



**Financial
Management Process
For [Project Name]**



1 Introduction

The Project Financial Management Process is followed after the initial project budget has been documented and approved during the Project Initiation phase of the Project Management Life Cycle.

What is a Financial Management Process?

A Financial Management Process is a method by which costs (or expenses) incurred on the project are formally identified, approved and paid. Typical types of costs include:

- Labor (e.g. staff, external suppliers, contractors and consultants)
- Equipment (e.g. computers, furniture, building facilities, machinery and vehicles)
- Materials (e.g. stationery, consumables, building materials, water and power)
- Administration (e.g. legal, insurance, lending and accounting fees).

When to use a Financial Management Process

The Financial Management Process should be initiated after the expected Financial Expense Form has been created and approved during the Planning phase of the project. This process provides a mechanism for monitoring and controlling the actual financials of the project against those that were originally planned/budgeted. It is important to formally track expenses throughout all phases of the project, otherwise, it may become impossible to accurately manage the project constraints of time, budget and quality.

1.1 Instructions

Complete all sections of this form. If a particular section is not applicable, enter NA (Not Applicable) to indicate that you have at least considered this section.

Under Contact Information, the Sponsor, Authorized By, and Contact can be the same or different individuals.

All tables and boxes are expandable. Add rows when it is necessary to include additional information.

Definitions of project management and technology terms are presented in the On-line Project Management Glossary (www.technology.wv.gov).



Project Financial Management Process

1.2 Contact Information

Date Submitted:	<u>Click here to enter a date.</u>	Prepared By:	<u>Click here to enter text.</u>
Sponsor:	<u>Click here to enter text.</u>	Sponsoring Entity:	<u>Click here to enter text.</u>
Authorized By**:	<u>Click here to enter text.</u>	Contact:	<u>Click here to enter text.</u>
Contact Phone No.:	<u>Click here to enter text.</u>	Contact Email:	<u>Click here to enter text.</u>
PAS number:	<u>Click here to enter text.</u>		

1.3 Document History

Version	Issue Date	Changes
[1.0]	[Date]	[Section, Page(s) and Text Revised]

1.4 Submit Questions and Financial Management Documents to:

vvot.epmo@wv.gov



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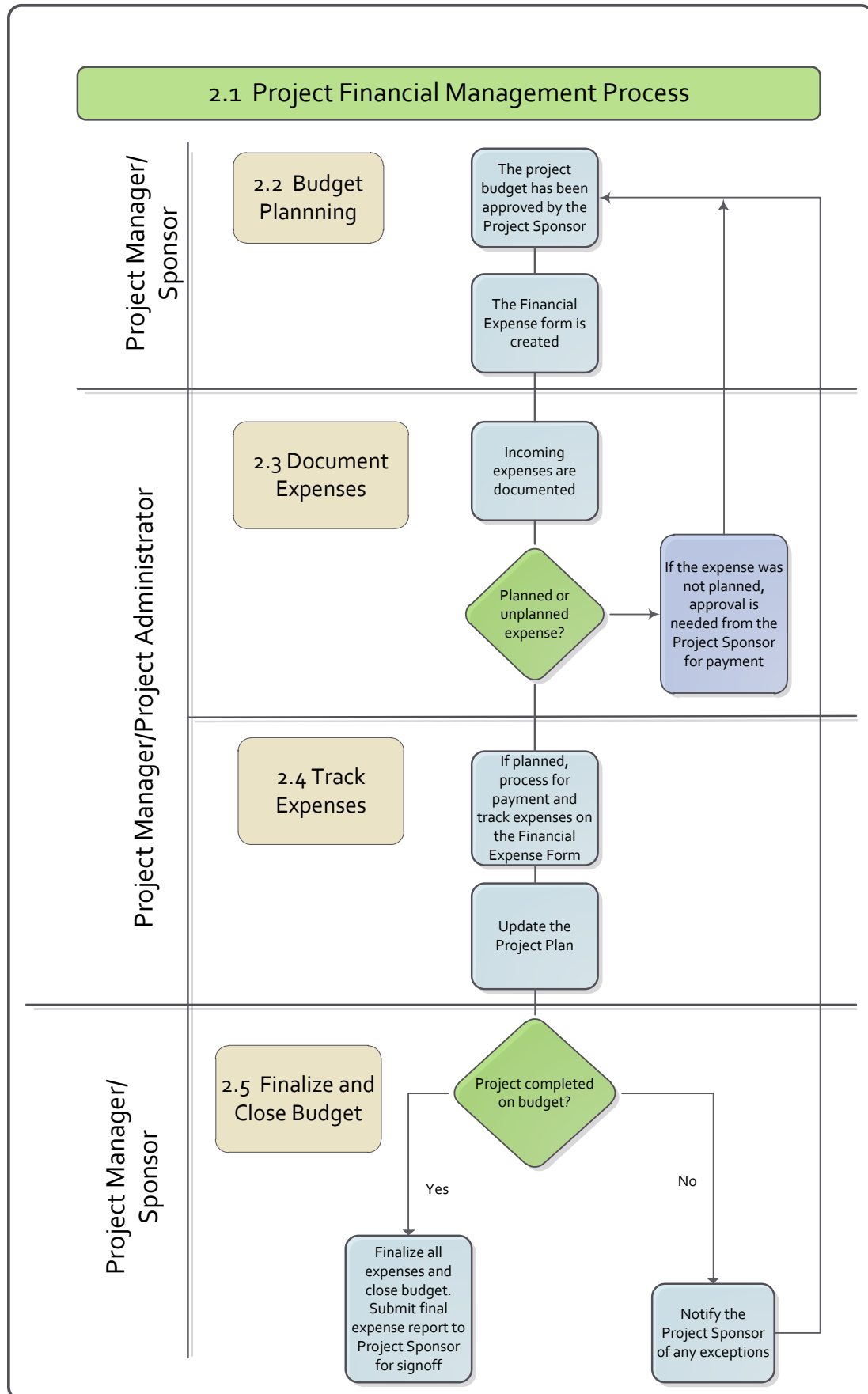


2 Project Financial Management Process

2.1 Overview

The purpose of the Financial Management Process is to record actual financials (or expenses) which accrue during a project's lifecycle. Project financials are formally documented through the completion of the Project Expense Form.

