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Topics:

## [Project Financial Management Guidelines](#) [1]

GM-09-001 Project Financial Management

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## PURPOSE

A financial management process is used to ensure that the project is completed within the allocated and approved budget. The recommended process includes cost estimating, cost budgeting, cost control, monitoring, and reporting.

## GUIDELINES

**Initial Assessment** - Use a financial management process for all projects that have a technology component regardless of the dollar value of the project. Application of these principles should be tailored according to the size, complexity and importance of the project. Therefore, a simple or small project may only require a simplified project financial tracking process to ensure that the project remains on budget, whereas a large multi-year project requires a more rigorous process.

**Cost Estimating/Planning/Budgeting** - The financial management process lists those costs to the State that should be considered for inclusion, such as:

- Personnel costs of sponsor agency
- Equipment and purchased components (including software)
- Development effort
- Contractor costs
- Deployment effort
- Lifetime operation costs
- Lifetime maintenance costs
- IV&V costs if project exceeds \$1,000,000
- Support costs from other organizations

**Cost Control/Monitoring** - There are several financial characteristics that the Project Manager should monitor to determine the factors that create cost variances and control changes to the project budget. These are:

- **Original Project Budget:** the Original Estimated Budget (estimated costs) that was approved by the Project Sponsor
- **Total Approved Changes:** the total cost of Project Sponsor approved changes as a result of change control
- **Total Current Budget:** the sum of the Original Contract Value and the Total Approved Changes. This is the most current approved Project Budget.
- **Cost to Date:** the actual dollars expended (expense) to date of all resources, tasks and materials in the Project.
- **Estimate to Complete:** the dollars estimated (future expense) to be expended to complete remaining project tasks.
- **Forecast Total:** the sum of the Cost to Date and the Estimate to Complete.
- **Project Variance:** the positive or negative difference between all estimated and all actual dollars.