

AUBURN UNIVERSITY

SOFTWARE CAPITALIZATION POLICY

Administrative Field: [Financial-Controller/Financial Reporting](#)

I. POLICY STATEMENT

This policy documents the capitalization or expense of computer software costs developed or purchased and maintained for Auburn University's (the University) internal use.

II. POLICY PRINCIPLES

The purpose of this policy is to ensure software developed or purchased and maintained for the University's internal use is capitalized or expensed on a consistent basis.

III. EFFECTIVE DATE

April 1, 2011. Reaffirmed: September 24, 2021.

IV. APPLICABILITY

This policy applies to all computer software purchased or developed and maintained for the University's internal use.

V. POLICY MANAGMENT

Responsible Office: Business Office

Responsible Executive: Associate VP Business and Finance

Responsible Officer: Controller

VI. DEFINITIONS

Computer software is considered to be developed or obtained for internal use, if both of the following tests must be met:

- The software must be acquired, internally developed, or modified solely to meet the University's needs, and
- During the software's development or modification, the University must not have plans to market the software externally to other organizations.

The three phases of software development:

1. **PRELIMINARY PROJECT PHASE:** Conceptual formulation of alternatives, evaluation of alternatives, determination of existence of needed technology and final selection of alternatives.
2. **SOFTWARE DEVELOPMENT AND IMPLEMENTATION PHASE:** Design of chosen alternative, including software configuration and interfaces, coding, OIT installation of computer hardware, training and testing.
3. **POST-IMPLEMENTATION PHASE:** Modifications to existing software and annual costs associated with the ongoing maintenance, management and usage of computer systems.

VII. POLICY PROCEDURES

- A. Purchased computer software costs that are equal to or exceed \$250,000 shall be capitalized (use account code 74075 “Capital Software”).
- B. Purchased computer software costs that are less than \$250,000 shall be expensed (use account code 71000, “Non-Capital Computer Equipment”).
- C. Developed computer software costs associated with the preliminary phase and post-implementation phases should be expensed as incurred.
- D. Developed computer software costs associated with the development and implementation phase should be capitalized if, as discussed above, the costs are equal to or in excess of \$250,000.
- E. Capitalization of costs should begin when the preliminary phase is completed and the University’s management has committed to funding the software project with the intent it will be completed to perform the planned functions. Capitalization should cease no later than the time at which substantial testing is completed and the software is ready for its intended purpose. The Controller’s Office will evaluate internally developed software for capitalization.

VIII. SANCTIONS

Any capitalized charges for software that do not comply with this policy will be reversed to an expense account.

IX. EXCLUSIONS

There are no exclusions to this policy.

X. INTERPRETATION

The Associate Vice President for Business and Finance, or designee, will interpret what the policy means and how to apply it.

ADOPTED: April 1, 2011