MAR 3 1 2009

MEMORANDUM FOR: NOAA Chief Financial Officers
                    NOAA Chief Information Officers
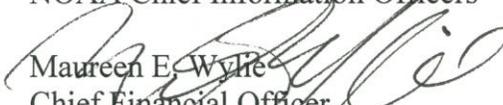
FROM: Maureen E. Wylie
                    Chief Financial Officer
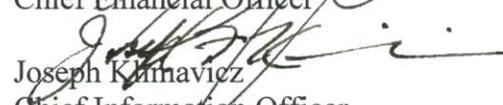
                    Joseph Klimavicz
                    Chief Information Officer

SUBJECT: Accounting for IT Related Costs

Background:

NOAA spends more than $600 million annually on information technology (IT) and has plans to expend more than $900 million in FY 2009; however, we currently have no accounting mechanism to identify those expenditures. This makes it difficult for NOAA CFO's, CIO's, and program managers to analyze, report on and manage financial requirements for IT. A clear business need exists to develop a NOAA-wide accounting mechanism to capture these costs.

During our joint CFO/CIO Council in September 2007, we agreed that a better understanding of IT costs is necessary to manage and report on our IT activities. The IT Cost Accounting Work Group, comprised of financial and IT representatives from each Line Office, was established to create an IT cost accounting mechanism for NOAA. After a long period of analysis and good collaboration among the team members the final recommendation of the group was to utilize the first character of the task code with the exception of OAR and NWS.

Purpose:

The purpose of this memorandum is to establish NOAA policy on the use of the first character of the task code to capture IT related costs.

Policy:

The use of the task code to account for IT will be implemented in two phases. The first phase will begin July 1, 2009 and include all non-labor IT-related obligations. Phase 2 will include labor and is expected to be operational October 1, 2009 (FY 2010), assuming the successful implementation of Phase 1. The task code will be used to capture IT cost data in nine categories: 1) Program Management, 2) Desktop Management, 3) End-User Service Center, 4) Collaborative Services, 5) Data Networks, 6) Telecommunications, 7) Data Center, 8) Application Management, and 9) IT Security.

Additional consideration is required for NWS and OAR because their task code structure requires them to determine their allocation of obligations up front by percentage rather than by transaction. NWS will use a crosswalk table to breakdown the nine IT cost categories for existing tasks by percentage. OAR will also use a crosswalk table to breakdown the nine IT cost categories for existing project code and task code combinations by percentage. This approach will leave both NWS's and OAR's existing task codes undisturbed. For reporting purposes, both of these approaches will be applied to all of their programs to extract IT cost data.

The current rules and regulations for IT related processes and feeder systems will remain in effect and will not be changed. Only the CBS cost accounting for IT related activities will be affected by this new policy. Detailed definitions and examples of the nine IT cost categories have been developed to assist users with this transition and are located on the Finance Office website:

http://www.corporateservices.noaa.gov/~finance/.