

## ATTACHMENT 3

### COMMON ENTERPRISE INFORMATION TECHNOLOGY (IT) DEFINITIONS

MARCH 2010

This list of definitions is a supplement to the IT coding proposal. The proposal will be included in the *State Administrative & Accounting Manual (SAAM)* policy update to be effective July 1, 2010, and will require the use of the Project Coding structure in AFRS to identify IT expenditures. It will further break down IT expenditures by "Acquisitions/New Development" and by "Maintenance & Operations." OFM maintains the project type code table in AFRS and has established the following IT project codes:

X – used to indicate IT Acquisitions/New Development

Y – used to indicate IT Maintenance & Operations

**Note: These definitions are works in progress and will require your input to ensure they are accurate, necessary and easily understood. Please give them your careful consideration.**

**ACQUISITION/NEW DEVELOPMENT** - Acquisition or new development costs include purchases of IT goods and services, and also internal costs (salaries, benefits) associated with application development projects.

Classify as an acquisition/new development a purchase or project development that result in an inventoriable IT asset with a useful life over one year that either:

- Meets the capitalization limit in SAAM 30.20.20 or the inventorying limit in SAAM 30.40.10;
- or
- Extends the life or increases capacity of an existing asset; or
- Replaces all or enhances/upgrades part of an existing asset and costs 10% or more of what the cost would be to replace the entire asset

For IT staff working on both New Development and Maintenance & Operations, use estimated percentages in the payroll system to charge staff time to new application development and M&O. The percentages can be reviewed periodically, such as every six months or annually with an employee evaluation.

**APPLICATIONS** - An IT application is a software program (or group of programs) that assists users in performing tasks, including but not limited to the following: accessing information, conducting transactions, managing information, analyzing data, communicating, and providing a service. Examples include: Microsoft Excel, Microsoft Word.

**APPLICATION MANAGED SERVICES** - Support services provided to administer, maintain, or enhance a current system or application.

OR

Services offered by an IT service provider who manages and assumes responsibility for the application for the state agency.

**CONTRACTED SERVICES** - IT contracted services cover a range of professional or technical expertise provided by a consultant to accomplish a specific study, project, task, or other work statement. Contracts could be classified as personal services or purchased services, and include design, development, implementation/installation, feasibility studies, quality assurance contracts, testing and coding contracts, data entry, scanning and indexing, programming services and analysis.

**DATA PROCESSING SERVICES (INTERAGENCY)** - Payments made to a state agency for services that assist the agency in the electronic capture, collection, storage, manipulation, transmission, retrieval, presentation and distribution of information in the form of data, text or image.

**DATABASE** - A database is an organized collection of logically related data, collected, stored and managed in an information system. Example: AFRS Enterprise Reporting.

**HARDWARE** - IT Hardware is equipment that includes purchase, lease, upgrade, restoration, repair and maintenance payments to non-state providers for support of machines, devices, and transmission facilities used in information processing, such as servers, routers, personal computers, laptops, terminals, and other equipment used in IT services, such as modems, routers and other hardware used in telecommunications and videoconferencing.

**HARDWARE MAINTENANCE** - These costs include the normal upkeep, restoration, support and maintenance agreements, rentals and non-capital leases. (SAAM 75.70.20 partial definitions for subobjects EE and EH.)

**INFORMATION TECHNOLOGY** - Information Technology includes the electronic capture, collection, storage, manipulation, transmission, retrieval and presentation of information in the form of data, text, voice or image.

IT expenditures can be in almost all objects of expenditure such as salaries, benefits, personal services, travel, training, and capital outlay. For the purposes of reporting on IT, expenditures would *generally* follow an IT employee in the following functional areas of IT service delivery:

- Customer service (Help Desk, Personal Computer support, Portable Device support)
- Infrastructure service (Database Administration, Security, Server and Network Administration, DataCenter operations, Communication services (network, radio, telephone))
- Application service (Packaged and Custom Application support)
- IT Planning (Research & Development, Strategic and Disaster planning)
- IT Administration (Asset Management, IT Procurement, Project Management, Training)
- IT Application Development Projects, including interest on debt service

**Also considered an IT expenditure:**

- Payments to other state agencies for IT goods and services. Examples include payments in expenditure subobject EL, Data Processing Services (interagency), computer lease payments made to the Department of Information Services in subobject EH, and IT services purchased from other agencies in subobject ER.
- Non-IT staff costs when these staff are working a substantial portion of time on an IT development project.

**What is generally NOT considered an IT expenditure:**

- Telephone, cell phone, blackberry, PDA devices even if they have internet capabilities.
- Individual radio units, copiers, printers, faxes.
- Expenditure Object N for grants, benefits and client services.

