

**Forest Service Handbook  
National Headquarters - Washington Office  
Washington, DC**

**Forest Service Handbook 6509.19 – Asset Financial Management Handbook  
Chapter 30 - Internal Use Software**

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**Responsible Staff:**

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**Digest:** Following is an explanation of the changes throughout the directive by section.

**30:** Revises and updates entire chapter to set forth requirements for “Internal Use Software.”

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### **30.1 - Authority**

For related authorities, see FSM 6590.

### **30.2 - Objectives**

To provide accounting policy and procedures for internal use software, including determining and collecting the costs of acquiring, maintaining, and disposing of capitalized and accountable Internal Use Software (IUS) assets.

### **30.3 - Policy**

1. Capitalize costs that meet the criteria provided in section 33.1 in their appropriate general ledger accounts. Expense all other costs, including accountable software, in the period incurred.
2. Record all appropriate costs of IUS purchase or development in General Ledger (GL) account 1832, through the development phase. Upon completion of Internal Use Software development, the asset is reclassified from GL account 1832 to 1830 if the cost of the software met the capitalization threshold.
3. Review all capitalized IUS monthly to ensure expenditures are being captured and tracked within the Personal Property System (Work-In-Progress) during the Internal Use Software Development Phase.
4. Accurately classify all costs for accountable property (\$5,000 to \$99,999.99) related to IUS development to GL account 6100 (expense) and record in the Personal Property System as Accountable Property.

### **30.4 - Responsibility**

#### **30.41a - Deputy Chief for Business Operations**

The Deputy Chief for Business Operations is responsible for ensuring that a program is in place to manage the planning, acquisition, and disposal of all Internal Use Software assigned to the Forest Service. In addition, ensuring that the Agency adheres to the Federal and U.S. Department of Agriculture (USDA) authorities and regulations that govern the management of Internal Use Software.

#### **30.41b - Chief Financial Officer**

The Chief Financial Officer is responsible for:

1. Ensuring quality and integrity of the financial data in agency's core financial accounting system and its subsidiary and mixed financial systems.

2. Ensuring financial policy, accounting standards and internal review is in place in providing management direction and oversight for all aspects of the operations of the Accounting and Finance functions.
3. Ensuring accurate and timely reporting of IUS accounting on Agency financial statement.

#### **30.41c - Washington Office, Chief Information Officer (CIO)**

The Washington Office, Chief Information Officer is responsible for:

1. Providing information resources hardware, software, and technical support to the Forest Service.
2. Ensuring CIO acquires and releases all corporate computer hardware and software to support the Forest Service mission and programs.
3. Ensuring that proper and adequate costs are collected and reported during IUS acquisition and development.
4. Providing current information on IUS impairment and retirements.

#### **30.41d - Washington Office, Director of Acquisition Management**

The Washington Office, Director of Acquisition Management is responsible for:

1. Working closely with Albuquerque Service Center, Budget and Finance (ASC-B&F) to establish Internal Use Software master record in the Personal Property System.
2. Providing assistance in obtaining documentation required to support audit samples.

#### **30.41e - Albuquerque Service Center (ASC-B&F), Director of Budget and Finance**

The Albuquerque Service Center (ASC-B&F), Director of Budget and Finance is responsible for:

1. Evaluating ASC-B&F financial control systems for administrative, program, and operational activities to provide reasonable assurance that IUS obligations and cost are in compliance with applicable laws.
2. Planning and directing all aspects of IUS financial and accounting activities through subordinate Supervisors.

#### **30.41f - Director of Financial Policy**

The Director of Financial Policy is responsible for issuing accounting standard and financial management policy and procedures governing Forest Service Internal Use Software in accordance with statutory authorities and other standards.

**30.41g - Albuquerque Service Center (ASC-B&F), Assistant Director of Claims, Payments and Travel**

The Albuquerque Service Center (ASC-B&F), Assistant Director of Claims, Payments and Travel is responsible for ensuring that payments are processed properly for Internal Use Software.

**30.41h - Albuquerque Service Center (ASC-B&F), Branch Chief of Property and Working Capital Fund**

The Albuquerque Service Center (ASC-B&F), Branch Chief of Property and Working Capital Fund is responsible for:

1. Establishing an accounting project asset folder for each IUS project.
2. Ensuring a master record is established in the personal property system for each IUS project.
3. Ensuring value has been added and audit is completed for each IUS project.
4. Maintaining the accounting folder of all IUS development costs until the software project is considered in service, and audit is complete for that year.

