

**EXPENDITURE
CLASSIFICATION
HANDBOOK**

**OFFICE OF THE COMPTROLLER
COMMONWEALTH OF MASSACHUSETTS**

EXPENDITURE CLASSIFICATION HANDBOOK
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Note: Please become familiar with the [Instructions Section](#) of the Expenditure Classification Handbook “ECH” before moving on to this section.

OBJECT CLASS UU - INFORMATION TECHNOLOGY (IT) EXPENSES

Covered Expenditures: This object class includes information technology expenditures associated with departmental operations.

Requirements: All Commonwealth departments are responsible for making contract obligations and expenditures in compliance with applicable laws and CTR Fiscal Policies. All departments that take advantage of incidental purchases must comply with incidental purchase requirements identified by CTR and OSD. In addition:

- Executive departments “Level III” must comply with [M.G.L. c. 7, § 22](#), [801 CMR 21.00](#) and the “[Conducting Best Value Procurements Handbook](#)” for [801 CMR 21.00](#) covered goods and services, and must purchase from available Statewide Contracts, and use specified Commonwealth contract forms. Exceptions from using Statewide Contracts will only be permitted with prior written approval from the State Purchasing Agent explained in [Procurement Overview - OSD Legal Authority, Strategic Oversight and the Required Use of Statewide Contracts \(Revised 10/1/2013\)](#). Departments are required to review [Conducting Best Value Procurements Handbook](#);
- Individuals must be determined to be “Independent Contractors” by conducting the Commonwealth Three-Part Test in the [Employment Status Form](#) and attaching it to the Standard Contract Form in compliance with the CTR/OSC/HRD policy on contract employees: [Payroll and Labor Cost Management \(LCM\)](#).
- Non-Executive departments “Level II” must comply with [M.G.L. c. 7, § 22](#), internal procurement policies and procedures and use specified Commonwealth contract forms.
- Exempt departments “Level I” must comply with internal procurement policies and procedures and if the department takes advantage of MMARS document processing delegation, the department must use specified Commonwealth contract forms

Expenditures Not Covered: State or contract employees may not be reimbursed through this object class.

U01 TELECOMMUNICATION SERVICES DATA – Payments to a telecommunications company for data lines or leased lines. For telephone chargebacks, see [E07](#). For telecommunications services voice, see U02. For Information Technology (IT) Equipment acquisition and leases, see Object Codes U08 or U09.

Legal Authority: [M.G.L. c. 7, § 4A](#), [801 CMR 21.00](#)
Oversight Department: ANF, EOTSS, OSD, CTR
Agreement Type: IT Terms and Conditions /Standard Contract Form
Pre/Encumb/Payment Request: RQS (optional pre-encumbrance)/CT/PRC
Incidental Purchase: GAE/INP use restricted to Incidental Purchases (Incidental Purchases >\$5,000 to \$10,000 require a Standard Contract Form and use a GAE/GAX)
Tax Forms: None

U02 TELECOMMUNICATIONS SERVICES VOICE – Payments to a telecommunications company for voice communications, includes local, cellular, Centrex, paging, Internet and long-distance services. For telephone chargebacks, see [E07](#). For telecommunications data services, see U01. For Information Technology (IT) Equipment acquisition and leases, see Object Codes U07 or U08.

Legal Authority: [M.G.L. c. 7, § 4A](#), [801 CMR 21.00](#)
Oversight Department: ANF, EOTSS, OSD, CTR
Agreement Type: IT Terms and Conditions /Standard Contract Form
Pre/Encumb/Payment Request: RQS (optional pre-encumbrance)/CT/PRC
Incidental Purchase: GAE/INP use restricted to Incidental Purchases (Incidental Purchases >\$5,000 to \$10,000 require a Standard Contract Form and use a GAE/GAX)
Tax Forms: None

U03 SOFTWARE AND INFORMATION TECHNOLOGY (IT) LICENSES – IT software (personal computer to mainframe) and requisite licenses, annual fees and upgrades to current software. For separate software maintenance costs, see U10.

