Information Technology Cost Coding Resources

Office of Financial Management
Enterprise Information Technology Cost Model

Tracking information technology (IT) costs in Washington state’s official accounting system is required by statute and SAAM. Tracking of IT costs is facilitated through use of object, subobject, and project type (X and Y) coding.

This resource document provides guidance on how to determine the proper accounting classification of IT costs. It may not anticipate all IT coding questions. Please use professional judgment.

For purposes of capturing costs in AFRS, what is considered IT?

IT includes the electronic capture, collection, storage, manipulation, transmission, calculation, retrieval, and presentation of information. IT expenditures generally follow an IT employee in these functional areas of IT service delivery:

- Customer service (help desk, personal computer support, and portable device support);
- Infrastructure service (database administration, security, server and network administration, data center operations, and network communication services);
- Application service (packaged and custom application support);
- IT planning (research and development, strategic and disaster planning);
- IT administration (asset management, IT procurement, project management, and training); and
- IT application development projects.

IT costs are usually found in the following object codes:

- Object A - Salaries and Wages
- Object B - Employee Benefits
- Object C - Personal Service Contracts
- Object E - Goods and Services
- Object G - Travel
- Object J - Capital Outlays
- Object P - Debt Service

At this time, we are taking a narrow definition of IT costs. Therefore, agencies should not include general administrative costs (such as facilities, utilities, indirect administrative costs, non-IT supplies costs).
Objects A and B  

**SALARIES, WAGES, AND EMPLOYEE BENEFITS**

IT costs include salaries and wages and employee benefits for both IT and non-IT staff doing IT work. Non-IT staff includes those assigned permanently to an IT function, and those assigned to an IT special project for an extended period.

**Tips:**

- Unless required to maintain timesheets, agencies can provide an accounting estimate of the percentage of time spent on acquisition/new development projects or maintenance and operations activities. The estimated percentages should be reviewed periodically and changed if necessary.

- For non-IT staff, agencies may want to consider the following questions to determine if and how much staff costs should be attributed to IT:
  - What is the impact on the work unit of having non-IT resources assigned to an IT project?
  - How long will the project need the non-IT staff?
  - If the non-IT staff left the agency, would IT skills be a required skill set in the recruitment process?

Object C  

**PERSONAL SERVICE CONTRACTS**

IT costs include personal service contracts for development of new IT applications, ongoing consulting, and employee training.

Object E  

**GOODS AND SERVICES**

IT costs include items in the goods and services categories. Include software maintenance contracts, software that is not useful for more than one year, and training expenses such as those for new applications. Include costs such as tuition/fees, travel, per diem, and related materials for classes, seminars, conferences, and online courses.

Also considered IT are equipment repairs and maintenance, and rental/lease of IT equipment from external vendors.

For purposes of IT coding, include telecommunications costs related to data transmission (exclude costs related to voice transmission).
Object G  TRAVEL

IT costs include various travel expenses for IT and non-IT staff working in the functional areas of IT service delivery. (Refer to object codes A and B.)

Object J  CAPITAL OUTLAYS

IT costs include hardware and software purchased from outside vendors and, when ownership transfers, purchased from another state agency. Hardware and software that provide increased capacity or expanded functionality should be coded as an acquisition; replacement purchases are coded as maintenance and operations.

Capital outlays for software are coded to the following subobject codes: JB, Noncapitalized Software, and JQ, Software. Capital outlays for hardware are coded to JA Noncapitalized Assets, and JC Furnishings and Equipment. For definitions of subobject codes, refer to SAAM Subsection 75.70.20.

For guidance on capitalization of software as an intangible asset, refer to SAAM Section 30.20. Capitalized software costs include purchase costs, internal development costs, or a combination of both.

Tip: You should generally record as IT costs only those items where payment was made to an external entity. The only exception for a purchase from another agency occurs if the brokering agency does not record the purchase as an IT Cost. You should check with the brokering agency to verify how they recorded these items.

Object P  DEBT SERVICE

IT equipment can be purchased with existing resources, or the purchase can be financed through the issuance of debt. Certificates of participation (COPs) are frequently used to finance equipment purchases. Refer to SAAM Sections 85.60 and 85.72 for additional information on COP asset and debt policies.

Debt principal and interest related to the purchase of IT equipment should be coded as an IT cost as paid over the life of the debt issue.
What types of costs should be excluded from being coded as IT?

- Staff not working on IT functions or projects.
- Contracts not related to IT projects or ongoing IT related consulting.
- Interagency data processing service expenditures coded to subobject EL. Rationale: the central service billing agency codes their costs as IT; if the customer agencies code their payments for services as IT, there would be a double counting of the same costs.
- Telecommunication charges related to voice services coded to subobject EB. Rationale: the consensus of stakeholders was that these charges are not IT.
- Telephone, cell phone, smart phones, PDA, and similar kinds of portable end-user devices even if they have internet capabilities.
- Individual radio units, copiers, multi-function printing devices, faxes (unless they are material or “industrial” sized).
- Object N expenditures for grants, benefits, and client services.
- Objects S and T for interagency and intra-agency reimbursements.
- Object W for depreciation and amortization expenses. The IT cost is captured at the purchase and would be double counted if captured again as depreciation or amortization.
- General administrative costs such as facilities, utilities, indirect administrative costs, and non-IT supplies.

What types of IT costs should be coded as acquisition/new development?

