

FABRICATIONS

Fabrication recap:

Fabrications have to meet the definition of inventorial equipment:

Equipment is classified as inventorial if it:

- has an acquisition value of \$5,000 or more, not including UCD labor, unless recharged by a department other than the researcher's own
- is nonexpendable (is not a consumable)
- is tangible
- is free standing (not fixed to a structure)
- is complete in itself, does not lose its identity or become a component part of another piece of equipment when put into use
- has a normal life expectancy of one year or more

In addition, Fabs are defined as inventorial equipment that:

- will be physically constructed by a University activity
- is expected to be used by the University upon completion
- is not a product resulting from simple assembly or connecting of various parts
- will not be fabricated for the sole purpose of sale and delivery to an external entity (a deliverable)

POLICY PER UCOP BUS-29

ACQ CODE 32

Section II (Page2)

FABRICATION: A fabrication is an item of non-expendable, tangible personal property that: (1) has been physically constructed by a University activity; (2) has a total acquisition cost of \$5,000 or more; (3) has a normal life expectancy of more than one year; and (4) is expected to be used by the University upon completion. A product resulting from simple assembly or connecting of various parts does not qualify as a fabrication. As used in this Bulletin, "fabrication" does not include a piece of equipment fabricated for the sole purpose of sale and delivery to an external entity under an award made specifically for the fabrication of the equipment.

Page 4

UNIVERSITY INVENTORIAL EQUIPMENT: Equipment for which the University holds title, which is non-expendable, tangible, personal property acquired for \$5,000 or more, which is freestanding, complete in itself, does not lose its identity or become a component part of another piece of equipment when put into use, and which has a normal life expectancy of more than one year.

Page 12

Fabrication - applies to inventorial equipment acquired as the result of fabrication by University departments for their own use (not as a deliverable under an award) and reported to Equipment Management on an Equipment Inventory Modification Request (or equivalent document)

FABRICATIONS

FAB POLICY PER ACCOUNTING MANUAL, P415-32, pages 2 - 3

II. FABRICATED EQUIPMENT FOR UNIVERSITY USE--CAPITALIZED AND INVENTORIED

A. DEFINITION

Fabricated equipment, as defined in Business and Finance Bulletin BUS 29, Management and Control of Inventorial Equipment, consists of non-expendable, tangible, personal property, physically constructed by a University activity, which has a total acquisition cost of \$5,000 or more, is free-standing, is complete in itself, does not lose its identity when affixed to or installed in other property, and is expected to be used by the University for one year or more.

B. REPORTING AND RECORDING

2. Recording

Capitalizable Expenses - When recording fabricated equipment, all materials, supplies, and services from outside vendors or authorized internal recharge activities, used in the fabrication process should be object coded 9600. Authorized internal recharge activities consist of campus machine, glass, electronics, and similar types of shops that design or build such equipment or its component parts.

Non-Capitalizable Expenses - Departmental labor, travel, or other operating expenses associated with the fabrication of equipment are not considered part of its capitalization value and should be coded using the object codes normally used for such expenses. Departmental labor refers to the salaries of faculty member(s), principal investigator(s), graduate student researcher(s), or other comparable personnel who participated in the fabrication process.

Incomplete Fabrication - Fabricated equipment consists of components acquired under purchase orders object coded 9600. If it is determined that the fabrication will not be completed, the campus department should notify the equipment management department and the accounting office. Any charges previously made to object code 9600 must then be recorded under the appropriate nonfabrication object codes (e.g., laboratory supplies, recharges, etc.).

FABRICATIONS

FAB POLICY PER CONTRACTS & GRANTS MANUAL

<http://ucop.edu/research-policy-analysis-coordination/resources-tools/contract-and-grant-manual/chapter15/chapter-15-200.html#15-240>

Chapter 15, Section 240 FABRICATED EQUIPMENT

For a variety of reasons, the University often must create property that is not available elsewhere. Fabricated property items are created either for use by the sponsor or for use by the University. Standard items that are altered or customized to make them usable on a sponsored project do not qualify as fabricated property.