Legal Authority: [M.G.L. c. 7, § 22](#); [M.G.L. c. 30, §§ 51-52](#); [801 CMR 21.00](#)
Oversight Department: ANF, OSD, EOTSS, CTR
Agreement Type: IT Terms and Conditions /Standard Contract Form

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Pre/Encumb/Payment Request: RQS (optional pre-encumbrance)/PC/PRC
Incidental Purchase: GAE/INP use restricted to Incidental Purchases (Incidental Purchases >\$5,000 to \$10,000 require a Standard Contract Form and use a GAE/GAX)
Tax Forms: None

U04 INFORMATION TECHNOLOGY (IT) CHARGEBACK – Payments to a department legislatively authorized to provide data processing services.

Legal Authority: Authorizing Legislation; [M.G.L. c 7, § 4A](#); [815 CMR 6.00](#)
Oversight Department: EOTSS, CTR
Agreement Type: Unit Pricing
Pre/Encumb/Payment Request: IE/ITI, ITA
Incidental Purchase: N/A
Tax Forms: None

U05 INFORMATION TECHNOLOGY (IT) TEMPORARY STAFF AUGMENTATION PROFESSIONALS – Payments to approved staff placement contractors for temporary placements of information technology staff augmentation professionals who develop computer systems programs or who instruct, advise, or train persons in the application of computer programs. This object code may not be used to contract directly with an Individual for services. (See U11). Typically paid on an hourly “time and materials basis” with special subject matter expertise in the field of Information Technology Management, including but not limited to project management, planning, systems analysis, business process analysis, computer programming, application and infrastructure design, development, architecture, networking, telecom, systems security, systems expertise networking, telecom and service delivery. See [J46](#) for data processing entry. See [C23](#) for direct contracts with individual contract employees. See U11 for Information Technology Services under contract to provide a suite of IT consulting, integration, and implementation services.

Legal Authority: [M.G.L. c. 29, § 29A](#); [M.G.L. c. 7, § 22](#); [M.G.L. c. 30, §§ 51-52](#); [801 CMR 21.00](#)
Oversight Department: ANF, OSD, HRD, EOTSS, CTR
Agreement Type: IT Terms and Conditions /Standard Contract Form
Pre/Encumb/Payment Request: RQS (optional pre-encumbrance)/CT/PRC
Incidental Purchase: GAE/INP use restricted to Incidental Purchases (>\$5,000 to \$10,000 require a Standard Contract Form and use a GAE/GAX)
Tax Forms: 1099-NEC

U06 INFORMATION TECHNOLOGY (IT) CABLING – Cost of installing and maintaining IT and telecommunication cabling. Departments are strongly encouraged to consult with EOTSS and OSD prior to contracting.

Legal Authority: [M.G.L. c. 7, § 22](#); [M.G.L. c. 30, §§ 51-52](#); [801 CMR 21.00](#)
Oversight Department: ANF, OSD, EOTSS, CTR
Agreement Type: IT Terms and Conditions /Standard Contract Form
Pre/Encumb/Payment Request: RQS (optional pre-encumbrance)/CT/PRC
Incidental Purchase: GAE/INP use restricted to Incidental Purchases (>\$5,000 to \$10,000 require a Standard Contract Form and use a GAE/GAX)
Tax Forms: 1099-NEC

U07 INFORMATION TECHNOLOGY (IT) EQUIPMENT PURCHASE – Outright purchase of computer and other information technology hardware, software, systems, peripherals, paging devices and telecommunication equipment. See U08 for TELP lease-purchase; U09 for rental or lease; U10 for maintenance and repair costs.

Legal Authority: [M.G.L. c. 7, §§ 4A, 22](#); [M.G.L. c. 30, §§ 51-52](#); [801 CMR 21.00](#)
Oversight Department: ANF, OSD, EOTSS, CTR
Agreement Type: IT Terms and Conditions Standard Contract Form
Pre/Encumb/Payment Request: RQS (optional pre-encumbrance)/PC/PRC
Incidental Purchase: GAE/INP use restricted to Incidental Purchases (Incidental Purchases >\$5,000 to \$10,000 require a Standard Contract Form and use a GAE/GAX)
Tax Forms: None

