

WHAT VALUE DOES YOUR IT ORGANIZATION BRING?

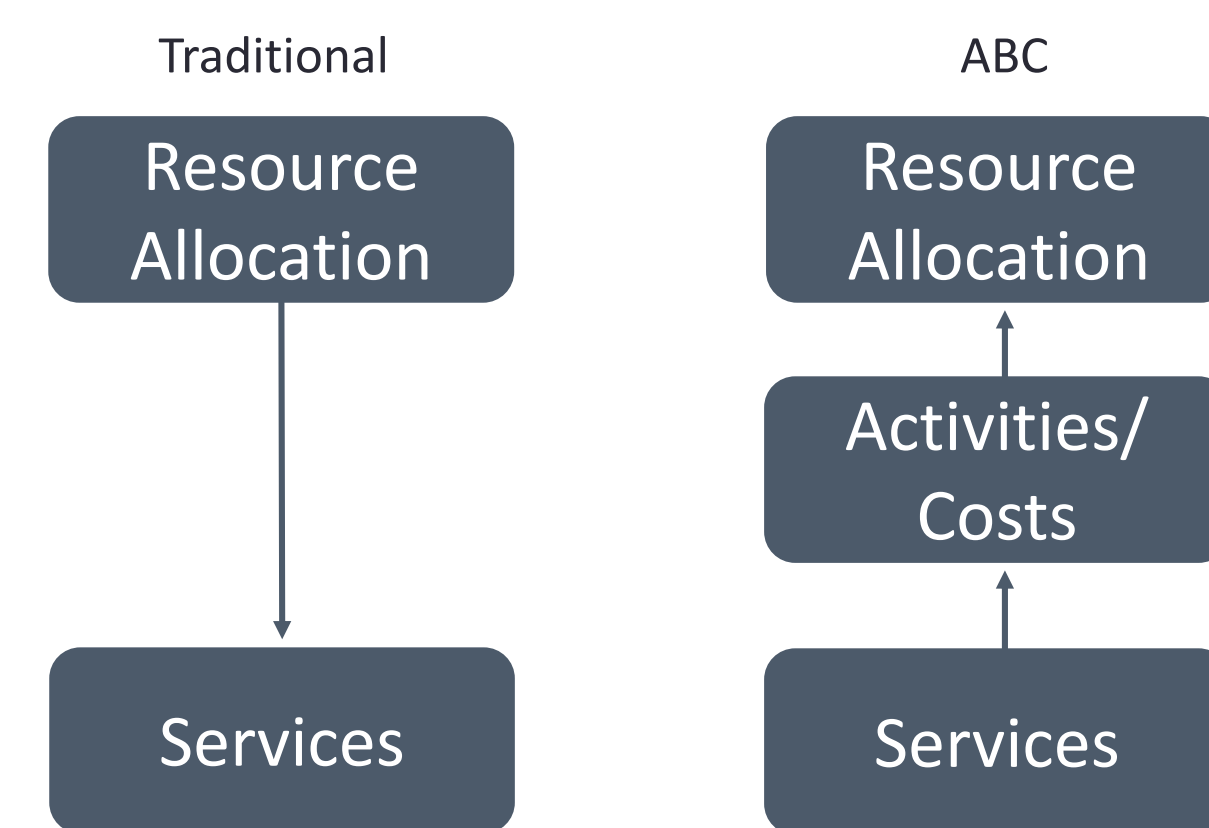
Explore How Activity-Based Costing (ABC) Can Help Your Strategic Planning and Annual Budgeting

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INTRODUCTION

Activity-Based Costing (ABC) is a costing model that manages costs or expenses by identifying activities used to support services. The costs of associated activities are assigned to all services, including indirect costs, in order to identify actual value of the services.

TRADITIONAL
VS.
ABC



EVALUATING THE INVESTMENT

Identify benefits and drawbacks for your IT department to determine if ABC is right for you.

