the incident status to the incident agency every operational period using the Incident Status Summary, ICS 209. The ICS 209 is submitted to the incident agency and the local dispatch center.

Situation Report

The situation report compiles information from individual incidents. This information is consolidated and sent to the local geographic area every operational period. From there, the information is given to the NICC, which publishes a national report called the National Interagency Incident Management Situation Report.

During fire season, this report is published daily, giving a summary of all fire activity nationally.

Without an organized system, tracking costs would be like herding cats. To keep things organized, resource expenditures fall into one of four primary cost accounting categories:

- Personnel
- Equipment
- Aircraft
- Support

Personnel Costs

Personnel costs include:

- Crews
- Overhead (single, individual resources)
- Other personnel assigned to the incident such as an incident business advisor (IBA)

Equipment Costs

Equipment costs include:

- Equipment under emergency equipment rental agreements (EERAs) or incident blanket purchase agreements (IBPAs)
- Contracts
- Cooperators
- Federal agency equipment for tactical activity

Aircraft Costs

Aircraft costs are sometimes more than 50% of incident expenses. Aircraft are very expensive but just as useful.

Aircraft costs include:

- Fixed wing
- Rotor wing
- Retardant

Support Costs

Off-incident support costs may or may not be handled by the IMT. The local fire agency may take on the responsibility for accounting for these costs, including:

- Expanded dispatch organizations
- Buying team organizations
- Supplies and services, such as showers and caterers
- Mobilization (travel to and from the incident)

How often are the ICS 209 and the situation report submitted?

- Daily, for every operational period
- Weekly
- Biweekly during fire season
- When the fire is contained

We identified who tracks costs and why they do it. We also described the two required daily reporting forms used for submitting costs locally and nationally.

When it comes to cost analysis and containment, the place to begin is with you.

All incident personnel have the responsibility to perform their jobs in the most cost-efficient manner possible. Incident management team (IMT) members should continually evaluate their section's operations to identify and implement cost savings. Even the little decisions of those working the line—like reporting damaged sleeping bags or posting time accurately—all add up.

Dollars are made of pennies, and the more pennies pinched by all incident personnel, the larger the savings. This topic connects the dots between incident actions and:

- Cost analysis
- Cost containment

Tracking and examining incident expenses allow the IMT to analyze strategic decisions through an economic lens. Regardless of the method used, cost information should be provided to the IMT and incident agency in a clear, concise format using summary sheets, graphical displays, and detail sheets showing individual resource costs.

Three methods for analyzing costs include:

- Manually
- Spreadsheets
- Automated systems

Manual Cost Analysis

Manual cost analysis involves using standard costs and quantities of resources. These resources can then be tracked on a daily basis.

An example format is available in Standard Component Costs in Chapter 80 of the SIIBM.

Spreadsheet Cost Analysis

A variety of automated spreadsheet packages are available and generally used to replicate manual accounting and track costs in major categories, such as 20 engines and 15 hand crews.

Spreadsheets may be available from the geographic area supplement or incident agency.

Automated Cost Analysis

Automated cost analysis is done in the Cost module of e-ISuite. The module allows users to easily track individual resources in a database format. The system creates a daily line entry for each resource. System users can then analyze, manipulate, and create outputs of this information in a variety of report formats.

See the e-ISuite User's Guide for instructions on using the Cost module.

Each tactical or resource decision on a fire results in some cost. All those decisions add up.

As we said earlier, ALL personnel are responsible for doing what they can, where they can, to support cost containment measures.

All Incident Personnel

The following are examples of personnel decisions resulting in a cost for the incident:

- Stocking of medical supplies
- Buying excess bottled water
- Supplemental food
- Timekeeping and reporting
- Using air versus ground tactics
- Fire use versus fire suppression
- Leasing versus purchasing

Finance

Personnel, primarily in the finance section, are involved in:

- Analyzing time and cost information
- Identifying problematic areas and factors causing cost ineffectiveness
- Making recommendations for implementing cost containment measures

All incident personnel make decisions affecting costs.

Identify two cost analysis responsibilities finance is responsible for.

- Identifying problems causing cost ineffectiveness
- Making recommendations for implementing cost containment measures
- Reviewing costs for the sake of reviewing, and nothing more
- Accepting cost analysis sheets from IMT and storing them
- Determining which of the three analysis methods should be applied to the incident

To help incident personnel be good financial stewards, cost containment areas have been identified, largely through the process of trial and error. Through cost analysis of past and current incidents, the IMT can follow measures ensuring the application of cost containment, including:

- Aircraft
- Claims
- Cooperative agreements
- Equipment
- Personnel
- Property management
- Support

Aircraft

Cost containment for aircraft includes tracking aircraft costs, including retardant drops, by individual resource to analyze use and cost benefit pertaining to the incident.

Claims

To contain costs regarding claims, ensure thorough investigations and documentation of actual and potential claims for and against the government.

The better the documentation, the better the investigation into claims circumstances. In addition, the better the investigation, the more quickly claims situations are resolved.

Cooperative Agreements

For cooperative agreements, cost containment actions include ensuring all participating agencies understand the basis of and responsibility for payment of personnel, equipment, materials, and supplies per established agreements.

Sometimes, not understanding the agreement results in an agency paying more than it should have. If the cost share agreement was negotiated in contrast to what the cooperative agreement outlined, one or more agencies could be paying too much (or too little.)

Equipment

Cost containment measures for equipment include:

- Listing equipment by type, unit cost, and usage, and sharing these results with appropriate sections
- Identifying underused equipment, such as aircraft, lowboys, buses, and water tenders, and sharing the information with the appropriate sections
- Ensuring pre- and post-inspections are prepared for all equipment to reduce claims
- Establishing controls for fuel and oil issued at the incident base, on the line, and at remote sites, to properly document invoice deductions

Personnel

Cost containment measures for personnel include:

- Tracking, documenting, and approving excessive hours
- Ensuring time posted is in agreement with scheduled operational periods
- Identifying crew and equipment drop-off and pickup points to facilitate timely drop-off and pickup of resources

Property Management

Cost containment measures for property management include:

- Ensuring controls are in place for issuing and returning accountable and durable property, such as tools, shirts, headlamps, hard hats, and radios
- Ensuring approval for purchasing of accountable property is in accordance with incident agency policy
- Using law enforcement personnel for incident base and property security

Support

Cost containment for support includes establishing and tracking protocols for off-incident and on-incident support systems such as catering and shower units.

Whose responsibility is cost containment on an incident?

- Finance/administration section chief
- Cost unit leader
- Agency administrator
- All personnel on an incident

Incident personnel—from the ground up—are bearers of responsibility when it comes to cost containment. Perhaps you notice a water tender sitting idle for days on end, or even—in hindsight—realized you should have made different tactical decisions based on the cost analysis.

Whatever the case may be, everyone has a role in cost containment by being responsible for accurate

and timely cost reporting, looking for opportunities to save money, and identifying problem areas.

This topic connected the dots between personnel actions and:

- Cost analysis
- Cost containment