The importance of tracking actual costs and resource usage in projects depends on the project situation.

Why track actual costs and resource usage on projects?

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 in place to support the tracking process, and the collection/recording of the potentially voluminous quantity of data requires strong organisational discipline. Why then is tracking actual costs and resource usage on a project ever worth the effort required to accomplish it? Depending on 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: documentation, cost control and database.

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

Cost control
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. 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.

Database
Tracking actuals allows the organisation to build a historical database that will support budgeting and resource planning on future projects. Such a database is especially valuable if the organisation 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.

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