**30.41i - Project Manager**

The Project Manager is responsible for initiating, planning, executing, controlling, and closing of an IUS application. The Project Manager will work with ASC-B&F in ensuring IUS documentation for the accounting project asset folder is complete.

**30.5 - Definitions**

General IUS definitions that are common to all property are located in FSM 6590.5.

Accountable Internal Use Software (IUS) (Non-capitalized). Internal Use Software that is either:

1. Purchased off-the-shelf,
2. Contractor developed software, or
3. Internally-developed software and has an initial acquisition cost of \$5,000-99,999.99.

Amortization. The systematic recognition of the cost of Internal Use of Software's capitalized value over its useful life.

Capitalized Internal Use Software (IUS). Internal Use Software that was

1. Purchased off-the-shelf,
2. Contractor developed software, or
3. Internally developed software and has an initial acquisition cost of \$100,000 or more.

Commercial Off-the-Shelf (COTS) Software. Software that is of a type customarily used by the general public for non-government purposes and that:

1. Has been sold, leased, or licensed to the general public;
2. Is sold, leased, or licensed in substantial quantities in the commercial marketplace; and
3. Is offered to the Federal Government, without modification, in the same form in which it is sold, leased, or licensed in the commercial marketplace.

Contractor-developed Software. Refers to software that a federal entity is paying a contractor to design, program, install, and implement, including new software and the modification of existing or purchased software.

Cost Categories. Forest Service IUS investments are also described in terms of the following Cost Categories, for example:

1. Equipment (ONLY if purchased for use in development of a specific project).
2. Software (COTS, or software to aid in developing IUS).
3. Services.
4. Contracts and contractors.
5. Supplies.
6. Personnel.
7. Intra-governmental payments.
8. Intra-governmental collections.

Enhancements. Changes to existing software that result in significant additional capabilities or will materially extend the useful life of that software.

Impairment. Recognition of a significant reduction in capability, functions, or use of software; or that the software is no longer expected to provide substantive service for whatever reason. Impaired IUS software would have lost its service potential such that

the Federal entity would plan to remove it from service or would have had its capabilities reduced.

In-Service Date. The date when the software has passed user acceptance testing and is ready for its intended use.

Internal Use Software. Software used to operate a Federal entity's programs and/or used to produce the entity's goods and services.

Material Agency Costs to Implement COTS or Contractor Developed IUS. Costs are considered material if they equal or exceed 20 percent of the total software acquisition amount.

Project Asset Folder. A repository of the documentation supporting the actual cost of the IUS.

Software. The application and operating programs, procedures, rules, and any associated documentation pertaining to the operation of a computer hardware system.

Systems Development Life Cycle (SDLC). Systems engineering and software engineering refers to the process of creating or altering systems, and the models and methodologies that people use to develop these systems. The concept generally refers to computer or information systems. The other phases are expensed.

Useful Life. That number of years over which the cost of IUS is amortized for financial reporting purposes.

### 31 - Budget Object Classification

Based on the Budget Object Code (BOC), the Personal Property System generates the appropriate accounting transactions for accountable and capitalized personal property. Users apply the appropriate 31XX BOC (that is, BOC 3160 IT Software - Capitalized). Property in these object classes must have an initial acquisition/development cost of \$100,000 or more. These BOC also includes Internal Use Software;

1. Purchased off-the-shelf,
2. Contractor-developed software, and/or
3. Internally-developed software to track non-salary costs for all accountable and capitalized IUS in development.

### 32 - Project Shorthand Code

Each IUS project uses specific shorthand codes for each IUS project. Therefore, all costs including payroll are captured in the same shorthand code or job codes (for example, salary cost are recorded in the 11XX and 12XX series BOC, and may not be charged to 31XX BOC) whereas, contracts or other procurement documents are coded to appropriate 31XX BOC.

### 33 - Capitalization Criteria for IUS

IUS costs are captured for capitalization when it meets all of the following criteria (see exhibit 01):

1. Used in the Agency's normal business operations,
2. Has a useful life of 2 or more years once placed into service, and
3. After management authorization of the project, the IUS has a total software development cost of \$100,000 or more.

The capitalization threshold is applied to the estimated project costs for the development of the major software version currently under development, up to the time of initial implementation of that version. It is applied to the total costs, not broken into budget year amounts.

