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. 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.

3. 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.

About the Author, the Project Success Method & Project Success Inc

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Tom is heavily involved in the development and delivery of PSI’s courses. In addition to his work with PSI, he is Professor Emeritus of Management at Georgia State University. He also served the University as Chair of the Department of Management and as Interim Dean of the College of Business Administration. Previously, he was an Assistant Professor of Industrial and Systems Engineering at Georgia Tech.

Tom has provided project management consulting and training services for a variety of business, government, and non-profit organizations. He developed and marketed one of the first PC-based software tools for project scheduling and cost control. Prior to beginning his academic career, Tom served in the U.S. Army Management Systems Support Agency at the Pentagon and was employed as an industrial engineer with a national firm in the printing industry. He holds bachelors and masters degrees in Industrial Engineering from Georgia Tech and a Ph.D. in Business Administration from Georgia State University. Tom has received several awards for teaching excellence and public service.

Since 1983, Atlanta, GA based Project Success Incorporated (formerly YCA) has been providing Project Success Method project management training and consulting services to hundreds of successful organizations, including many of the largest and most profitable Fortune 500 companies.

The Project Success clearly defines a proven approach to superior project performance. While an estimated 70% to 90% of corporate strategic initiatives fail, companies that employ The Project Success Method® consistently plan and control their projects successfully, delivering projects faster, more effectively, and at lower cost.

The Project Success Method is a blueprint for planning and controlling projects of all sizes and provides the missing link between strategy formulation and implementation. The methodology is not software-specific and requires no prior project management training or professional certification. Most importantly, the Project Success MethodSM is easy to learn, highly effective and can be implemented quickly in as little as 5 days.”

PSI consultants have been engaged in more than 10,000 projects in 25 countries on six continents. For more information contact walter.urban@projectsuccess.com or visit www.projectsuccess.com.