**IT Charging Policy Template**

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**IT Charging Policy**

**<Project Name>**

**Company Name**

**Street Address**

**City, State Zip Code**

**Date**

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# Purpose

The purpose of the charging policy is to specify how charges will be calculated for a provided service and how those charges will be recovered. This information may consist of what constitutes legitimate and acceptable charges and what is not acceptable. The charging policy may include descriptions of roles and responsibilities, what are acceptable direct or indirect charges, cost allocation descriptions or guidelines, and unacceptable or prohibited charging practices. Information Technology (IT) costs may be directly charged by the service provider to its customer or the service provider may be treated as a cost center by the customer. In either case, it is important for the service provider to understand the costs and charging for the services it is providing.

The purpose of this policy is to define how Information Technology (IT) service charges are determined and how these charges will be managed and recovered between XYZ Corp. and its clients. This policy provides the foundation for fair and responsible allocation of customer funds to provide IT services which are included under the approved Statement of Work (SOW).

As a leader in IT services and support, XYZ Corp. prides itself on providing the best possible service to its customers while acting as a responsible steward of its customers’ resources. By clearly and fairly providing direct and indirect cost policy, XYZ Corp. ensures its clients that they receive the best value for their money. XYZ Corp. also provides its customers with what it considers inappropriate and unacceptable charging practices. This ensures our customers that their best interest is in our best interest.

# Direct Cost Charging Policy

This section should explain the organizational policy for charging direct billing costs. Direct costs are those which are attributable to a specific project. Whether they’re software, hardware, labor, or facility/organizational costs they must be only assigned to one specific project. Additionally, this section should explain how the charges will be determined. In many cases, the charging policy will not provide actual cost figures because of the potential for many different service offerings. However, the charging policy may refer to a SOW or a specific cost estimate which the customer has been provided.

Direct charges for all IT services provided by XYZ Corp. will be calculated in a fair and consistent manner in accordance with the services agreed to in the approved SOW between XYZ Corp. and its customer. All direct project costs will be calculated at the standard hourly rate for a service or at a standard unit price per product. Every effort will be made by XYZ Corp. to provide the customer with an accurate estimate for labor hours and material (hardware, software, and licensing) quantities as part of the proposal. While budgeting for direct costs will be based on these planned estimates, XYZ Corp.’s direct cost charging policy states that final direct cost charges will be based on actual labor hours and material quantities. XYZ Corp.’s billing department will work with the customer and project team to reconcile any discrepancies and provide justification for any labor hours or material quantities in excess of planned quantities.

Direct Costs consist of:

1. Local Area Network (LAN) Infrastructure design, building, testing, and hosting services
   1. Hardware requirements in accordance with SOW at standard unit cost
   2. Software and Security requirements in accordance with SOW at standard unit cost
   3. Software licensing costs
   4. Labor hours for engineering and testing
   5. Operational and maintenance costs associated with LAN hosting activities calculated per month based on bandwidth requirements
2. Enterprise electronic mail (Email) design, building, testing, and hosting services
   1. Hardware requirements in accordance with SOW at standard unit cost
   2. Software and Security requirements in accordance with SOW at standard unit cost
   3. Software licensing costs
   4. Labor hours for engineering and testing
   5. Operational and maintenance costs associated with Email hosting activities calculated per month based on bandwidth requirements
3. Data Storage and Backup services
   1. Hardware requirements in accordance with SOW at standard unit cost
   2. Software requirements in accordance with SOW at standard unit cost
   3. Software licensing costs
   4. Labor hours for engineering and testing
   5. Operational and Maintenance costs calculated per month based on capacity and usage
4. Help desk support operational and maintenance costs
   1. Hourly rates for staffing
   2. Hardware requirements in accordance with SOW at standard unit cost
   3. Software requirements in accordance with SOW at standard unit cost

All direct costs will be reviewed and approved by XYZ Corp. Vice President of Technology and Vice President of Contracting and Finance before submission to customers for review and approval.

# Indirect Cost Charging Policy

This section should explain the organizational policy for charging indirect costs. Indirect costs are those costs which may not be attributable to one specific project or may be a cost shared by several projects. Some organizations may not include indirect costs as part of their charging policy. Some organizations may list indirect costs in detail as separate line items in a proposal or cost estimate. Others may calculate indirect costs as a portion of percentage of the direct costs for a particular project. The charging methodology is dependent on where the work takes place, whose resources are being utilized, and formal discussions and agreements between the provider and customer.

A majority of the contracted IT support work performed by XYZ Corp. occurs at client sites using client furnished equipment and work space. As such, XYZ Corp. typically calculates indirect costs as a percentage of the direct costs for a given project or task order. Client site work is defined as at least 50% of the work performed for a given task or project being performed at the client’s facility.

Conversely, in a hosting or help desk operations and maintenance environment, work will occur primarily at XYZ Corp. facilities and indirect costs will be shared among various work efforts. These indirect costs will be estimated based on the planned/anticipated usage by the customer and will be itemized and provided in all cost estimates and proposals. These indirect costs may consist of utilities (telephone, electric, water, etc), leasing costs, property taxes, or other standard indirect costs. Periodic internal audits will be conducted as a quality assurance measure to ensure that indirect costs are fairly and properly proportional to customer usage and resource allocation.

All indirect direct costs will be reviewed and approved by XYZ Corp. Vice President of Technology and Vice President of Contracting and Finance before submission to customers for review and approval.

# Unacceptable Charging Practices

This section should include a description of charging practices the organization deems unacceptable. It is important to communicate this information to potential customers to ensure them that the organization will act as responsible stewards of any funding provided in support of a project or task.

XYZ Corp. considers the following charging practices inappropriate and unacceptable:

1. Charging any approved direct costs to a project/task other than the one intended
2. Shifting funding from one project to cover overruns on another project(s)
3. Increasing standard costs strictly with the intent to exhaust all funding prior to the end of the period of performance
4. Shifting resources between projects/tasks with the sole intent to exhaust remaining unspent funds
5. Attempting to recover costs prior to work being performed (with the exception of any approved deposits)
6. Directing funds to cover any standard administrative costs outside of the scope of work
7. Attempting to recover budgeted funding amounts as opposed to actual incurred costs

XYZ Corp. conducts periodic internal audits to ensure that none of these practices occur.

# Charge Recovery

This section describes the organizational policy for recovering the funds for the work performed on the project or task order. This may include timeframes associated with recovering costs, costs outside of the approved scope of work, or different methodology for recovering direct and indirect costs. This section may also include an explanation of the differences in recovering costs for a project vs. ongoing operational and maintenance costs.

It is the policy of XYZ Corp. to require disbursement of direct cost funds within 30 days of completion of any individual task in the approved SOW or task order. Completion of all deliverables will be approved by XYZ Corp. and its customer. Immediately upon receiving formal approval, the 30 day timeframe begins.

Indirect costs will be calculated based on customer usage and resource utilizations (see Indirect Cost Charging Policy above). An itemized list of indirect costs will be provided to the customer for review and approval. Disbursement of funds is required within 30 of approval for all indirect costs.

Operations and maintenance costs will be billed directly to the customer on a monthly basis. Billing will occur on the first of each month with payment required by the end of the month for the following month’s operations and maintenance work.

Sponsor Acceptance

Approved by the Project Sponsor:

Date:

<Project Sponsor>

<Project Sponsor Title>

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