During the Post-Implementation/Operational Phase each new major software version that enhances the original software version, with a development cost \$100,000 or greater, is capitalized separately. A specific job code or shorthand code is assigned to each project for the life of the development to track all expenditures.

Costs incurred during the Preliminary Design Phase of a project, prior to management authorization, approval, and commitment, is expensed.

Upon completion of the Software Development Phase (Work-In-Progress), all expenditures recorded in general ledger account 1832 should be reclassified to general ledger account 1830. The capitalized software is recorded in the Personal Property System and provided an in-service date.

Projects with costs less than \$100,000, but more than \$5,000 are considered accountable, non-capitalized software. Accountable software is entered into the Personal Property System at the completion of the project. Accountable, non-capitalized software is posted to an expense general ledger account.

Costs incurred after the in-service date are considered operational expenditures and are expensed.



**33 - Exhibit 01****IUS Cost Diagram**

Preliminary Design Phase	Management Decision	Software Development Phase	Implementation	Post-Implementation/Operational Phase			
Cost expensed: 1. Business Case 2. Planning 3. Evaluation and testing of alternatives 4. Determination of existence of needed technology 5. Final selection of alternatives 6. Conceptual formulation		Cost capitalized and captured if \$100,000 or greater over life of project development and tracked by unique Shorthand Code or Job Code where any of the following are going on concurrently: 1. Design of chosen path, including software requirements, design, configuration and software interfaces. 2. Coding. 3. Hardware. 4. Software licensees used for IUS development. 5. Testing, including parallel processing phase.		Data Conversion (expense)	Version 1.1	Version 1.2	Version 1.3
					Continued development (capitalized if \$100,000 or greater), otherwise expensed.  or  Operation & Maintenance (expense)	Continued development (capitalized if \$100,000 or greater), otherwise expensed.  or  Operation & Maintenance (expense)	Continued development (capitalized if \$100,000 or greater), otherwise expensed.  or  Operation & Maintenance (expense)

### **33.1 - Costs That Are Capitalized**

The following sections outline costs that are collected and capitalized for IUS that is expected to meet capitalization criteria.

#### **33.11 - Commercial Off-The-Shelf (COTS) Software Acquisition**

Commercial Off-The-Shelf (COTS) software acquisitions are:

1. Amount paid to vendor(s) for the application, modification to COTS design, testing, and related costs.
2. Costs of space and/or supplies, if vendor is housed on-site.
3. Hardware to operate the new software if separate and apart from existing infrastructure.
4. Cost incurred to implement the software, including travel, project management and management oversight.

Where a vendor has bundled software with maintenance services, the cost should be allocated based on a reasonable estimate. If the software meets capitalization criteria, it should be capitalized in the general ledger. Maintenance services are always expensed. If the cost of the maintenance included in the vendor's quote cannot be reasonably estimated, and the majority of the cost appears to meet capitalization criteria, capitalize the entire purchase.

#### **33.12 - Contractor Developed Software Projects**

Contractor developed software projects are:

1. Amount paid to the contractor(s) to design, program, testing, and related costs.
2. Cost of space or supplies, if contractors are housed in on-site.
3. Hardware to operate the new software if separate and apart from existing infrastructure of the Forest Service.
4. Direct agency costs incurred to implement the software, including travel, project management and management oversight.

#### **33.13 - Internally Developed Software Projects**

Internally developed software projects are:

1. Salaries and fringe benefit costs, including overtime, for all personnel directly involved in the project. Such personnel include Project Managers, analysts, programmers, and testers. Management oversight is included if the amount of time spent

equals or exceeds 20 percent of their work schedule and meets the requirements for direct charge.

2. Outside consulting fees.
3. Rent directly associated with the project.
4. Supplies expended on development from preliminary design phase until placed in service.
5. Hardware, if procured specifically for the project and not part of the existing infrastructure.
6. Documentation, including technical writing, on-line help and production costs of manuals, if printed.

Federal personnel compensation and benefit costs applicable to software projects are captured and included in the total capitalized cost of the project.

### **33.2 - Enhancements to Existing IUS**

Enhancements normally require new software specifications and may require a change of all or part of the existing software specifications.

The acquisition cost of enhancements to existing capitalized IUS, and any modules thereof, should be capitalized when it is more likely than not that the enhancements will result in significant additional capabilities. For example, in an instance where the Federal entity adds a capability or function to existing software for making ad hoc queries, the cost would be capitalized. Enhancements that fully meet stated capitalization criteria should be capitalized.