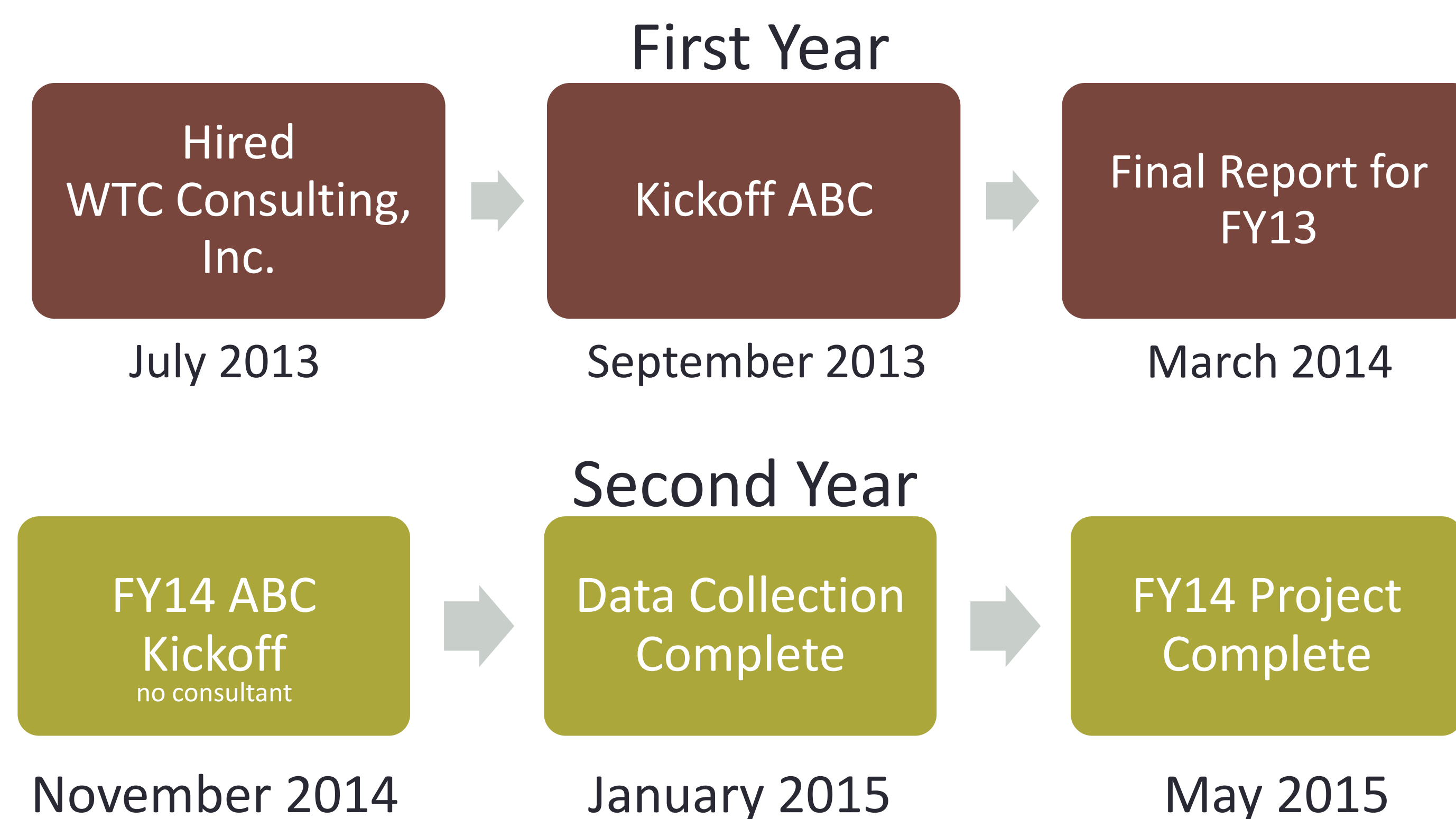
Benefits

- Gain understanding of true cost required to support each product and service
- Increase efficiency by identifying and shifting cost at a per service level basis
- Improve responsiveness to the questions of value – with detailed information
- Better pricing for chargeback models

