



Fabricated Equipment Procedure

Procedure Statement

The equipment fabrication process is one way UCCS acquires capital equipment; this document aims to clarify UCCS's processes and guidelines for equipment fabrication within sponsored projects.

Capital Equipment

According to [2 CFR 200.1](#), capital equipment is defined as tangible property that meets the following criteria:

- It has a useful life of more than one year
- Its acquisition cost or total fabricated cost is \$5,000 or more per unit
- It can be free standing or made up of multiple pieces that work together (fabrication)

Fabricated Equipment

Scientific or other complex equipment comprised of a number of several individual components that are fabricated (built, assembled) into a single functional unit, which cumulatively costs \$5,000 or more. All components function only as a single unit once constructed and will be collectively disposed of at the end of the useful life of the equipment, which should be greater than one year.

Acquisition Costs Include:

- The item itself
- Expenditures required to install the item
- Freight charges
- Installation

Acquisition cost does not include:

- Labor (unless grant funding is exclusive to fabricated items and labor is included in the budget and can be easily distinguished from salaried duties)

Allowable Fabrication Costs

- Installation
- Materials/services needed to bring fabricated items to functionality and location
- Non-salary services (shop charges)
- Shipping
- Required to operate the asset (i.e. cannot be interchangeable)

Unallowable Fabrication Costs

- Maintenance after-the-fact, non-capital
- Consumables (unless required to bring asset to functionality)



- Labor (unless grant funding is exclusive to the fabricated item(s) and labor is included in the budget and can be easily distinguished from salaried duties)
- Administrative Costs

Fabrication Steps

If there are any questions in terms of allowability of a fabricated asset, please reach out to the Property Accountant and your Sponsored Projects Accountant

1. Pre-Award/Proposal Stage (**PI and Departmental Admin**)
 - a. Budget
 - b. Proposal Routing Form
2. Set-up (**Sponsored Projects Accounting, SPA**)
 - a. Create Speedtype (ST) for sponsored project (Fund 30/31)
 - i. Create budget in Fixed Asset General Budget account code 810000
 - ii. Communicate with the Property Accountant prior to allocated expenditures to confirm process warrants using the fabrication account code
 - iii. Communicate with the department to allocate fabrication expenses to Fabrication Equip Components account code 810700 until equipment is complete
 1. Monthly allocation will not calculate F&A on these account codes Note:
The monthly allocation process captures capitalizable expenditures and records them to CIP in order track the asset being built
3. Recording of Expenditures (**PI and Departmental Admin**)
 - a. Record Expenses in appropriate account code
 - i. Direct materials and supplies, freight, **installation cost**, and training will be recorded in the fabrication account code 810700.
 - ii. **Note:** Direct labor cost will not be allocated into the cost of fabricated equipment due to 1) an effort to be consistent with sponsors such as DOD and NASA and 2) tracking direct labor cost can be an administrative burden in many cases.
 - iii. **Note – 2:** If the grant funding is exclusive to a fabricated item and labor is included in the budget, labor will then be considered in the cost of the item.



- b. Notify Property Accountant when fabricated equipment is completed and placed in service
- 4. Recording Construction in Progress (CIP) (**Property Accountant**)
 - c. Recording CIP – Equipment 090601
 - i. Monthly allocation will record CIP – Equipment
 - 1. Record to 474-58800 – CIP Master
 - a. Debit – 090601 – CIP – Equipment
 - b. Credit – 355200 – Addition to Plant
 - 2. The allocation will look at account code 810700 recording CIP based on monthly activity in account 810700
- 5. Fabricated Asset Placed in Service (**Property Accountant**)
 - d. PI notifies Sponsored Projects Accounting and Property Accountant
 - e. Sponsored Projects Accounting and Property Accountant review the cost
 - i. The Deputy Controller creates JE in order to clear out CIP-Equipment account within fund 474-58800
 - 1. Credit – 090601 – CIP – Equipment
 - 2. Debit – 355200 – Addition to Plant
 - f. Property Accountant Tags and Records the asset in PSAM
 - i. PSAM creates JE
 - 1. Debit – 090400 – Equipment >=\$5000
 - 2. Credit – 355200 – Addition to Plant
 - g. Property Accountant will create this JE
 - 1. Debit project ST account code 810100
 - 2. Credit project ST account code 810700

If, at the end of the fabrication process, the total cost does not meet the threshold of \$5,000 for a capital asset, it will be the responsibility of the PI's unit to move the expense to account 537600 Equipment < \$5,000. This will also cause F&A to calculate unless otherwise noted in the grant set-up.

- 6. Project Close Out
 - a. Sponsored Projects Accounting and Property Accountant will review the remaining costs
 - b. Sponsored Projects Accounting will work with the department to ensure that all costs are appropriately allocated



- c. The PI and department are accountable for its own fabricated equipment, including maintaining appropriate financial records, and tracking the location and status of the equipment
 - d. Property Accountant creates JE in order to clear out CIP-Equipment account
 - 1. Credit – 090601 – CIP – Equipment
 - 2. Debit – 355200 – Addition to Plant
 - e. Property Accountant adjusts the asset cost in PSAM
 - i. PSAM creates JE
 - 1. Debit – 090400 – Equipment >=\$5000
 - 2. Credit – 355200 – Addition to Plant
7. Asset Inventory
- a. **Property Accountant** performs periodic physical inventory