The cost of minor enhancements resulting from ongoing systems maintenance, as well as the purchase of enhanced versions of software for a nominal charge, is properly expensed in the period incurred. Costs incurred solely to repair a design flaw or to perform minor upgrades that may extend the useful life of the software without adding capabilities should also be expensed in the period incurred.

### **34 - costs not capitalized**

The following Preliminary Design Phase and appropriate Post-Implementation/Operational Phase IUS costs are expensed in the period incurred:

1. All costs associated with strategy, analysis, transition, and production phases of the System Development Life Cycle.
2. Software projects, regardless of how developed, that do not meet all of the capitalization criteria listed above.

3. Immaterial agency costs which are less than 20 percent of the software purchase or development project costs, defined above.
4. Data conversion costs for software projects, including purging and cleansing existing data, data reconciliation, or creation of new or additional data.
5. Ongoing training costs.
6. Ongoing user support cost.
7. Costs incurred solely to repair a design flaw or to perform minor upgrades that may extend the useful life of the software without adding capabilities.
8. Cost of minor enhancements resulting from ongoing systems maintenance.
9. Purchase of enhanced versions of software for a nominal charge.
10. Purchase of multiple seat or user licenses that are individually below threshold are expensed, even though the total of the purchase exceeds threshold.

### **35 - Retirement and Impairment of IUS**

Software is a non-tangible asset. It is much more prone to technical obsolescence than other personal property assets. The Project Manager shall evaluate each software package each year and assess its current capability and functionality. Software that has been “retired,” or is no longer in use, is removed from inventory and its accounting records closed in the personal property system.

Impairment occurs when a significant reduction in capability, function, or use of the software occurs, or the software is no longer expected to provide substantive service. A loss will be recognized upon impairment. The loss is calculated by subtracting the cost of software that would provide similar remaining functions from the net book value. The loss is limited to the amount of the net book value. Project Managers should perform a regular review of their respective IUS for possible impairment.

When software is removed from use, loss equals net book value minus amortization, if any. Capitalized costs on software development projects that are determined “not likely to be completed and placed in service” is recognized as a loss when the project is abandoned.

### **36 - Accounting for IUS**

#### **36.1 - Capitalized IUS**

Capitalization of an IUS project anticipated to meet or exceed the capitalization criteria begins at the time the Agency formally approves the project for development. All costs associated with the development (design, building, and documentation) of the software are identified throughout the life of the project, crossing fiscal years.

Upon placing the IUS into service, the development cost captured in GL 1832 is reclassified to GL 1830 and asset master record is setup in the personal property accounting system. The Personal Property system is the repository of all IUS.

The appropriate 31XX BOC is used to identify capitalized IUS software (except that for personal computers) purchased commercially off-the-shelf, contractor developed, or internally developed.

Amortization of capitalized costs begins on the In-service Date. Amortization is calculated using a straight-line method over a 5 year useful life.

Capitalized IUS is not considered to have any residual or salvage value for accounting purposes.

### **36.2 - IUS Costing Less than \$100,000**

IUS with a cost less than \$100,000 is expensed to the appropriate accounts in the period(s) the costs are incurred or development is complete. Accountable software is entered into the Personal Property System at the completion date.

### **37 - Documentation Of IUS Costs**

A Project Accounting Folder is established at the ASC-B&F upon management authorization of a software project. Adequate documentation must exist in each IUS project accounting folder to support the actual cost of the project. Individual software project accounting files must contain support for all transactions contributing to the total actual cost of the software for all fiscal years of development. A copy of the project authorization and the estimated cost of the project is the first two documents filed in the folder.

Once the cost of the asset has been entered into the Personal Property System, ASC-B&F supports the audit for that year. Future audits on depreciation for the asset requires accounting documentation between the Personal Property and Financial Systems to support the value being depreciated.

Supporting documentation of the total actual cost of the project may include the following:

1. Work Plan. The project work plan identifies the project costs, whether capitalized or accountable. These costs include labor, contracts, supplies, materials, and travel.
2. Contract. The pertinent portions of the contract associated with the software project are as follows:
  - a. Scope of work.
  - b. All modifications to contract.
  - c. All invoice and payment vouchers associated with the contract.

The Project Manager shall coordinate with the Contracting Officer to ensure that all work and costs are appropriately charged.