Deterrents

- Time-consuming
- Complicated
- 1 + 2 above = Expensive, requires additional FTE to maintain, accountants
- Lack of industry benchmarks

PRELIMINARY WORK



IMPLEMENTING THE MODEL



Number	Line of Business	FTE Cost	Non Labor Costs	Total Cost
1	BPI (Delivered to Customer)	\$230,915	\$0	\$230,915
2	Collaboration tools	\$16,570	\$38,523	\$55,093
3	Compliance	\$161,798	\$15,532	\$177,331
4	Database Customer Services (Consulting)	\$139,079	\$0	\$139,079
5	Customer Training	\$75,449	\$6,851	\$82,300
6	Data Visualization	\$7,788	\$0	\$7,788
7	Centralized Desktop Support	\$1,292,842	\$36,845	\$1,329,686
8	Enterprise System Support	\$2,327,804	\$579,716	\$2,907,520
9	Enterprise System Research Administration	\$1,046,702	\$689,338	\$1,736,040
10	Enterprise System Finance Applications	\$1,366,780	\$1,199,914	\$2,566,694
11	Enterprise System HR Applications	\$2,622,589	\$1,037,756	\$3,660,345
12	Enterprise System Student Applications	\$2,062,091	\$1,499,917	\$3,562,007
13	Enterprise System Capital Programs	\$626,324	\$53,778	\$680,103
14	Enterprise System Mobile Applications	\$246,583	\$17,323	\$263,906
15	Identity and Access Management	\$1,211,572	\$1,899,671	\$3,111,243
16	Mobile Applications (Consulting)	\$75,305	\$0	\$75,305
17	Reports and Data	\$2,545,799	\$673,641	\$3,219,440
18	Records and Information Management System	\$272,989	\$0	\$272,989
19	Security (Consulting)	\$77,661	\$0	\$77,661
20	Enterprise Class Storage/Backup Services	\$244,595	\$118,189	\$362,784
21	Server Support Services (Maint & Consulting)	\$91,031	\$113,182	\$204,213
22	Workflow Development (Consulting)	\$150,182	\$0	\$150,182
23	Application System Support	\$898,993	\$0	\$898,993
24	Security Provisioning	\$289,433	\$0	\$289,433
25	Data Center Management / Co Location Services	\$148,094	\$15,532	\$163,627
26	UI Ready (Kuali)	\$30,918	\$101,641	\$132,559
27	Video Bridge Conferencing (Consulting)	\$108,291	\$104,646	\$212,937
28	Web Services (Consulting)	\$0	\$0	\$0
29	Projects and Portfolio Management (Consulting)	\$129,757	\$0	\$129,757
30	Web Services Infrastructure	\$144,616	\$0	\$144,616
31	Enterprise Integrations	\$201,068	\$0	\$201,068
	TOTAL	\$18,843,618	\$8,201,995	\$27,045,613

