

## CSP-6-02 Equipment Fabrication on a grant or sponsored program

### CSP-6-02.01 Introduction

A "fabrication" is equipment that is being constructed or developed for The University of Akron by combining components or materials into one identifiable unit. All components must work as one unit to be considered a fabrication; parts alone are not considered a fabrication.

### CSP-6-02.02 Definitions

1. **Equipment fabrication** is defined as the transformation of materials, supplies, and hardware costs into an item(s) of equipment that:
  - a. does not currently exist;
  - b. meets unique research specifications (typically as outlined in a research proposal or award)
  - c. has a total estimated cost in excess of \$5,000;
  - d. has an estimated useful life of at least 2 years;
  - e. when completed, will not be affixed permanently to a building or structure
2. An **equipment fabrication account** is defined as an account that collects all costs associated with the creation of an equipment fabrication.
3. The **estimated completion date** is defined as the best judgment of a Principal Investigator (PI) of the point in time at which an equipment fabrication or a deliverable will become operational. In general, the estimated completion date cannot be later than the award end date.

### CSP-6-02.03 Fabrication of Equipment

Individual components acquired during a fabrication project are considered part of the equipment regardless of their unit costs. They are to be coded in the University's equipment category known as Work in Process, PeopleSoft expense account #6607. For example, if three separate pieces were purchased for \$2,000 each, then they would be all placed into account #6607 until which time that the fabrication is complete. At that point, all pieces would be totaled together as \$6,000 and be re-accounted as a capital asset.

When fabrications are sufficiently developed and useful they should be placed in service to initiate depreciation of the whole asset. A Fabrication Information Setup form should be completed, retained locally, and a copy should be sent to the grant accountant in the university's Controller's Office. The component costs of fabrications are excluded from the direct cost base and are not subject to overhead if all costs are accumulated under a single purchase order number.

### CSP-6-02.04 Setting Up Fabrication

A Fabrication Information Setup form must be filled out, which can be found on the Associate VP/Controller's website <http://www.uakron.edu/busfin/controller/index.php> under policies/procedures. This form will be initially sent out by the grant accountant to the PI at the time a fabrication has been identified. The form should be completed by the PI or a department administrator. Once the form has been completed, it is to be sent back to the grant accountant at which time they will give a copy to property accounting and a tag number will be established.

When a purchase order is created, it should refer to the fabrication's tag number by placing in the comments the statement "Add to the Value of Tag #". This will notify Purchasing that there is a piece of the fabricated equipment being built. The "UA Equipment" category should always be chosen on a purchase order because that category will default to our Work in Process account #6607. If the right account is not chosen or you do not specify that it needs to be added to the value of your tag number then it will be incorrectly accounted for in our system. If an expense is charged to project via a Visa charge or an invoice that is sent to Accounts Payable, the account #6607 must still be charged. If it is not, and the expense is incorrectly charged to supplies or another category, then the grant accountant must be notified immediately so that a cost transfer can be completed.

#### CSP-6-02.04 Setting Up Fabrication (continued)

The Fabrication Information Setup form includes:

1. Speedtype
2. Title of Equipment being built
3. Description of the fabricated item
4. Estimated Completion Date
5. Who the equipment is owned by
6. Estimate total cost of fabrication
7. Individual responsible for fabrication
8. Phone number
9. Physical location of equipment

#### CSP-6-02.05 Fabrication Guidelines

Fabrications may be subject to special terms and conditions of the sponsoring agency and award. Certain awards will state that capital equipment funds must be reported separately from operating funds. Only costs that are described initially in the budget as necessary for the completion of the fabricated item are considered appropriate and allowable. If additional costs other than those approved in the budget are needed during fabrication, a revised budget must be submitted for approval.

#### CSP-6-02.06 Charging costs to an equipment fabrication account

The categories of costs that may be charged to an equipment fabrication account, if they are integral to the construction of that fabrication are limited to:

1. Materials & supplies
2. Hardware
3. Shipping/transportation to ultimate use location
4. Equipment tool rentals
5. Technician travel for installation, if applicable

Examples of costs that generally cannot be charged to an equipment fabrication account include, but are not limited to:

1. Entertainment
2. Facilities rental
3. Indirect Labor, e.g., clerical support

Note that the terms and conditions of specific awards may further restrict the types of costs that can be charged as fabrication costs.

#### CSP-6-02.07 Placing Fabrication in Service

When useful results have been obtained from a fabrication, it is ready to be placed in service even if additional components will be added at a later date. Departments should ensure that the fabrication is recorded properly in the University's financial system. Once a fabrication has been placed in service a Notification of Placement in Service for Fabricated Equipment form should be signed by the Principal Investigator and sent over to the grant accountant in the Controller's Office. A copy of the form can be found on the Associate VP/Controller's website under policies/procedures. The grant accountant will give a copy of the form to property accounting who will at that time re-account all the expenses from "work in process" to "UA Built Equipment" and start depreciation.

If additional components are added to the equipment once it is in service, departments should continue to reference the tag number, but all further expenditures should be charged to the UA Built Equipment account 6612.

# Fabrication of Equipment