3. Transaction Register of Obligations Report (TROB). The TROB provides a record of all transactions related to the cost of the software project. These include a record of salary costs, supplies, services, travel, and other expenditures associated with the project. In addition, the ASC-B&F maintains a worksheet in the project accounting folder to show a summary of total costs.
4. Procurement or Acquisition Document. Copies of all procurement and acquisition documents relating to the IUS project are retained in the accounting folder.
5. Cooperative or Collection Agreements. Agreements with other entities where the cost of developing Internal Use Software is shared, the documentation requirement depends on the type of agreement and the funds used for the agreement. For further information on agreements and types of agreements, please refer to FSH 1580.
  - a. Property purchased via an agreement with another Federal agency, where the other Federal agency is doing the work and will own the final product does not require tracking by the Forest Service, because it is not a Forest Service asset.
  - b. An agreement with another Federal agency, where the Forest Service is developing the software, will involve reimbursable (EX) funds, which cannot be used to purchase accountable or capitalized property. For such agreements, the ASC-B&F maintains an accounting folder if it is believed the Forest Service will own the final product and if, at the completion of the project, the property (or a portion of its development costs) is donated to the Forest Service by the other Federal agency. If donated, the asset is entered into the Personal Property System as donated property. In such cases, the development is tracked with the appropriate 31XX BOC, and proof of the donation must be included in the accounting folder.
  - c. An agreement with a non-Federal agency involving cooperative work agreement funds (CWFS) is tracked the same as a software development project involving any appropriated funds. If the final product belongs to the Forest Service, it is entered into the Personal Property System as either accountable or capitalized software.
6. Forest Service Costs for Software Belonging to or Developed by Other Federal Entities. As mentioned in 5 (a), if the software is developed by another Federal agency and belongs to the other Federal agency, the software costs is not tracked, because it is not a Forest Service asset. If the Forest Service owns the asset, see 5(b) above.
7. Summary Sheet. A summary sheet validates the capitalized value by shorthand code or job code(s) and fiscal years. The ASC-B&F also maintains a summary of the accounting data found on the TROB, which is found in the project accounting folder.
8. In-Service Date Documentation. The establishment of the Personal Property System Master Record and amortization of the cost of the software is triggered by this date.

### 38 - Preparation, Approval of Shorthand Code Requests, and Certification Worksheets

All worksheets must be forwarded to Albuquerque Service Center (ASC-B&F), Personal Property Team, 101B Sun Avenue NE, Albuquerque, NM 87109.

1. Forest Service form 6500-216 “Internal Use Software Project Capitalization Approval and Shorthand Code or Job Code Request.” Use this form to process a new request for Internal Use Software Project Capitalization approval and Job Code.
2. Forest Service form 6500-217 “Internal Use Software Project Completion Certification Worksheet.” Prepare when the asset has been completed and placed in service for Forest Service business.

#### 38.1 - Internal Use Software Project Capitalization Approval and Shorthand Code or Job code Request (FS-6500-216)

1. Request Job Codes or Shorthand Code. To obtain a job code for any Equipment or Software Development project, complete worksheet and obtain appropriate approval.
2. Forward the completed worksheet to the ASC-B&F Personal Property Team. All IUS development projects require the issuance of a unique job code by the ASC-B&F.

Enhancements normally require new software specifications and may require a change of all or part of the existing software specifications. If the project is an improvement or enhancement to an existing Internal Use Software application, ASC-B&F must ensure that one of the following capitalization criteria is met:

- a. The asset’s useful life is extended beyond its current useful life and the work is not considered ongoing systems maintenance. Maintenance includes work to bring an asset to standard, and any work that allows the asset to continue service for its useful life, including costs associated with repairing a design flaw.
- b. The asset’s capacity is increased.
- c. The asset’s functionality (purpose) is changed.

#### 38.2 - Internal Use Software Project Completion Certification Worksheet (FS-6500-217)

During the development phase of an Internal Use Software (IUS) application, the costs are captured until the project is placed into service. When the application is completed, and placed in service, the costs are reclassified to General Ledger Account 1830 and will begin depreciation. This is an important step in the asset’s life and must be fully documented.

The purpose of the Internal Use Software Project Completion Certification Worksheet [https://fs.usda.gov/FSI\\_Forms/fs\\_6500\\_217.doc](https://fs.usda.gov/FSI_Forms/fs_6500_217.doc) is to provide confirmation that the project is complete and the asset has been placed into service for Forest Service business.