U08 INFORMATION TECHNOLOGY (IT) EQUIPMENT TELP LEASE-PURCHASE – For the purchase of computer or other information technology hardware, software, systems, peripherals and telecommunication equipment. Purchase of

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IT equipment is accomplished with Third Party Financing with goal of ultimate ownership. See U07 for outright purchase. See U09 for rental or lease; U10 for maintenance and repair costs. The following conditions are required to use this object code:

- Department has a definite long term need for the Commodity.
- Commodity is not likely to be quickly outdated by advances in technology, or the durability of the Commodity will provide a long-term useful life.
- Department wants to “own” equipment.
- Department does not have sufficient available funds for outright purchase.
- ANF has approved the use of a TELP.
- Department must commit to ensuring sufficient operating or other non-capital funds are available for TELP payments.
- TELPS paid (in full or in part) with Commonwealth funds (appropriated) MUST use either the Tax-Exempt Financing by Commonwealth TELP, Statewide TELP Contracts or an approved Contractor TELP; Universities, Non-Executive and Exempt departments that plan to use appropriated funds to pay for a TELP MUST use the approved TELP contractors since use of appropriated funds potentially impacts the Commonwealth’s bond rating and must be carefully monitored.
- Department builds equity in equipment and title passes to the department at end of Lease-Purchase payments.
- Procuring departments are required to service/maintain equipment. Service/Maintenance contracts should be executed with an appropriate service vendor and recorded on MMARS as a CT or RPO.
- Departments must follow requirements in the “*Tax Exempt Lease Purchase (TELP) Financing Handbook*” and “*Commonwealth Procurement Policies and Procedures Handbook*.”
- TELPS require recurring payment mechanism to ensure timely payments (RPO).
- TELPS may not be terminated without prior approval of the Comptroller.

Legal Authority:	M.G.L. c. 7, § 22 ; M.G.L. c. 30, §§ 51-52 ; 801 CMR 21.00
Oversight Department:	ANF, OSD, EOTSS, CTR
Agreement Type:	IT Terms and Conditions /Standard Contract Form; TELP approvals and additional TELP Forms
Pre/Encumb/Payment Request:	RQS (optional pre-encumbrance)/RPO/PRM
Incidental Purchase:	N/A
Tax Forms:	None

U09 INFORMATION TECHNOLOGY (IT) EQUIPMENT RENTAL OR LEASE – Short-term rental (less than 6 months) or longer-term use of computer or other information technology hardware, software, systems, peripherals and telecommunication equipment with no intention to own. See U07 for outright purchase. See U08 for TELP lease-purchase; U10 for maintenance and repair costs. The following requirements apply to rentals and leases in this object code:

Short Term Equipment Use Without Ownership (Less than 6 months) – Rental

- Short Term “use” Department does not wish to own.
- Rental payments are usually significantly more than Term Lease or Lease Purchase (TELP) payments.
- Maintenance/insurance is provided by the contractor.
- Departments will not build equity in the equipment and will not own or buy out the equipment as an option of the Rental.
- Title and ownership and risk of loss remain with the contractor and will NOT be transferred to the department as part of the Rental.

Long Term Equipment Use Without Ownership (Longer than 6 months) – Term Lease

- Lease gives the department only the “use” of the Commodity for a specified period.
- Lease payments are usually less than a rental for the same period of time.
- Procuring departments are usually required to maintain and service the Commodity, either as part of the Lease payment or under a separate maintenance Contract.

Procuring departments will not build equity in the equipment and will not own or buy out the equipment as an option of the Lease.

- Leases may offer automatic upgrades or replacement with new models during or at the end of the term of the Lease.

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- Title and ownership and risk of loss remain with the Contractor and will NOT be transferred to the department as part of the Lease.

A Term Lease must be evaluated to determine if it should be categorized as capital or operating. The key points are as follows:

- Is there are transfer of ownership at the end of the lease?
- Is there a “bargain purchase option?” In other words, can the asset be purchased at the end of the lease for less than its fair market value at the end of the lease?
- Is the term of the lease GREATER THAN OR EQUAL TO 75% of the asset’s **USEFUL LIFE**?
- Is the present value of the lease payments GREATER THAN OR EQUAL TO 90% of the asset’s **FAIR MARKET VALUE** at the time of signing of the contract?

