Project Cost Management

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Research Project Management Track
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What is Cost Management?
- Involves the following processes to ensure the project is completed within the funding agency-approved budget:
  - Estimating costs
  - Determining the budget
  - Controlling costs
- The cost of resources needed to complete project activities
- Reporting spending to the project sponsor

Estimating vs. Budgeting

Estimating
- Developing an approximation of the monetary resources needed to complete specific project activities
- Predictions based on information known at a specific point in time

Budgeting
- Aggregating the estimated costs of project activities to establish a cost baseline
- Project budgets are those funds approved to carry out the project

Elements of Project Cost Management (1/3)

Estimating
- Use the scope statement to make predictions of both direct and indirect costs
- Breakdown components of the project, and consider the project schedule and items from your risk register
- Tools for estimating include expert judgment, vendor bid analyses, or using project management estimating software

Budgeting
- For budgeting, use the cost estimates for the each of the smaller activities
- Use the approved/authorized budget provided by the contract with the sponsor
- Use the expertise of persons with specialized education, skill, or experience
- Determine the cost performance baseline

Controlling
- Communicate changes to costs as they occur
- Understand variances from the cost baseline
- Prevent unapproved changes from being included
- Bring cost overruns to those acceptable to the sponsor
Example: Estimating Site Visit Costs

- Site Visit Components
  - Preparation
  - Travel
  - On-site activities
  - Report writing, QC, and distribution
  - Follow-up on action items

Breakdown of Site Visit Preparation

- Scheduling
  - Contact the staff at the site to identify a mutually agreed time
  - Make travel arrangements

- Visit confirmation documentation
  - Draft site visit confirmation letter with visit objectives
  - Distribute final letter

- Review the protocol documents
  - Review past reports
  - Review the protocol and CRFs

Estimating Travel for Site Visits

- Direct Cost Items
  - Labor
  - Ground transportation
  - Hotel
  - Airfare
  - Meals
  - Incidentsals
    - Baggage fees
    - Internet fees
    - Gratuities
    - Security fees

- Determine Estimates
  - Pay rate of staff
  - Costs of driving
  - Lodging plus taxes
  - Cost of flights
  - Three times daily
  - Out-of-pocket expenses as required, approved, and supported by receipts

Matching Estimates to the Contract

- Funding amounts with US government contracts are difficult to change, so the Project Manager must remain within the budget-approved amount
- Perform variance analyses to assess the variation with the original cost baseline (which involves specialized training)
- Review costs that have been incurred, and continue to estimate for the work yet to be done

Summary

- Breaking down projects to smaller components is helpful when making cost estimates
- Communicate the status of spending regularly with the project sponsor
- Monitoring project spending is essential since the approved funding amount often does not change
- Tools and techniques for monitoring and controlling spending require specialized instruction (not provided in this workshop)

Questions and Comments