



Statewide Business Process Policy & Procedure

Business Process Reference:

Section: Debt and Related Items
Title: GSFIC Reimbursements for Bond Funded
Information Technology Projects

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Background:

The Official Code of Georgia Annotated (O.C.G.A.) provides the Georgia State Financing and Investment Commission (GSFIC) with the responsibility for the issuance of all public debt of the State, including debt resulting from the sale of general obligation bonds (G.O. bonds) and guaranteed revenue bonds. In addition, the Appropriations Act includes the legislative and gubernatorial intent as reflected in the language in the “tracking document,” and authorizes the issuance and purpose of bond proceeds. GSFIC is responsible for ensuring the proper use of these bond proceeds consistent with IRS regulations and SAO policies.

Business Policy Summary:

This policy is intended to provide guidance on the types of Information Technology (IT) project expenditures that are eligible to be reimbursed from G.O. bonds proceeds issued by GSFIC. In general, an outlay must be capitalizable to be reimbursed from G.O. bonds. For additional guidance relating to capitalization of intangible assets, including IT projects, refer to State Accounting Office’s (SAO’s) Accounting Policy – *Capital Assets-Internally Generated Computer Software*.

Not every type of capitalizable outlay as defined in SAO’s accounting policy referenced in the previous paragraph, will be approved for reimbursement. Generally, operational expenditures contained in IT projects are not eligible to be reimbursed from G.O. bond proceeds. This policy provides guidance for these outlays which are not reimbursable from G.O. bond proceeds.

Business Process Policy and Requirements:

IT projects, including internally generated computer software (IGCS), are largely classified as intangible assets because they often lack a physical substance and instead include the ownership or right to use. Intangible assets can be acquired through purchase, license, or internally generated.

In general, an outlay must be capitalizable to be reimbursed from G.O. bonds, but expenditures that are already funded by the Appropriations Act, such as administrative or overhead costs, would not be

reimbursable. Additionally, in all cases, the legislative intent of the scope of the IT project should be considered when determining if the expenditures are reimbursable from G.O. bond proceeds.

In order for IT projects expenditures relating to software to be eligible for reimbursement from G.O. bond proceeds, the Organization must either have ownership of the software or a long-term right to use the software. In addition, to be eligible for use of G.O. bond proceeds and to comply with working capital limitations, all expenditures must originate with a third party that is not another State Organization (*unrelated*). Specifically, computer software must either be purchased from an unrelated third party contractor or internally developed or modified with an *unrelated* third party contractor (on the state's behalf) in order to meet eligible use of G.O. bond proceeds.

Moreover, IT projects, including IGCS are usually performed in stages, and the stage of the IT project can impact the eligibility of reimbursement determination from G.O. bond proceeds. Therefore, IGCS expenditure must be monitored and categorized, based on the *nature* of the activities and not the timing while also considering if the task is necessary to make the software operational, into one of the following three stages:

- **Preliminary project stage – (*Non-Bond Eligible*):** activities include, but are not limited to, conceptual formulation and evaluation of alternatives, determination of existence of needed technology, and final selection of alternatives. These expenditures are not eligible for reimbursement from G.O. bond proceeds as they are not capital.
- **Application development stage – (*Bond Eligible*):** activities include, but are not limited to, design, coding, purchase of capitalizable hardware, installation to hardware, testing, and parallel processing. These expenditures are generally eligible for reimbursement from G.O. bond proceeds, as they qualify to be capital expenditures. However, data conversion should be categorized in the application development stage only to the extent it is necessary to make the computer software operational. Otherwise, data conversion should be categorized in to the post-implementation/operation stage.
- **Post-implementation/operation stage – (*Non-Bond Eligible*):** activities include, but are not limited to, application end user training and software maintenance, even if the timing of the outlay occurs while application development is still in progress. These expenditures are not eligible for reimbursement from G.O. bond proceeds as they are not capital.

Furthermore, there are certain expenditures that are not eligible for reimbursement from G.O. bond proceeds, as they are considered operational in nature and already funded in the Appropriations Act. Operational expenditures are items used in an organization's continuing, day-to-day business, such as personal services of employees or supplies and materials needed to operate an Organization or program.

Some examples of operational expenditures (*Non-Bond Eligible*) are as follows:

- Payments to a state Organization unless it can be documented that the payment is ultimately to an *unrelated* third party for IT project costs
- Employee salaries and other related expenses
- Maintenance agreements for equipment
- Lease payments
- Organization administrative or overhead charges
- Annual license agreements

- End User training costs
- Improvements made to leased assets
- Mainframe usage

Organization personnel are encouraged to consult with GSFIC personnel prior to the purchase or development stage of intangible assets to determine whether an expenditure would qualify for funding from G.O. bond proceeds. This will also help to ensure proper application and documentation of use of G.O. bond proceeds occurs.

Monitoring:

GSFIC is responsible for determining if payments made for IT projects are deemed eligible to be reimbursable from G.O. bond proceeds. The ultimate decision as to which payments are deemed reimbursable will be made by GSFIC on a case by case basis.

Authority:

- O.C.G.A. 50-5B-3 – Duties of the state accounting officer include:
 - Prescribing the manner disbursements shall be made by state government organizations;
 - Developing processes and systems to improve accountability and enhance efficiency for disbursement of funds and management of accounts payable.
- O.C.G.A. 50-5B-4 – Duties of the state agencies with respect to SAO.
- O.C.G.A. 50-17-22 – State Financing and Investment Commission
- GASB Statement 51 – Accounting and Financial Reporting for Intangible Assets
- SAO's Accounting Policy – *Intangibles - General*
- SAO's Accounting Policy – *Internally Generated Computer Software*
- SAO's Business Process Policy – *GSFIC Reimbursements for Bond Funded Construction Projects*

Applicability:

This business process applies to all Organizations included in the State of Georgia reporting entity. The term 'organization of state government' shall mean, without limitation, any agency, authority, department, institution, board, bureau, commission, committee, office, or instrumentality of the State of Georgia. Such term shall not include any entity of local government, including, but not limited to, a county, municipality, consolidated government, board of education, or local authority, or an instrumentality of any such entity. At these reporting organizations, all personnel with accounting and financial reporting responsibilities should be knowledgeable of this policy.