If the answer to ANY of the above is YES, the lease type is a CAPITAL lease. All others are OPERATING LEASES.

Legal Authority: [M.G.L. c. 7, § 22](#); [M.G.L. c. 30, §§ 51-52](#); [801 CMR 21.00](#)
Oversight Department: ANF, OSD, EOTSS, CTR
Agreement Type: IT Terms and Conditions /Standard Contract Form
Pre/Encumb/Payment Request: RQS (optional pre-encumbrance)/RPO/PRM/CT/PRC
Incidental Purchase: GAE/INP use restricted to Incidental Purchases (Incidental Purchases >\$5,000 to \$10,000 require a Standard Contract Form and use a GAE/GAX)
Tax Forms: 1099(MISC)

U10 INFORMATION TECHNOLOGY (IT) EQUIPMENT MAINTENANCE AND REPAIR – Maintenance of computer hardware, software, systems, peripherals, paging devices and telecommunication equipment.

Legal Authority: [M.G.L. c. 30, §§ 51-52](#); [M.G.L. c. 7, § 22](#); [801 CMR 21.00](#)
Oversight Department: ANF, OSD, EOTSS, CTR
Agreement Type: IT Terms and Conditions /Standard Contract Form
Pre/Encumb/Payment Request: RQS (optional pre-encumbrance)/RPO/PRM/CT/PRC/IE/ITI, ITA
Incidental Purchase: GAE/INP use restricted to Incidental Purchases (Incidental Purchases >\$5,000 to \$10,000 require a Standard Contract Form and use a GAE/GAX)
Tax Forms: 1099-NEC

U11 INFORMATION TECHNOLOGY (IT) CONTRACT SERVICES – Contract Services typically offered by major organizations such as Systems Integrators and Solution Providers rather than individual staff augmentation resources. Includes contractor that provide programmatic, application, business process, and systems analysis and expertise and who assist departments in system and application design or development, project management, Independent Validation & Verification, or consultative services with special expertise in networking, architecture, telecom, planning, design, systems integration, application development, security, infrastructure design, computer programming, and service delivery (including cloud services). IT Professional Services are typically paid on a “per deliverable and/or Task Order basis” rather than a “time and materials basis”. Individual Contractors paid under this object code must pass the independent contractor requirements as posted in the Individual Contractors: Contract Employees vs. Independent Contractors and remain in compliance for duration of all performance for the Department or be transitioned to the appropriate employee classification. See [C23](#) for contract employees. See U05 for payments for temporary staff augmentation placements for IT services.

Legal Authority: [M.G.L. c. 29, § 29A](#); [M.G.L. c. 7, § 22](#); [M.G.L. c. 30, §§ 51-52](#); [801 CMR 21.00](#)
Oversight Department: ANF, OSD, HRD, EOTSS, CTR
Agreement Type: IT Terms and Conditions Standard Contract Form
Pre/Encumb/Payment Request: RQS (optional pre-encumbrance)/CT/PRC
Incidental Purchase: GAE/INP use restricted to Incidental Purchases (Incidental Purchases >\$5,000 to \$10,000 require a Standard Contract Form and use a GAE/GAX)
Tax Forms: 1099-NEC

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U12 CLOUD BASED SUBSCRIPTIONS, MEMBERSHIPS AND LICENSING FEES – Payments for Software as a Service, (SaaS), Platforms as a Service (PaaS), and Infrastructure as a Service (IaaS) through memberships or subscription-based contracts and other network or on-line services including licensing fees.

Legal Authority: [M.G.L. c. 30, §§ 51-52; M.G.L. c. 7, § 22; 801 CMR 21.00](#)
Oversight Department: ANF, OSD, EOTSS, CTR
Agreement Type: IT Terms and Conditions/Standard Contract Form
Pre/Encumb/Payment Request: RQS (optional pre-encumbrance)/RPO/PRM/CT/PRC/IE/ITI, ITA
Incidental Purchase: GAE/INP use restricted to Incidental Purchases (Incidental Purchases >\$5,000 to \$10,000 require a Standard Contract Form and use a GAE/GAX)
Tax Forms: 1099-NEC

U75 ADVANCES ADMINISTRATIVE EXPENSES – Used to encumber advances in the UU Object Class.

