



## internal cost allocation model

A large (\$4B+) insurance company was in the process of 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:

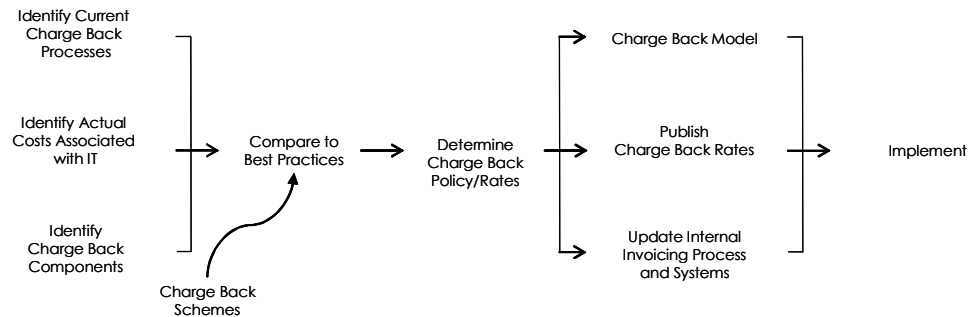
- IT Management Costs
- Shared Hardware costs (mainframe, midrange, server, telecommunication)
- Shared IT Support
- Internal Development and R&D

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

The goal of the project was to determine a blended rate for direct services that covered all indirect costs. 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

Initially, TCA analyzed the charge back scheme in place and the internal invoicing system. Next, leading practices for charge back utilized across the industry were reviewed. Then, actual IT costs were determined by analyzing historical information and trends. Finally, with the results of this analysis in hand, recommendations were made to determine the best approach to recover costs.

# Technology Consulting Associates

experience

## results

The following were delivered:

- 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 departments reaped the benefits of the project. The following results were achieved:

- Business understood the charge back schemes and were able to accurately budget for them in the future
- IT had 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.