Budget statement

≔ Domain	`Finances` `Work`
⠶ Assign	ⓐ apeiron
☼ Status	`on hold`
⠶ internal stakeholder	🧑 Wouter - Powerhouse `t` teep `D` Dracaena
↗ Deliverable	🧩 <u>PEA-05 Transition from Budget Tool to Connect</u>
≔ Output Type	`Business Process Analysis` `Conceptual Wireframe` `Document Model` `Process Model`
↗ Product Feature Card	<u>MR-1 Monthly Reporting</u>
🔗 Document Model specification	<u>https://github.com/makerdao-ses/document-model-specs/tree/main/powerhouse/budget-statement</u>

Summary:

Problem Statement

Decentralized and open organizations such as MakerDAO are currently lacking proper project budgeting practices which would allow the organization to estimate work, cost and timelines; as well as the evaluation capacity after project implementation. This results in difficulty measuring the value derived from compensation, inhibits leveraging specialized contributor skills, and hinders efficient alignment with strategic objectives. It also prevents the organization from learning from past mistakes and continuously improving.

Proposed Solution

Project-Based Budgeting presents a structured approach to address these challenges by creating a system where all cost units (for example every hour of compensation) can be traced to specific project outcomes. It combines several practices comprising estimation (budgeting, forecasting, work breakdowns, ...) and reporting (payment transactions, expense reporting, and work progress reporting). The user experience of the combined process is sufficient to be adopted in a flat organization without strict management oversight.

Needs Analysis

List of Stakeholders:

RACI	Action Stakeholders	Implementation Stakeholders
Responsible *(Does the work to achieve the task)*	- Ecosystem Actors - Advisory Council Members	**Powerhouse** • Business Analysis • Connect + Fusion + Renown + Switchboard features • Data Collection (Off-chain) • Infrastructure? - ... - Coordinators
Accountable *(Has authority to approve or disapprove the result)*	- Scope Facilitators - Active MKR holders	
Consulted *(Possesses needed input to the task)*	- Auditors	- Auditors - Ecosystem Actors - Advisory Council Members
Informed *(Needs to be informed of the result)*		• Community ◦ AVC's ◦ AD's

Stakeholders Requirements:

Stakeholder	Requirement Description	Specific Tasks
Ecosystem Teams	Develop and manage project-based budgets, ensuring adherence to budgetary constraints and project objectives.	- Collaborate with Scope Facilitators/(coordinators) to create detailed project budgets. - Monitor budget performance throughout the project lifecycle. - Recommend corrective actions for budget variances when necessary.
Auditors	Provide financial analysis and forecasting support to facilitate informed budgetary decisions.	- Review financial reports and forecasts for budget planning. - Collaborate with Project Managers to analyze budget variances. - Recommend corrective actions based on analysis.
- Scope Facilitators - Ecosystem Actors - Active MKR holders	Define/approve scope and project budgets and allocate resources effectively.	- Define budgetary needs aligned with organizational goals. - Review and approve project-based budgets within scopes.
Powerhouse	Provide technological infrastructure and operational support for efficient budgeting.	- Maintain and update budgeting software and tools. - Collaborate with Ecosystem Teams and Scope Facilitators to ensure data security and integrity in budget-related activities
Ecosystem Teams	Ensure accurate reflection of personnel costs in project budgets.	- Provide salary and benefit cost information for inclusion in project budgets.
Community - AVCs, - ADs	Oversee alignment of project-based budgets with strategic goals.	- Provide guidance on budgetary decisions impacting the organization's strategic direction. - Ensure budgets align with the

- Active MKR holders	organization's mission and long-term vision.

Solution Specification

User Roles and Responsibilities

Process 1: Reporting on Actuals and Payments

UET - Ecosystem Teams

- Set the final date of the account snapshot
- Review the account snapshot for the given period of time
- Add line items to the expense reports until the total outflow number is reached
- Allocate the expenditures back to the projects/categories
- Tag the expense number with one of the three dimensions
  - wallet
  - project (group)
    - hierarchical (specific or unspecified)
      - Deliverables
  - Expense Category (granular or not)
    - headcount expense
    - compensation and benefits
      - skills domain

UOP - Operator

- Review incoming project expenses updates from the Ecosystem Teams
- Request corrections from the Ecosystem Teams
- Attest to the correctness of the received Project expense update

- Submit summarised information with the sensitive data hashed to Switchboard

UMS - MakerDAO Stakeholder

- Visit the Expenses Dashboard to gain high-level insights into the Project-based Budgeting Reports.