Informed Decisions

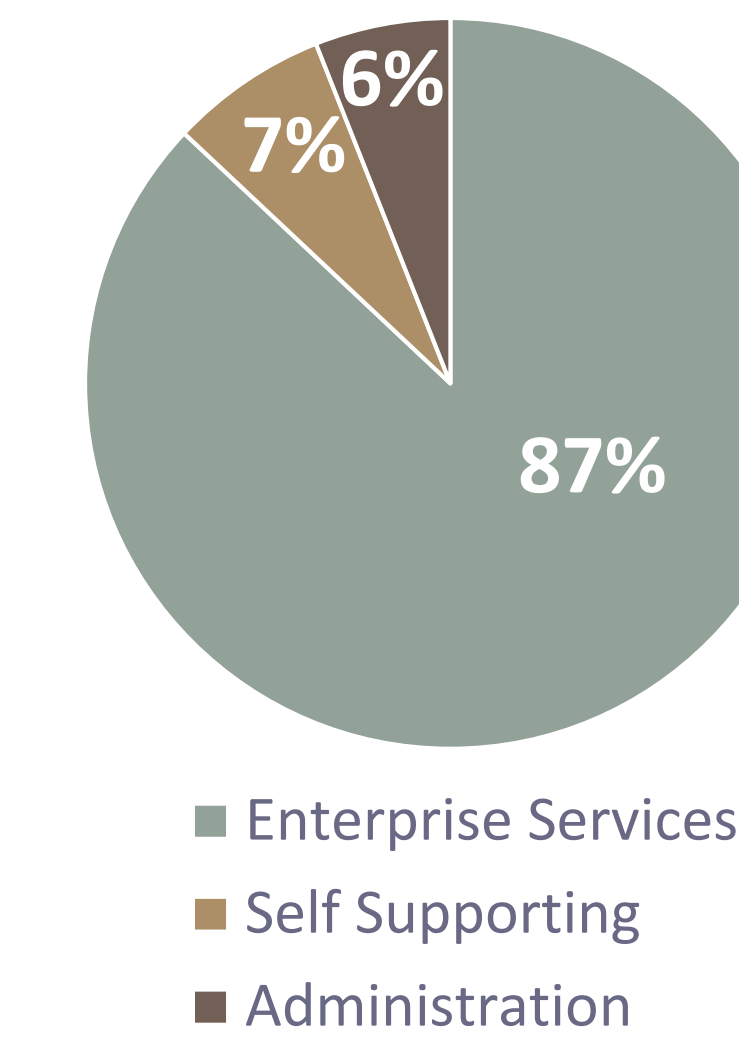
Improved Analysis

REALIZED BENEFITS

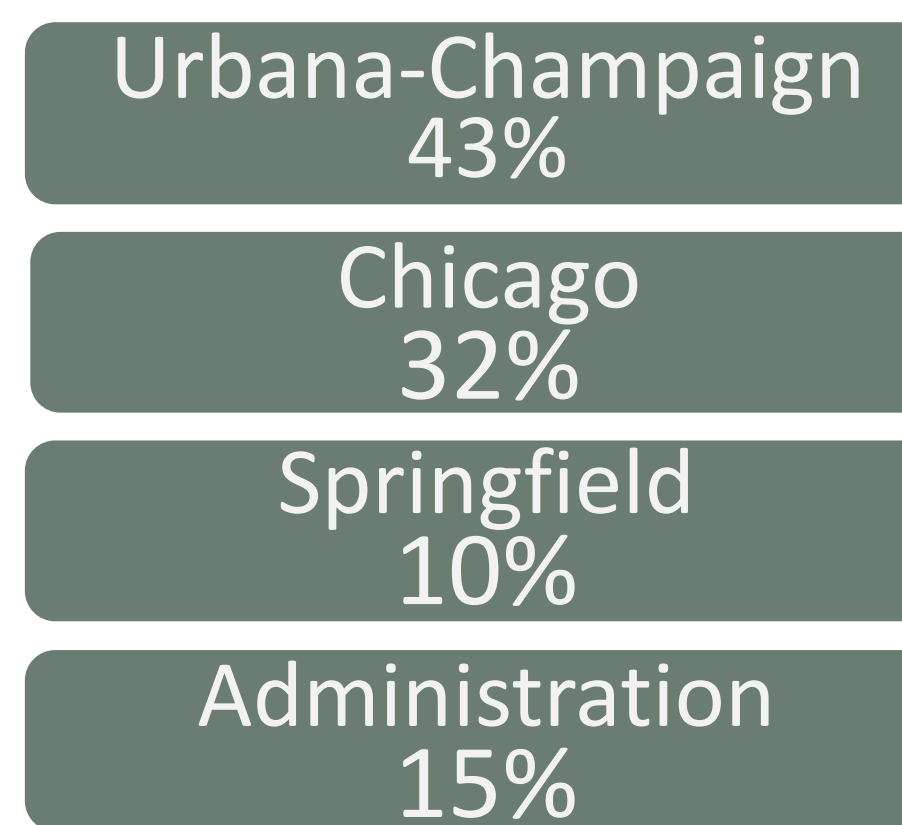
Before	After
➤ Cost of doing business allocated at the hardware/software/FTE level	✓ Cost allocated by the customer perceived service level
➤ Indirect costs are unknown	✓ Indirect costs are allocated accurately to products and services
➤ Budget requests based on incremental funding model	✓ Align budget and portfolio planning with a focus on growth or reduction in target areas
➤ Details of resource requirements cannot be communicated to customer	✓ Customer gains understanding of true costs for services = creates transparency
➤ Pricing for services based on FTE	✓ Pricing model includes fully loaded costs: <ul style="list-style-type: none"> Direct costs: hardware, software, maintenance, FTE Indirect costs: procurement, rent, support