Legal Authority: [M.G.L. c. 29, §§ 23, 24, 25](#)
Oversight Department: TRE, HRD, CTR
Agreement Type: Relevant Supporting Documentation
Payment Request: EAV/RA/AR
Incidental Purchase: N/A
Tax Forms: None

U78 INFORMATION TECHNOLOGY (IT) EXPENSES: SUB-RECIPIENT – Encumbrance and payment activity involving sub-recipients of federal funds. Federal funds are reported as sub-recipient payments. Vendor services must use other appropriate object codes. (Use required object codes for vendor services).

Legal Authority: [M.G.L. c. 29, § 29A; M.G.L. c. 7, § 22; M.G.L. c. 30, §§ 51-52; 801 CMR 21.00; Federal Single Audit Act, OMB A-133; the American Reinvestment and Recovery Act of 2009 \(ARRA\)](#)
Oversight Department: ANF, HRD, OSD, CTR
Sub-Recipient: Federal funds are reported as sub-recipient payments
Agreement Type: IT Terms and Conditions /Standard Contract Form
Pre/Encumb/Payment Request: RQS (optional pre-encumbrance)/CT/PRC
Incidental Purchase: GAE/INP use restricted to Incidental Purchases (Incidental Purchases >\$5,000 to \$10,000 require a Standard Contract Form and use a GAE/GAX)
Tax Forms: 1099-NEC

U87 CASH WITH CAMPUS – Pursuant to Massachusetts General Law requiring Commonwealth Colleges and Universities to report the activity of campus-based funds by subsidiary to the Comptroller of the Commonwealth on the Commonwealth's Statewide Accounting System, MMARS (Fund 0901).

Legal Authority: [M.G.L. c. 15A, § 15C](#) Authorizing Legislation
Oversight Department: CTR
Agreement Type: Relevant Supporting Detail on college and university accounting systems.
Payment/Receipt Request: TV/RT (Use restricted to colleges and universities)
Incidental Purchase: N/A
Tax Forms: Forms 1099 and 1042 – Colleges and Universities Responsible for Compliance using local Tax Identification Number

U90 OPERATING TRANSFER – Information Technology (IT) Expenses.

Legal Authority: Authorizing Legislation; [815 CMR 6.00](#)
Oversight Department: CTR
Agreement Type: Copy of Authorizing Legislation; Relevant Supporting Documentation
Pre/Encumb/Payment Request: OT/IET (Use restricted to CTR)
Incidental Purchase: N/A
Tax Forms: None

U98 REIMBURSEMENT FOR TRAVEL AND EXPENSES FOR INFORMATION TECHNOLOGY PROFESSIONALS – Authorizations for reimbursements are included in the service contract. Reimbursements are not tax

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reportable because the recipient is required to account for expenditures.

Legal Authority: [M.G.L. c. 29, § 29A](#); [M.G.L. c. 7, § 22](#); [M.G.L. c. 30, §§ 51-52](#); [801 CMR 21.00](#)
Oversight Department: ANF, HRD, OSD, CTR
Agreement Type: Relevant Supporting Documentation, IT Terms and Conditions /Standard Contract Form
Pre/Encumb/Payment Request: RQS (optional pre-encumbrance)/CT/PRC
Incidental Purchase: GAE/INP use restricted to Incidental Purchases >\$5,000 to \$10,000 require a Standard Contract Form and use a GAE/GAX)
Tax Forms: None

U99 LATE PENALTY INTEREST – Penalty interest for late payments.

Legal Authority: [M.G.L. c. 29, §§ 20C, 29C](#); [M.G.L. c. 7A, § 5A](#); [815 CMR 4.00](#)
Oversight Department: CTR
Agreement Type: Relevant Supporting Documentation/Valid Claim under Contract
Pre/Encumb/Payment Request: GAP (optional pre-encumbrance)/GAE/GAX
Incidental Purchase: N/A
Tax Forms: 1099(INT)