

## Project Success Method

### Why Track Actual Costs and Resource Usage on Projects?



The importance of tracking actual costs and resource usage in projects depends upon the project situation. For some projects, tracking actuals is unnecessary or is not worth the effort required. In other cases, however, tracking actual costs and resource usage is an essential aspect of the project control function. In such cases, a system must be put into place to support the tracking process, and the collection/recording of the potentially voluminous quantity of data requires strong organizational discipline. Why then is tracking actual costs and resource usage on a project ever worth the effort required to accomplish it?

Depending upon the project/business environment, one or more of the following three reasons may underlie the mandate to track actual costs and resource usage on a project:

1. The financial accounting system and/or the managerial accounting system of the project organization may require the complete and accurate documentation of the ultimate actual cost of the project. This is especially true if the organization must report that actual cost to some outside organization(s), such as:
  - To the Internal Revenue Service to justify tax write-offs
  - To an external project customer to justify project fees

In other cases, management of the project organization may simply want the capability to measure the cost of executing a strategic initiative or the profitability of a project performed for an outside customer.

2. Having knowledge of actuals-to-date is a requirement for effective cost control while the project is ongoing. When estimated project costs are budgeted by activity and actual costs are tracked by activity, the project manager has a powerful tool to support his/her efforts to control costs on the project. At any given point in the project, the actual cost of the activities completed-to-date can be compared against the budgeted cost of those activities, so that the cost variance from budget is known continuously. Corrective actions can then be taken to reduce any negative (i.e., over budget) variance.

3. In addition, the budgeted costs (or revised estimated costs) for the remaining activities can be added to the actual cost of the completed activities to develop a new estimate of the total project cost at completion.
4. Tracking actuals allows the organization to build a historical database that will support budgeting and resource planning on future projects. Such a database is especially valuable if the organization performs many projects that are very similar to each other.

Tracking actual costs and resource usage is not necessary for every project or in every project environment. However, when good reasons exist for tracking actuals, the necessary technical and procedural steps must be implemented to ensure that the process is executed on an accurate and timely basis.