The following diagram depicts an overview of the Project Financial Management Process, including the roles, processes and procedures to be undertaken in this process.



2.2 Budget Planning

Budget Planning involves documenting planned financial project information expected to occur during the project. To properly develop a sound project budget, the Project Manager and Project Sponsor should outline the known project activities that will need to occur and estimate their cost, keeping in mind time constraints and other dependencies that may impact the cost of the budget. An initial Financial Expense Form is created and approved by the Project Sponsor.

2.3 Document Expenses

After the Financial Expense form is approved and the project is underway, the Project Manager and/or Project Administrator should begin to track all expenses on a regular, preferably weekly basis.

During this process, the Project Manager must confirm that:

- The tasks for which the expense occurred are valid (as per the Project Plan)
- The expense was originally budgeted (as defined in the approved budget)
- Any unbudgeted expenditure is fair and reasonable before forwarding to the Project Sponsor for approval (if above a certain agreed upon limit)

Note: The Project Manager may have authority to approve only *budgeted* expenditures. *Unbudgeted* expenditures over a certain limit may require the approval of the Project Sponsor or Project Board.

Based on the above information, the Project Manager will:

- Approve the expense and process it for payment *or*
- Request further information from the person submitting the expense *or*
- Decline the expense and raise an issue with the person submitting the expense.

Following formal approval of the expense by the Project Manager, payment will be scheduled. It is typical to pay expenses in 'batches' to reduce the administrative workload in making expense payments and more effectively manage project cash-flow.

2.4 Track Expenses

This process involves updating the Financial Expense Form and Project Plan with relevant information and notifying the Project Sponsor of any budget vs. actual expense exceptions. The following procedures are undertaken:

Update Financial Expense Form

After the payment has been scheduled, the Financial Expense Form should be updated to ensure that an accurate record of the approval and payment is documented. Although the form must be revised after the expense has been approved, it should also be updated throughout the process to ensure that the Project Manager always has current expense information at all phases of the project lifecycle.

Update Project Plan

On a regular basis (typically weekly) the Project Plan is updated, with the total expenditure recorded against each project task as listed within the Financial Expense Form. This enables the Project Manager or Administrator to:

- Produce a view of the overall financial of the project to date
- Identify any exceptions (e.g. instances where the actual expenditure exceeds the planned expenditure)
- Note if the time frame of a task will be impacted while waiting for an expenditure approval or payment

Notify Project Sponsor of Exception

The Project Manager should identify any expenditure deviations to date. Based on the deviation from the plan, the Project Manager may:

- Change the individual / amount of resource allocated to a task
- Allocate additional funds to complete a task
- Request assistance from an external supplier to complete the task
- Raise a project issue for action by the Project Board / Sponsor.

Mark Task as Complete

Once each task is completed, the respective task within the Project Plan is marked as 100% complete and no further expenditure may be allocated to the task for the duration of the project.

2.5 Finalize and Close Budget

After ensuring that all project expenses have been paid for and no other tasks/expenditures remain outstanding, the Project Manager or Administrator should issue a final Financial Expense Form to the Project Sponsor for approval. Once approved, this information should be included in the Project Closure Report for project historical purposes.

3 Financial Management Roles

The following roles and responsibilities will apply on a typical project, however, the number and types of roles will depend on the size and complexity of the project. For instance, on a small project the Project Manager may fill the role of Project Administrator. Regardless of who actually fills each role, it is important to identify expense responsibilities required to be undertaken on the project. For instance:

3.1 Project Administrator

Typically, a Project Administrator will manage the day-to-day expense process by:

- Receiving input from staff regarding project expenditures; ensuring that this information is complete and at the required level of detail needed to make informed decisions
- Completing the Financial Expense Form for supplier invoices received
- Forwarding all expenses to the Project Manager for approval
- Maintaining the Financial Expense Form to ensure that all project expenditure information is accurate and up to date



Project Financial Management Process

- Entering summarized expense information into the Project Plan and identifying any exceptions for the Project Manager's attention
- Arranging payment of each expense once approved.

3.2 Project Manager

The Project Manager has overall responsibility for the Financial Management Process, including:

- Ensuring that all staff are informed of the Financial Management Process, that they understand when the importance of relevant expense information to ensure that the Financial Expense form is accurate in a timely manner
- Reviewing and approving all project expenditures
- Ensuring that the project plan is up-to-date with latest expenses for specific tasks
- Drawing up action plans to address any deviations from plan
- Resolving all expense issues with staff members or suppliers and raising any critical expense-related issues with the Project Board / Sponsor for action..

3.3 Project Sponsor

The Project Sponsor plays a vital role in the successful execution of the project budget. He/she has the authority to approve/deny the payment of any expenses beyond an agreed upon limit after consolidation with the Project Manager and/or Project Board. It is the Project Sponsor's role to gather as much information as possible to make informed decisions that may or may not impact the ultimate success or a project.

4 Financial Management Documents

4.1 Project Financial Expense Form

The Project Financial Expense Form is a working document which is completed by a project member to track project expenses.

4.2 Project Closure Report

The final project budget vs. actual cost should be included in the Project Closure Report.