



# 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
<b>Preliminary Project Stage</b>	<ul style="list-style-type: none"> <li>• Conceptual formulation</li> <li>• Evaluation of alternatives</li> <li>• Determination of needed technology</li> <li>• Selection of vendor</li> </ul>	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>		
<b>Initial Implementation Stage</b>	<ul style="list-style-type: none"> <li>• Configuration</li> <li>• Coding</li> <li>• Testing</li> <li>• Installation</li> <li>• Data conversion only if the asset cannot be used without the data conversion</li> <li>• All other ancillary charges necessary to place asset into service</li> </ul>	Capitalize in GL 2670 - Subscription-Based Information Technology (IT) Arrangement <sup>1</sup>
<i>Stage is complete when asset is placed into service</i>		
<b>Operations and Additional Implementation Stage</b>	<ul style="list-style-type: none"> <li>• Maintenance</li> <li>• Troubleshooting</li> <li>• Data conversion (Not necessary to place the subscription asset into service)</li> </ul>	Expense as incurred
	Modifications <sup>2</sup> that result in either: <ul style="list-style-type: none"> <li>• Increased functionality of the asset that provides the ability to perform additional tasks, or</li> <li>• Increased efficiency of the asset or level of service provided by the asset</li> </ul>	Capitalize as an addition to existing asset

<sup>1</sup>Accumulate costs in GL 2510 – Construction in Progress until the asset is placed into service.

<sup>2</sup>If the SBITA has more than one module and the modules are implemented at different times, then the asset is placed into service when the first module or first set of independent modules is implemented. Costs to implement additional modules that meet the modification criteria above should also be capitalized. Maintenance costs on modules already placed into service should be recorded as an expenditure/expense.