Process 2: Reporting flow for Monthly Budget and Forecast

💡 *Guiding question: How do you report on a budget and a forecast for a give set of dimensions (wallet, project, expense category)?*

Work progress for project:

- base cost + contingency buffer (customer, team, investor)
- collect the actual cost of the project (take all the number that are tagged with that project)

UET - Ecosystem Teams

- Compile the numbers tagged with a specifc project into an actual project cost.
- Monitor budget performance throughout the reporting period.
- Provide accurate data on work progress and actual project expenses.

UOP - Operator

- Receive and validate Monthly Budget and Forecast Reports submitted by the Ecosystem Teams.
- Request corrections from the Ecosystem Teams if discrepancies are identified.

- Attest to the correctness of the received Monthly Budget and Forecast Reports.

- Submit summarized information with sensitive data hashed to the Switchboard.

UMS- MakerDAO Stakeholder

- Utilize the Expenses Dashboard to monitor and analyze Project-based Budgeting Reports.

- Gain insights into overall project performance and financial metrics.

Process 3: Bring the Data together

> 💡 Finished work % vs spent budget %
>
> We want to see what the original budget was and what % was spent
> - want to see the work done

UET - Ecosystem Teams

- Provide salary and benefit cost information for inclusion in project budgets.

- Collaborate with other stakeholders to ensure accurate representation of project data.

-

UOP - Operator

- Receive and review consolidated data on work progress, budget spent, and other relevant metrics.

- Approve the data if everything is in order or request further clarification or corrections.

- Attest to the correctness of the project performance data.

UMS- MakerDAO Stakeholder

- Access and review consolidated data, past projects and their performance data.

- Analyze the impact of decisions on project outcomes and identify areas of improvement or lessons learned.

- Use historical data to inform future decision-making.

- Propose and implement changes to enhance future project budgeting and execution.

Use Case Scenarios (User Journeys)

Process 1

https://www.dropbox.com/scl/fi/m83auo7lgz5bvb0e73tct/PB-1-Project-Budgeting.bmpr?rlkey=8qrra6fnf3hid3aj7cial1lja&dl=0

UC-1: Contributor Team Administrator (CTA) Prepares and Submits the Budget Statement

- **UC0.0 On a daily basis MakerDAO bot submits an update to the next budget statement document, adding all the new on-chain transactions since last update.**

  - Example: expense reports until SEP are already submited. In the same folder there is an OCT expense reports draft and on a daily basis the MakerDAO bot submits any new on-chain transactions to the draft report.

    - Contributor team has their own drive with a budget statement folder etc...

- If the user opens the draft report its also possible to pull in the latest transactions by clicking a button in the editor toolbar.

- As long as the report is in the auto draft state the MakerDAO bot can submit new transactions.

- **UC1.1 Within Connect navigate to the budget statements folder and they open the latest draft report with all on-chain transactions added by the MakerDAO bot since the last budget statement.**

  - CTA inspects the document and notices that the two most recent transactions are missing.

  - CTA clicks on the "pull latest transactions" button to instruct the MakerDAO bot to update the document.

  - An icon in the "pull latest transactions" button indicates that the bot action is running. After a couple of seconds the icon switches to a checkmark and the latest transactions appear in the report. The numbers are automatically recalculated.

  - CTA clicks on the "start budget statement preparation" button and the document transitions from `auto draft` to `preparation` state.

  - The available options in the toolbar have now changed to reflect the `preparation` state operations.

  - MakerDAO bot is now unable to submit new updates to this document.

- **UC1.2 CTA selects the option to set the cut-off date time and chooses the desired date from the calendar.**

  - Any transactions after the cut-off date time will be removed (can be undone) from the document state.

  - The numbers are automatically recalculated.

- **UC1.3 Ability to add/modify/delete offchain transactions.**

- **UC1.4 CTA chooses to continue from either the onchain or offchain included number.**

  - The view switches to the expense reports tab.

- All wallets with net external inflow or outflow are automatically added to the expense report wallet list.

  - Total payments inflow and outflow numbers are set per wallet, currently uncategorized (in terms of budget/projects and expense category).