**INFORMATION TECHNOLOGY (IT) INVESTMENT** - The expenditure of resources (money and or staff) to purchase, lease, upgrade, restore, repair and/or maintain information technology that has business value to the organization.

**MAINTENANCE & OPERATIONS** - Maintenance & Operations (M&O) includes IT staff salaries, benefits and other costs related to ongoing, routine IT work and not to new IT system development projects. Also classify as M&O purchases of non-inventoriable IT assets (the asset is IT, but falls below the capitalization or inventoriable limits).

**MAJOR IT PROJECT (RCW 43.105.190)** - Generally, those IT projects that require DIS or ISB approval under one or more of the following circumstances:

- The investment cost is more than the agency director's delegated authority.
- The acquisition process to be used is a technology assessment.
- The investment was rated (or is part of a project rated) oversight level 2 or 3 per the oversight matrix in the Information Technology Investment Standards.
- The investment is exempted from delegated authority, even if the investment is within the agency director's delegated authority.

**PERSONAL SERVICES** - Personal Services are professional or other technical expertise provided by a consultant to accomplish a specific study, project, task, or other work statement. (SAAM 75.70.20 definition for Object C.)

**PURCHASED SERVICES** - Purchased Services are contractual services provided to accomplish routine, continuing, and necessary functions such as data entry, scanning and indexing, programming services and analysis. (SAAM 75.70.20 partial definition for Subobject ER.)

**PROFESSIONAL DEVELOPMENT** - IT Professional Development includes non-payroll costs such as tuition/fees, travel, per diem and related materials for routine and technical classes, seminars, conferences, and online courses associated with developing, maintaining or improving the value of the IT employee to the state. This includes training provided by external vendors on new applications, and routing training and membership costs for the ongoing development of IT staff.

**SALARIES AND EMPLOYEE BENEFITS** - Total salaries and benefits for agency staff working in Information Technology on a routine basis (IT FTEs). Also includes salaries and benefits for non-IT staff assigned permanently to an IT function and for non-IT staff assigned for an extended temporary time to an IT special project (agencies should use discretion and only allocate "material" hours of non-IT staff). Includes costs for new system development, installations, training on new software and hardware, and ongoing routine IT services.

**SOFTWARE** - Software includes purchase, lease, upgrade, restoration, repair, licensing, maintenance and enhancement payments to non-state providers for, and in support of, the object code version of computer programs and any related documentation, and/or licenses for use of software products. Software also means the source code version, where provided by vendor. Software licensing (SAAM 75.70.20 definition for subobject EY) includes, but is not limited to, the right to use the software, support for the software, and upgrades.

Note: The SAAM Glossary already includes a definition for **INTERNALLY DEVELOPED COMPUTER SOFTWARE**: Software developed in-house by the state's personnel or by a third-party contractor on behalf of the state. Also includes commercially available software purchased or licensed by the state and modified using more than minimal incremental effort before being placed into operation.

This is important due to a July 1, 2009 effective date of new governmental accounting reporting requirements for capitalization of the costs for internally developed computer software. Costs (salaries, benefits, personal services, supplies, equipment, etc.) incurred in the “application development” stage are capitalized. Costs associated with the “preliminary” and “post-implementation/operation” stages are not capitalized. Refer to SAAM 30.20.10.b for details on the stages. Also refer to SAAM 30.20.20 for the \$1 million capitalization limit for intangible assets, which includes software. For more information, please contact OFM Statewide Accounting consultant Stefanie Niemela at 360-725-0228.

**STORAGE** - Computer data storage, often called storage or memory, refers to computer components, devices, and recording media that retain digital data used for computing for some interval of time. In contemporary usage, memory usually refers to semiconductor storage known as random-access memory (RAM) and sometimes other forms of fast but temporary storage. Similarly, storage today more commonly refers to mass storage -- optical discs, forms of magnetic storage like hard disk drives, and other types slower than RAM, but of a more permanent nature. In backward redundancy, memory and storage were respectively called main memory and secondary storage; internal memory and external memory are also common terms.

**SYSTEM** - An IT system includes the hardware, software, and documentation that support an IT service. A common categorization of IT systems include; 1) transaction processing, 2) information management, 3) decision support, 4) executive support, 5) infrastructure.

An information system is a special type of work system. A work system is a system in which humans and/or machines perform work using resources to produce specific products and/or services for customers. An information system is a work system whose activities are devoted to processing (capturing, transmitting, storing, retrieving, manipulating and displaying) information. Examples include: AFRS, TEMS.

**TELECOMMUNICATIONS** - IT Telecommunications costs are those monthly, routine costs associated with services supplied by non-state providers in the area of electronic transmission of messages. Telecommunication services include but are not limited to wire and wireless data lines; analog and digital signals; networks of transmitters, receivers, routers, switches; radio channeling; and computer networking including voice over internet protocol (VOIP).