VALUABLE OUTCOMES

Services as % of Budget



Customer Resource Utilization



Cost Per Transaction

Activity	FY14 Activity Expense	Percent for Service	Cost Allocation
Accessibility Technology	\$144,178	4%	\$6,155
Application Environment Support	\$38,187	3%	\$1,330
Backup Services for Servers	\$72,860	6%	\$4,640
Business Continuity	\$59,994	3%	\$1,772
Change Management	\$99,695	17%	\$16,520
Communications Space Management	\$11,953	10%	\$1,191
Configuration Management	\$51,057	39%	\$19,880
Data Center Management	\$130,906	1%	\$719
Data Center Network	\$19,651	17%	\$3,307
Data Modeling and Data Analysis	\$205,518	5%	\$9,873
Database Management Services (DBMS) - Oracle	\$567,483	28%	\$160,227
Disaster Recovery	\$21,539	7%	\$1,494
Disaster Recovery Planning	\$27,734	3%	\$815
Enterprise Application Development for Capital	\$256,905	16%	\$40,459
Enterprise Application Development for Student System	\$8,732	36%	\$3,168
Enterprise Application Support for HR/Payroll	\$1,230,940	5%	\$63,181
Enterprise Application Support for Student Financial Aid	\$159,699	100%	\$159,699
Enterprise Application Support for Student System	\$857,007	76%	\$650,468
Enterprise Application Support for Xtender	\$111,037	66%	\$73,166
Enterprise Storage Services	\$169,428	6%	\$10,119
Equipment Decommissioning	\$41,954	3%	\$1,330
Facilities Management	\$37,927	2%	\$638
Help Desk - Tier 1	\$319,400	33%	\$106,398
Help Desk - Tiers 2 and 3	\$267,193	8%	\$20,214
Identity and Access Management	\$698,885	0%	\$2,168
Indirect - General Professional Development	\$395,738	4%	\$14,883
Indirect - Office and Administrative	\$252,571	1%	\$3,633
38 Others.....			\$395,250
	Direct FTE Cost		\$1,772,693
	Indirect FTE and Non FTE Cost		\$1,789,314
	Total Service Cost		\$3,562,007
	Unit of Measure	Registered Students	
	Activity Level	178,881	
	Unit Cost		\$ 19.91

IT SERVICE PORTFOLIO REDEFINED

By Function for Faculty, Staff and Students (General and Administrative Services)	By IT Function (General and Administrative Computing; Co-investments and Shared Initiatives)
Student Services Financial Aid Processing Registration and Records Recruiting and Admissions HR Services Benefits Payroll Recruiting and Hiring Financial Services Accounts Payable Accounts Receivable Contract Management eProcurement General Ledger Management Inventory Accounting Travel Expense Reimbursement Research Services Research Administration Management	Application Services Application Administration Application Development Application and Website Testing Data Visualization Distributed Hosting Document Management Enterprise Application Integration Enterprise Data Warehouse Enterprise Batch Scheduling Service Desk Management Web Content Management System Network and Desktop Services Backup Management Collocation Services Desktop Support Storage Management System Monitoring, Alerting and Availability