



NEXTGEN

MEMORANDUM

TO: NextGen Points of Contact (agency CFOs, HRDs)

FROM: Gerlda B. Hines, State Accounting Officer

RE: NextGen: New ERP Reporting Requirements

DATE: February 16, 2023

This document provides specific accounting and reporting guidance for activities relating to the new enterprise resource planning (ERP) software. This guidance is effective immediately and contains requirements to provide the State Accounting Office (SAO) certain accounting details, with the first due date of April 21, 2023.

BACKGROUND¹

One of the responsibilities assigned to SAO includes prescribing statewide accounting guidance and preparation of statewide reports, such as the Annual Comprehensive Financial Report (ACFR). The ACFR is prepared in accordance with requirements issued by the Governmental Accounting Standards Board (GASB).

Recently GASB issued Statement 96 – Subscription Based Information Technology Arrangements (SBITA). SAO has determined that activities relating to the new ERP system meet the definition of a SBITA, and therefore specific accounting and reporting is necessary.

¹ See Appendix A for additional details relating to the background and SBITA stages.

REQUIREMENTS

As the costs of new ERP activities have different accounting and reporting requirements, SAO has created the following methods to capture the necessary details. This information must be provided to SAO on a quarterly basis starting with the third quarter of the current fiscal year (see Appendix B for a listing of quarters and due dates).

Payroll Costs

All payroll costs for employees working on activities relating to the new ERP must be provided to SAO on, at minimum, a quarterly basis, via one of the following:

1. **Time and Labor system (T&L):** State organizations currently participating in SAO's T&L can use combination codes to capture the necessary information. The organization will need to create the following combination codes within their business unit to be added to the T&L system:

- i. 4XX-ERP-IMP (description of ERP – Implementation)
- ii. 4XX-ERP-OPS (description of ERP – Operations)
- iii. 4XX-ERP-TRN (description of ERP – Training)

See Appendix A and the Creating Combo Code Job Aid for more details on combination codes.

Employees should record new ERP hours to the appropriate stage using these combination codes on their respective timesheet². Managers then review and approve the employee timesheet, and SAO will pull the required information from T&L on a quarterly basis.

2. **SAO Excel time recording templates:** State organizations **not** participating in SAO's T&L or those that do not use combination codes in T&L can instead use SAO's Excel time recording templates.

- i. The employee would associate new ERP hours to the appropriate stage via the column in the time recording template (Individual timesheet new ERP hours.xlsx) for each pay period. The columns have similar stages as used in the combination codes above in Step 1.
- ii. Managers review and approve the employee's hours.
- iii. On a quarterly basis, the employee's time would be summarized on the template (Organization summary of new ERP hours and rate.xlsx) and emailed to SAO at SAO_Reporting@sao.ga.gov.

Contractors

State organizations also need to report costs of contractors performing new ERP-related activities to SAO.

- a. For contractors obtained via certain statewide contract vendors, the costs allocated to the applicable new ERP stage can be obtained from that vendor.
- b. If the costs are not available from the statewide contract vendor, the hours can be provided to SAO via the summary excel template discussed in Step 2 and emailed quarterly to SAO at SAO_Reporting@sao.ga.gov.

Other Costs

State organizations also need to report any non-payroll new ERP-related costs (such as contractor costs, fees relating to contract negotiations, etc.) to SAO by appropriate stage.

² For additional guidance relating to entering combination codes in T&L refer to <https://sao.georgia.gov/time-and-labor-streamlining>.

- a. TeamWorks: State organizations using the current ERP (TeamWorks) must record new ERP expenses in the respective SBITA accounts in the State Chart of Accounts.
 - i. SAO provided previous guidance for these accounts, and they are also listed in Appendix C.
- b. Non-TeamWorks: State organizations not using TeamWorks, can provide new ERP costs to SAO via the summary excel template discussed in Step 2, and emailed quarterly to SAO at SAO_Reporting@sao.ga.gov.

Appendix A – Background and Details of SBITA stages

Background

SAO's accounting and reporting guidance is designed to provide consistent context for accounting decisions and actions. Specifically, State organizations included in the State reporting entity are required to maintain their accounting records in a manner which will provide for preparation of statewide reports. Therefore, State organizations must account for financial transactions in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the GASB.

