

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

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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

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Elements of Project Cost Management (1/3)

- 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

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Elements of Project Cost Management (2/3)

- 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

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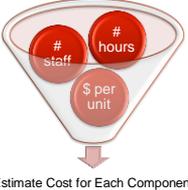
Elements of Project Cost Management (3/3)

- Controlling costs involves monitoring the status of the project so that cost expenditures do not exceed authorized funding
- 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

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Example: Estimating Site Visit Costs

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



Estimate Cost for Each Component

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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

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Estimating Travel for Site Visits

<ul style="list-style-type: none"> ■ Direct Cost Items <ul style="list-style-type: none"> ● Labor ● Ground transportation ● Hotel ● Airfare ● Meals ● Incidentals <ul style="list-style-type: none"> ■ Baggage fees ■ Internet fees ■ Gratuities ■ Security fees 	<ul style="list-style-type: none"> ■ Determine Estimates <ul style="list-style-type: none"> ● 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
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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

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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)

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Questions and Comments



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