

EQUIPMENT - FABRICATION

Fabrication of Special Purpose Capital Equipment

The following establishes a policy and working procedure when a Principal Investigator wishes to build or fabricate a piece of capital equipment. These instances arise when it is more economically feasible or fabrication is the only means of acquiring the specialized equipment. The sponsor has generally approved such fabrication. The budget line items associated with the fabrication include purchases of items that are less than \$1,000 as of July 1, 1997; these costs are exempt from indirect (F & A) costs.

Definition

Special purpose equipment that is to be assembled or fabricated will result in an article of nonexpendable tangible property having a useful life at least one year, and total acquisition cost of \$1,000 or more. The unit consists of items or assemblies of parts that are interconnected and interdependent so as to become a new functional entity for special purposes. "Special purpose equipment" means equipment which is used only for research, medical, scientific, or other technical activity.

Approval of Fabrication

- 1) It is the responsibility of the Principal Investigator to advise ORPA when a special purpose equipment item is to be fabricated. Unless a full description of the item is given in the approved proposal, written documentation will be required and must be submitted to ORPA for approval prior to any initial purchase. If a description of the fabrication item has been included in the approved proposal, a copy of this description should be attached to the initial purchase requisition. This written documentation should include a description of the item to be fabricated, a scientific justification, a breakdown of items and costs that will be used in the fabrication, and the total cost of the components to be purchased. When appropriate (i.e., when the sponsor's award does not fall under expanded authorities), sponsor approval will be sought at this point in time. ORPA will also determine at this time whether the fabricated item will be sponsor-owned or university-owned in accordance with the terms of the sponsor's award.
- 2) ORPA will send a separate memo of approval of fabrication and an outline of the purchasing procedure back to the Principal Investigator. Sponsored Programs Accounting and Property Accounting will be copied in on this memorandum, and notified as to the title disposition of the equipment. A copy of the full description of the fabrication will also be sent to Property Accounting along with the approval memo.
- 3) Upon receiving the copy of the approval memo, Property Accounting will assign a property tag and inform the Department by phone of the tag number. Upon receipt of the copy of the CWO, requisition or invoice for the first authorized purchase, Property Accounting will send the property tag to the Department. It is the Principal Investigator's responsibility to ensure that the tag is placed on the equipment.
- 4) Each subsequent order for components of the approved fabrication should state that it is a "Component of (NAME OF ITEM OF EQUIPMENT)" and should indicate the property tag number. (As noted above, a property tag number will be assigned to the equipment after ORPA approval has been obtained). Copies of all subsequent CWO's related to the fabrication should be sent to Property Accounting by the Department for tracking purposes. All components of fabricated items should be coded with the "2690" subcode, even if these individual items are \$1,000 or more.

Accounting Procedures for Fabrication

5) Items within a fabrication that can "stand-alone" and have a value of \$1,000 or above will be issued their own property tag. A "stand-alone" item functions as a separate piece of equipment once the fabricated unit is disassembled. On requisitions or CWO's, it must be stated if an item is a stand-alone unit. All other components of a fabrication will have a single property tag assigned; this is the tag number that departments reference on all requisitions whether or not a "stand-alone" unit is being purchased. Individual tags for stand-alone units are assigned for property accounting purposes. Property Accounting will determine when a separate tag number is required. An illustration of two stand-alone units within a fabrication is shown below:

6) To further illustrate tagging of stand-alone components, the following example is offered. The fabricated unit may include a computer workstation, including a logic unit, a monitor, a keyboard or other input device, and a printer or other output device. To be considered part of the fabricated unit, the computing equipment must be clearly shown or justified to be essential to the operation of the fabricated equipment. For purposes of the inventory, any individual stand-alone component costing more than \$1,000 will receive a separate tag. For instance, the requisition or CWO for a computer workstation should cite the tag number for the larger overall fabricated unit; it will be the responsibility of Property Accounting to issue the individual tag, if necessary.

7) The University does not capitalize labor costs. Therefore, labor expenses should never be assigned to the "2690" subcode. Similarly, fully costed University shop charges should also be charged to the appropriate shop subcode "2680".

8) Any items purchased to upgrade or replace an existing fabrication should reference the property tag that is on the existing piece of equipment. These items are NOT considered fabrication. The department should use subcode 21XX, if the item is under \$1,000, or 26XX if \$1,000 or more. The department should indicate on Requisitions or CWO's stating whether it is an upgrade or replacement.

9) Items that do not have useful life of at least one year, or that are general-purpose in nature can not be considered components of fabrication. Generally, these are considered supplies. Examples of such items that cannot be coded with the 269X subcode are tools, glassware, office supplies, furniture components or chemicals.

10) It is the Department's responsibility to notify Property Accounting in writing (referencing the account number and fabrication tag number) when the fabricated item is completed. This would normally be at the point when the fabricated item can perform the basic function or tasks for which it was intended.

11) If the item becomes obsolete, or is no longer being used, and the department wishes to breakdown or dispose of the item, Property Accounting must be notified using a Property Disposition Request form.