GASB issued Statement 96 – Subscription Based Information Technology Arrangements (SBITA) that provides guidance on the accounting and reporting for SBITAs for government end users. GASB Statement 96 requires activities associated with a SBITA to be grouped into certain stages and the accounting for costs of each stage varies. For ACFR reporting, certain SBITA costs will need to be removed from expense and instead be capitalized, which essentially recognizes the expense over a period of time. Based on GASB Statement 96 requirements, SAO has determined the following stages relating to key activities for the new ERP:

1. Preliminary project stage – costs are **expensed**
 - a. Conceptual formulation and evaluation of alternatives and determination of existence of needed technology.
 - b. Final selection of alternatives for the SBITA.
 - c. This stage ended January 31, 2023.
2. Initial Implementation stage – costs are **capitalized**
 - a. Design of the chosen path (such as configuration, coding, testing, and installation associated with the government's access to the underlying IT assets)
 - b. This stage was effective as of February 1, 2023.
3. Operation and Additional Implementation Stage – costs are **expensed**
 - a. Maintenance, troubleshooting, or other activities associated with ongoing access to the underlying IT assets.
 - b. Additional implementation activities, such as those related to additional modules, that occur after the subscription asset is placed into service.
 - c. However, additional outlays that are not a result of SBITA modifications but that result in either of the following should be **capitalized** as an addition to an existing subscription asset:
 - i. An increase in the functionality of the subscription asset; that is, the subscription asset allows the government to perform tasks that it could not previously perform with the subscription asset.
 - ii. An increase in the efficiency of the subscription asset; that is, an increase in the level of service provided by the subscription asset without the ability to perform additional tasks.
 - d. SAO will provide a future date as to when this stage is effective.
4. Training costs – costs are **expensed**
 - a. Costs associated for training are accounted for the same regardless of the stage in which they are incurred.
 - b. Includes all costs, including payroll costs, for those preparing, providing or attending training.
5. Data conversion – costs are generally **capitalized**
 - a. Initial implementation stage only to the extent that it is determined to be necessary to place the subscription asset into service—that is, in condition for use.
 - b. Otherwise, data conversion should be considered an activity of the operation and additional implementation stage.

Source: GASB 96 – Subscription Based Information Technology Arrangements (SBITA)
<https://www.gasb.org/page/PageContent?pagelid=/standards-guidance/pronouncements.html>

Appendix B – Listing of Fiscal Year Quarter and Due Dates

Fiscal Year Quarter	Months Included	Date to Provide to SAO
First	July, August, and September	October 21
Second	October, November, and December	January 21
Third	January, February, and March	April 21
Fourth	April, May, and June	July 21

Appendix C – Statewide Chart of Accounts for SBITA

Account	Account Name	Account Description
825000	<u>IT SOFTWARE BASED INFORMATION TECHNOLOGY AGREEMENTS (SBITA) GREATER THAN 12 MONTHS</u>	
825001	SBITA greater than 12 months	Covers costs for a SBITA (greater than 12 months including renewal options) vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. There are multiple types of arrangements available— cloud-based software, software as a service, infrastructure as a service and platform as a service.
825002	SBITA greater than 12 months - Initial Implementation	Initial Implementation stage for SBITA - Covers ancillary charges related to designing the chosen path, such as configuration, coding, testing, and installation associated with the government's access to the underlying IT assets. Other ancillary charges necessary to place the subscription asset into service also should be included in this stage. Data conversion activities can be capitalized if deemed necessary to place the asset into service.
825003	SBITA greater than 12 months - Operation & Additional Implementation - Software Maintenance & Support	Annual maintenance, troubleshooting, training, and other activities associated with the government's ongoing access to the underlying SBITA IT assets. May include additional implementation activities, such as those related to additional modules, that occur after the subscription asset is placed into service. Data conversion should be considered an activity of the initial implementation stage only to the extent that it is determined to be necessary to place the subscription asset into service—that is, in condition for use.
825004	SBITA greater than 12 months - Variable Payments - CPI	SBITA Variable payments that depend on an index or a rate, such as variable payments based on future performance of a government, usage of the underlying IT assets, or number of user seats.
825005	SBITA greater than 12 months - Variable Payments - USAGE	SBITA Variable payments other than those that depend on an index or a rate, such as variable payments based on future performance of a government, usage of the underlying IT assets, or number of user seats.
825006	SBITA - Preliminary	Activities in this stage include the conceptual formulation and evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives for the SBITA.

Source: <https://sao.georgia.gov/swar/reporting-structure-chart-accounts>