



Accounting for Subscription Based IT Arrangement (SBITA) Implementation Costs

Effective July 1, 2022

Activities associated with a SBITA should be grouped into one of three stages and their costs should be accounted for accordingly, detailed in the table below. In classifying outlays into the appropriate stage, the nature of the activity should be the determining factor.

Training costs should be expensed as incurred regardless of the stage in which they're incurred.

STAGES	ACTIVITIES	ACCOUNTING
Preliminary Project Stage	<ul style="list-style-type: none"> • Conceptual formulation • Evaluation of alternatives • Determination of needed technology • Selection of vendor 	Expense as incurred
<i>Stage is complete when the above expenses are complete, and/or management implicitly or explicitly authorizes and commits to funding the contract (at least for the current fiscal year)</i>		
Initial Implementation Stage	<ul style="list-style-type: none"> • Configuration • Coding • Testing • Installation • Data conversion only if the asset cannot be used without the data conversion • All other ancillary charges necessary to place asset into service 	Capitalize in GL 2670 - Subscription-Based Information Technology (IT) Arrangement*
<i>Stage is complete when asset is placed into service</i>		
Operations and Additional Implementation Stage	<ul style="list-style-type: none"> • Maintenance • Troubleshooting • Additional implementation activities, such as adding on modules • Data conversion (Not necessary to place the subscription asset into service) 	Expense as incurred
	Modifications that result in either: <ul style="list-style-type: none"> • Increased functionality of the asset that provides the ability to perform additional tasks, or • Increased efficiency of the asset or level of service provided by the asset 	Capitalize as an addition to existing asset

*Accumulate costs in GL 2510 – Construction in Progress until the asset is placed into service.