



## development of IT costs chargeback process

A large (\$4B+) insurance company was refining its charge back scheme for IT services to the business. The purpose of the charge back was to recover direct and indirect IT costs.

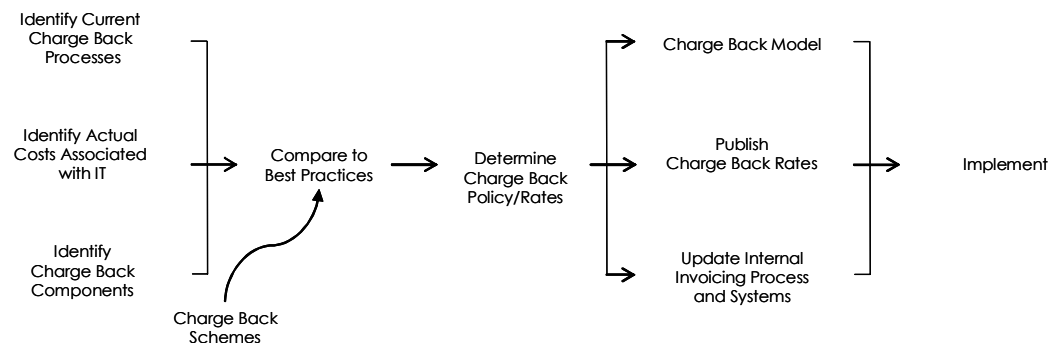
Indirect IT costs included:

- IT Management Costs
- Shared Hardware costs (mainframe, midrange, server, telecommunications)
- Shared IT Support
- Internal Development and R&D

Direct IT costs included:

- Development costs assigned to specific organizations
- Hardware costs assigned to specific organizations
- Support costs associated with organization specific software and technology

**vision** Goals of the project were to: determine a blended rate for direct services that covered all indirect cost; and develop a process for managing and updating the chargeback process. TCA used the following model to provide the services.



### Objectives

- ✓ Create a more accurate charge back system
- ✓ Create a net-zero IT organization
- ✓ Get business buy-in on new rate and charge back schemes

### Deliverables

- ✓ Updatable, flexible model
- ✓ Rates for direct charges including
  - ❑ Development Labor
  - ❑ Support Labor
  - ❑ Hardware Usage
- ✓ Provide briefing materials for business on new rates and charge back schemes

# Technology Consulting Associates

experience

Initially, TCA reviewed the internal invoicing system and charge back schemes used. Next, leading practices in charge back schemes across the industry were reviewed. Then, actual IT costs were determined from historical information and trends. Finally, analysis was performed to determine the best approach to allocating costs.

## results

The Project deliverables included:

- New, fair charge back schemes
- Flexible model to change rates and IT changes
- Complete documentation
- User training material
  - Rates
  - Future Planning and Changes

## value

Both the business and IT department reaped the benefits of the project. The following results were achieved:

- Businesses understood the charge back schemes and were able to accurately budget for them in the future
- IT now possessed an on-going model to update rates and develop communication material
- A complete recovery of IT costs (a net zero-based IT organization) was achieved