New equipment acquired by an agency that increases capacity, such as personal computers for a new business unit, is considered an acquisition. An example of an application that could be either acquisition/new development or maintenance and operations is a re-platforming project.

- A simple re-platforming could be classified as a maintenance and operations project if the project is simply to enable the application to remain current with technology changes, and no significant change to the application’s functionality is added.

- Agencies sometimes find it advantageous to increase application functionality during the re-platforming process. In this instance, professional judgment is needed to determine how much of the project should be classified as new development.

What types of IT costs should be coded as maintenance and operations?

The maintenance and operations category includes costs associated with routine, ongoing IT work. It also includes replacement IT hardware, such as personal computers and servers which maintain current business capacity, which is generally being replaced on a routine replacement/refresh cycle.

Tip: Sometimes replacement equipment comes with increased functionality. If the business driver for the purchase was to replace existing base equipment, and if the enhanced functionality is not a material cost of the product, the equipment purchase should be coded as maintenance and operations.
Calculating statewide IT costs requires viewing the data several ways. Data gathered by object, subobject, and the project type codes will provide substantial detail, but must be adjusted to avoid duplication of central service agency costs charged to customer agencies.

Depending on how data is to be viewed, statewide IT can generally be calculated using the following guidance:

- Add AFRS Project Type X, to capture expenditures for acquisitions/new development,
- Add AFRS Project Type Y, to capture expenditures incurred for maintenance and operations,

Also note that:

- The calculation of statewide IT costs includes the following general ledger codes:
  - 6505 – accrued expenditures/expenses
  - 6510 – cash expenditures/expenses
  - 6560 – estimated accrued expenditures/expenses
- Equipment purchased with debt will be classified IT as debt service (principal and interest) is paid, not in the year of acquisition.

Data gathered by object, subobject, and project type codes will provide substantial detail on IT costs. Agency IT costs can generally be calculated by adding:

- AFRS Project Type X (all expenditures for acquisition/new development), and
- AFRS Project Type Y (all expenditures for maintenance and operations), and
- Interagency IT services which are coded to subobject EL (unless already captured through X and Y coding).
- Interagency IT goods or services which were coded to subobjects other than EL.
### Examples of IT expenditures coded as Acquisition/New Development or Maintenance and Operations

Refer to object and subobject code definitions at [http://www.ofm.wa.gov/policy/75.70.htm](http://www.ofm.wa.gov/policy/75.70.htm).

<table>
<thead>
<tr>
<th>SAAM Object</th>
<th>AFRS Project Type X: Acquisition/New Development</th>
<th>AFRS Project Type Y: Maintenance &amp; Operations</th>
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<tbody>
<tr>
<td>A – Salaries and Wages</td>
<td>A – Salaries and Wages - staff doing IT work to increase IT functionality and capacity by developing new applications, or installing purchased applications</td>
<td>A – Salaries and Wages - staff doing the routine, ongoing IT work related to maintenance and operations</td>
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<td>B – Employee Benefits</td>
<td>B – Employee Benefits - related to A above</td>
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| C – Personal Service Contracts | CA – Management and Organizational Services  
CD – Computer and Information Services  
CJ – Employee Training Services | CA – Management and Organizational Services  
CD – Computer and Information Services  
CJ – Employee Training Services |
| E – Goods and Services | EG – Employee Professional Development and Training  
EH – Rentals and Leases-Furnishings and Equipment - limited to IT leases during new project development  
ER – Other Purchased Services - minor contracts incurred during new development projects  
EY – Software Licenses and Maintenance (for software with a useful life<1 year) | EB – Communications and Telecommunications Services -limited to those costs related to data transmission, not voice services  
EE – Repairs, Alterations, and Maintenance – related to IT hardware  
EG – Employee Professional Development and Training  
EH – Rentals and Leases-Furnishings and Equipment - IT equipment leases from external vendors.  
ER – Other Purchased Services  
EY – Software Licenses and Maintenance (for software licenses, maintenance agreements) |
| G – Travel | G’s – Travel - related to new applications | G’s – Travel - related to maintenance and operations activities |
| Capital Outlays | CAPITAL OUTLAYS THAT EXPAND CAPACITY  
JA – Noncapitalized assets, such as hardware (cost <$5,000)  
JB – Noncapitalized Software (< $1m, useful life > 1 year)  
JC – Furnishings and Equipment, such as hardware (costing >$5,000)  
JQ – Software, associated with a new service implementation (> $1m) and upgrades that extend the useful life or expand functionality | REPLACEMENT CAPITAL OUTLAYS  
JA – Noncapitalized assets, such as hardware (cost <$5,000)  
JB – Noncapitalized Software, or upgrades to software (> $1m, useful life > 1 year)  
JC – Furnishings and Equipment, such as hardware (costing >$5,000)  
JQ – Software (> $1m) associated with routine ongoing IT work  
Note: SAAM Chapter 30 capitalization rules still apply |
| Object J – Capital Outlays, for capital outlays acquired with existing resources and | | |
| Object P – Debt Service, for capital outlays financed by debt | PD – Principal COP Lease/Purchase - for the financing of assets that expand capacity  
PE – Interest COP Lease/Purchase - for the financing of assets that expand capacity | PD – Principal COP Lease/Purchase - for the financing of replacement assets  
PE – Interest COP Lease/Purchase - for the financing of replacement assets |