



UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
CHIEF FINANCIAL OFFICER/CHIEF ADMINISTRATIVE OFFICER

FEB 28 2001

MEMORANDUM FOR: Chief Financial Officers
Management and Budget Chiefs
Line Office Chief Information Officers

FROM: Sonya G. Stewart 

SUBJECT: National Oceanic and Atmospheric Administration (NOAA) Policy on
Accounting for Internal Use Software

The purpose of this memorandum is to provide NOAA policy on accounting for internal use software consistent with the Federal Accounting Standards Advisory Board (FASAB). Statement of Federal Financial Accounting Standards (SFFAS) Number 10 provides FASAB policy on accounting for internal use software, or software which is used to operate a federal entity's programs and/or produce its goods and services. FASAB policy on accounting for internal use software can be found on the Internet at:

<http://www.financenet.gov/financenet/fed/fasab/concept.htm>.

NOAA policy on internal use software is attached. This policy is being issued as a "Final Draft", but you should implement the policy immediately. It has been reviewed by Line/Staff Offices, Management and Budget Chiefs, Chief Financial Officers and Chief Information Officers, and their comments have been incorporated. Our intent is to revise and refine the policy as we gain more experience with NOAA's particular needs.

Change in FASAB Policy

SFFAS Number 10 contained a change in FASAB policy for internal use software. Prior FASAB policy (SFFAS No. 6) provided that the costs of software which was used internally could be expensed. However, SFFAS Number 10 rescinds this policy and treats all internal use software the same as other general property, plant and equipment. As a result, NOAA's internal use software will be capitalized if the costs to acquire or develop it exceed \$200,000 and the useful life of the software is expected to be at least 2 years. Internal use software includes software which is purchased off-the-shelf, developed by a contractor, or developed by NOAA with or without the assistance of a contractor.

