**Cost Management Plan**

**COVID-19 Contact Tracing System**

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**Project Management**

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**Table of Contents**

[Introduction 3](#_Toc332205544)

[Cost Management Approach 3](#_Toc332205545)

[Measuring Project Costs 4](#_Toc332205546)

[Reporting Format 6](#_Toc332205547)

[Cost Variance Response Process 6](#_Toc332205548)

[Cost Change Control Process 6](#_Toc332205549)

[Project Budget 6](#_Toc332205550)

# Introduction

The Project Manager will be responsible for managing and reporting on the project’s cost throughout the duration of the project. During the monthly project status meeting, the Project Manager will meet with management to present and review the project’s cost performance for the preceding month. Performance will be measured using earned value. The Project Manager is responsible for accounting for cost deviations and presenting the Project Sponsor with options for getting the project back on budget. The Project Sponsor has the authority to make changes to the project to bring it back within budget.

# Cost Management Approach

Costs for this project will be managed at the fourth level of the Work Breakdown Structure (WBS). Control Accounts (CA) will be created at this level to track costs. Earned Value calculations for the CA’s will measure and manage the financial performance of the project. Although activity cost estimates are detailed in the work packages, the level of accuracy for cost management is at the fourth level of the WBS. Credit for work will be assigned at the work package level. Work started on work packages will grant that work package with 50% credit; whereas, the remaining 50% is credited upon completion of all work defined in that work package. Costs may be rounded to the nearest dollar and work hours rounded to the nearest whole hour.

Cost variances of +/- 0.1 in the cost and schedule performance indexes will change the status of the cost to cautionary; as such, those values will be changed to yellow in the project status reports. Cost variances of +/- 0.2 in the cost and schedule performance indexes will change the status of the cost to an alert stage; as such, those values will be changed to red in the project status reports. This will require corrective action from the Project Manager in order to bring the cost and/or schedule performance indexes below the alert level. Corrective actions will require a project change request and be must approved by the Project Sponsor before it can become within the scope of the project.

# Measuring Project Costs

Performance of the project will be measured using Earned Value Management. The following four Earned Value metrics will be used to measure to projects cost performance:

* Schedule Variance (SV)
* Cost Variance (CV)
* Schedule Performance Index (SPI)
* Cost Performance Index (CPI)

If the Schedule Performance Index or Cost Performance Index has a variance of between 0.1 and 0.2 the Project Manager must report the reason for the exception. If the SPI or CPI has a variance of greater than 0.2 the Project Manager must report the reason for the exception and provide management a detailed corrective plan to bring the projects performance back to acceptable levels.

|  |  |  |
| --- | --- | --- |
| **Performance Measure** | **Yellow** | **Red** |
| Schedule Performance Index (SPI) | Between 0.9 and 0.8 or Between 1.1 and 1.2 | Less Than 0.8 or Greater than 1.2 |
| Cost Performance Index (CPI) | Between 0.9 and 0.8 or Between 1.1 and 1.2 | Less Than 0.8 or Greater than 1.2 |

# Cost Variance Response Process

The Control Thresholds for this project is a CPI or SPI of less than 0.8 or greater than 1.2. If the project reaches one of these Control Thresholds a Cost Variance Corrective Action Plan is required. The Project Manager will present the Project Sponsor with options for corrective actions within five business days from when the cost variance is first reported. Within three business days from when the Project Sponsor selects a corrective action option, the Project Manager will present the Project Sponsor with a formal Cost Variance Corrective Action Plan. The Cost Variance Corrective Action Plan will detail the actions necessary to bring the project back within budget and the means by which the effectiveness of the actions in the plan will be measured. Upon acceptance of the Cost Variance Corrective Action Plan it will become a part of the project plan and the project will be updated to reflect the corrective actions.

# Cost Change Control Process

The cost change control process will follow the established project change request process. Approvals for project budget/cost changes must be approved by the project sponsor.

**Sponsor Acceptance**

Approved by the Project Sponsor:

Date: October 1, 2020

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