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Tips from the experts: J. LeRoy Ward (Part 2)

Recently I spoke to J. LeRoy Ward, PMP, PgMP, Executive Vice President, Product Strategy & Management, at [ESI International](#) about his top tips for project managers handling project finances. You can read the first part of my interview with him [here](#). This is the final chunk, and J. LeRoy Ward explains how to start off with handling project finances if you are new to it, and also gives some tips for handling budgets on international projects.



If you are new to handling project finances what are the pitfalls you should be looking out for?

One pitfall is not knowing what your 'burn rate' is. The burn rate can be defined as the amount of cash you are spending (or burning through, thus the name) on a daily, weekly, or monthly basis based on personnel and materials. When you know your burn rate, you can look out into the future, calculate the time periods left, multiply that by your burn rate and come within a reasonable estimate of what you are going to be spending.

The second pitfall is not getting weekly information about expenditures. You need to see this weekly 'spend' report if possible. While your organization may not support project budgeting because the project is being supported by the organization's monthly accounting system, you need to create your own 'set of books' to keep track of things.

The third and final point I'll mention is to the ability to 'authorize' spending. Don't let just anyone have the authority because it is best when you give the final OK to incur costs if it is feasible to do so (especially if they're external costs such as contractors). My old boss would tell me, "LeRoy, you are the only one to sign the checks. Don't let anyone else do that. This way, you actually see 'what's going out the door'."

That's really important. I think there are some project managers who are expected to manage project finances but don't have the ability to sign checks (or cheques, as we would write over here). That must make doing the financial reporting really difficult. Do you have any other advice for project managers starting a project and getting the finances in order?

Meet with your organization's financial and accounting folks before getting started. Make sure you understand how the organization's accounting and P&L (profit and loss) statements work and how your project funding and spending get reported in the 'system.' Lay down the ground rules at the beginning of the project as to who needs to authorize spending and how financial reporting will be done. Also, if you're working across funding departments in your organization, like I do, there will be 'internal' transfers of funds. A lot of money gets 'lost' in these internal transfers so it's wise to keep a close eye on these.

Oftentimes, such transfers don't happen right away but can be posted two or three months after the spending has been done. Remember, you don't need to be a CPA or Chartered Accountant to be good at the project financials; however, you do need a fundamental understanding of how your organization accounts for project spending so that, when all is said and done and the auditors are seated across the table from you, you will be able to answer all their questions.

That's great advice if you are just starting out. What about people who are further on in their careers and who are facing the challenges of handling budgets on international projects? What are the biggest things to be aware of?

Control is the main concern. As a project manager you need to know who is spending on what part of the project regardless of where in the world that money is being spent. Keep track of things weekly if possible and conduct project financial reviews often. Make sure that you are the one to approve all spending; if that's not possible, make sure that you approve spending above a certain amount. Also, make sure no other project is using your project account for their activities.

It is critical that when you receive a report of funds spent from around the world, you are clear about what currency should be used for the reports and how the currency conversion rates, if any, should be determined. I have seen project managers receiving reports citing four different currencies, but because the currency was not stated on the report itself things got confusing. Of course, the greater the difference in currency exchange rates between your project budget currency and another currency, you easily can see the discrepancy, but when the currency exchange rate is close, it's not so easy to tell. For example, if my project funding is in U.S. dollars but I'm receiving reports in Indian rupees, the difference is great enough that I'll notice something odd on the report. On the other hand, if my project funding is in Euros and I receive a report in Sterling (Great Britain Pounds) I may not notice it right away because the difference between one pound and one euro is not that great.

Hmm, the difference between sterling and the euro may fluctuate substantially in the months to come, but I see what you mean – the difference is certainly not as big as between denominations of other currencies. Thanks very much for your time and insights!

More on my interviewee:

J. LeRoy Ward, PMP, PgMP, Executive Vice President, Product Strategy & Management, [ESI International](#), brings more than 30 years of expertise in project and program management to the refinement of ESI's portfolio of learning programs. He works closely with ESI clients worldwide to guide the assessment, implementation and reinforcement of knowledge and skills that allow for the effective measurement and successful adoption of learning program objectives.

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"Too bad all the people who know how to run the country are busy driving taxis and cutting hair."

- George Burns

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