- **UC1.5 Add line items with payments and actuals numbers in terms of budgets and expense categories.**

  - The automatic line items (uncategorized inflow and outflow) are automatically adjusted keeping the total inflow and outflow payment number fixed.

  - The total actuals are calculated based only on the manually added line items.

  - The difference percentage/amount between actuals and payments is at all times visible so that the contributor/administrator can check the correctness of the two numbers.

- **UC1.6 Up to three dimensions (wallet, project, expense category) have been set by following the previous process.**

  - Wallet dimension is always set automatically.

  - CTA is expected to at least add the project dimension.

  - Depending on the deal with the contributor team the CTA may also be expected to set the expense category.

- **UC1.7 Clicks submits the budget statement.**

UC-2: Responsible Budget Manager (RBM) reviews budget statement updates

- **UC2.1** RBM receives notification in Connect that a new budget statement update has been submitted.

- **UC2.2** RBM clicks on the notification **or n**avigates to the Connect inbox and double clicks the incoming update.

- **UC2.3** RBM reviews the numbers in the budget statement submitted by the CTA.

- **(later) UC2.4 RBM c**ompares the budget statement transactions with any attached supporting documents.

UC-3: RBM requests corrections from CTA

- **UC3.1** RBM identifies any errors or discrepancies in the budget statement update.

- **UC3.2** RBM suggests corrections and sends a request for corrections to the CTA.

UC-4: CTA makes corrections and resubmits budget statement

- **UC4.1** Receive notification that the Operator has submitted corrections to review.

- **UC4.2** Navigate back to the project expenses updates section and open the relevant project budget update.

- UC4.3 Contributor Team resubmits updated project budget report to the Operator.

UC-5: RBM attests the correctness and submits finalized information

- **UC5.1** Receive the corrected project budget report from the Contributor Teams and verify that the corrections have been applied correctly.

- **UC5.2** Attest to the correctness of the updated project budget.

- **UC5.3** Generate a summary of the finalized project budget, ensuring any sensitive data is hashed or anonymized.

- **UC5.4** Sign and submit the project budget summary to Switchboard.

- **UC5.5** Check the dashboard to confirm that the changes have been correctly applied.

UC-6: Visiting the Expenses Dashboard

- **UC6.1** Navigate to the Expenses Dashboard.

- **UC6.2** Browse through the Project-based Budgeting Reports to gain insights.

Process 2 Reporting flow for Monthly Budget and Forecast

UC-1: Contributor Teams Initiate Monthly Budget and Forecast Report

- **UC1.1** Navigate to the reporting section on the platform.

- **UC1.2** Choose the relevant project for the report.

- **UC1.3** Define the reporting period (start and end dates) for the Monthly Budget and Forecast Report.

- **UC1.4** Input the base cost and contingency buffer for the project.

- **UC1.5** Collect actual costs by aggregating all expenses tagged with the project during the reporting period.

- **UC1.6** Attach supporting documents such as invoices, receipts, or any additional information.

- **UC1.7** Clicks submit Monthly Budget and Forecast Report.

UC-2: Operator Reviews the Monthly Budget and Forecast Report

- **UC2.1** Receive a notification that a Monthly Budget and Forecast Report has been submitted..

- **UC2.2** Review the report, focusing on the budgeted amount, actual expenses, and any explanations provided.

- **UC2.3** Approve the report if everything is in order, or request further clarification or corrections if needed.n.

- **UC2.4** Once satisfied, attest to the correctness of the Monthly Budget and Forecast Report.

- **UC2.5** Sign and submit the project budget summary to Switchboard.

- **UC2.6** Check the dashboard to confirm that the changes have been correctly applied.

Process 3 Bring the Data together

UC-1: Maker Stakeholders Analyzing Work Progress and Spent Budget

- **UC1.1** Access the platform's reporting section.

- **UC1.2** Choose the project for analysis.

- **UC1.3** Review work progress, spent budget, and deviations.

- **UC1.4** View the original budget and the percentage that has been spent.

- **UC1.5** Examine the work done and compare it with the original budget.

- **UC1.6** Identify any significant variances or deviations.

- **UC1.7** Identify areas of improvement or lessons learned.

- **UC1.8** Propose and implement changes to enhance future project budgeting and execution.

- **UC1.9** Share insights with the broader organization for collective learning.