Fabricated items regardless of cost that are either created for transfer to a non-University entity or are expected to have a useful life of less than one year do not meet the University's definition of inventorial equipment and should not be treated as such. The components, labor and all other costs of fabrication are included in the indirect cost rate base and are assessed applicable indirect costs. Indirect cost calculations on fabricated items that meet the University's definition of inventorial equipment are described in [Chapter 2-526](#) of this Manual.

Additional information concerning fabricated equipment is found in [BUS-29](#); Accounting Manual [Chapter P-415-32](#), Plant Accounting: Inventorial Equipment--Fabricated Items; and Chapter 7, [Section 7-205](#) of this Manual.

Chapter 2, Section 526 Equipment

Estimates of the cost of each item or piece of equipment listed should be based on a catalogue, telephone, or written quotation. The estimated cost should include sales tax, shipping, and assembly, if necessary. (See Section II.B.1. of Accounting Manual Chapter P-415-2, Plant Accounting: Cost and Reconciling Inventorial Equipment Acquisitions.) Sales tax is not included if, at the time of purchase, title to the piece of equipment vests in the federal government. Generally, under federal grants, and also under federal contracts when the equipment costs less than \$5,000, title vests in the University at the point of acquisition and sales tax is payable. (Also see BUS-43, Materiel Management, Part 3; Accounting Manual Chapter T-182-73, Taxes: Sales and Use Tax, Section V.A.2; and Chapters 7-221 and 15-220 in this Manual.)

If a piece of equipment is to be fabricated, the cost of its components plus, all materials, supplies, and services from outside vendors or authorized internal recharge activities used in the fabrication process are exempt from indirect costs, if title is retained by the University and the item has a useful life expectancy of more than one year. Departmental labor, travel or other operating expenses associated with the fabrication such as salaries of Principal Investigators, graduate student researchers, or other comparable personnel who participate in the fabrication process are not included in the acquisition cost of the item and are subject to indirect costs. If the fabricated piece of equipment is a deliverable and title is not retained by the University, all costs of its fabrication are subject to indirect costs. If the fabricated item has a life expectancy of less than one year, it does not meet the definition of equipment and all fabrication costs are subject to indirect costs. For more information on the treatment of fabricated property see Accounting Manual Chapter P-415-32, and Contract and Grant Manual sections 7-205 and 15-240.

For further information about equipment and definitions, see Chapter 7-205 and 15-122 of this Manual.

FABRICATIONS

Chapter 7, Section 205 Equipment

Equipment is defined as non-expendable, tangible personal property with an acquisition cost of \$5000 or more per item and a life expectancy of more than one year. Transportation costs associated with the purchase of equipment are counted as part of the equipment's acquisition cost. Accessories or component parts with a unit cost of \$5000 or greater which permanently increase the value or useful life of University-owned property can be added to the value of a piece of equipment as capital transactions.

If a piece of equipment must be fabricated, the cost of its components, all materials, supplies, and services from outside vendors or authorized internal recharge activities used in the fabrication process are exempt from indirect costs if title is retained by the University and the item has a useful life expectancy of more than one year. However, any department labor, travel or other operating expenses associated with the fabrication such as salaries of Principal Investigators, graduate student researchers, or other comparable personnel who participate in the fabrication process are not included in the acquisition cost of the item and are, therefore, subject to indirect costs. If the fabricated piece of equipment is a deliverable and title is not retained by the University, all costs of its fabrication are subject to indirect costs. If the fabricated item has a life expectancy of less than one year, it does not meet the definition of equipment and all fabrication costs are subject to indirect costs.

For more information on the cost treatment of fabricated property, see Accounting Manual Chapter P-415-32, Fabricated Property, and Contract and Grant Manual section 15-240.

University equipment purchasing policies and procedures may be found in Business and Finance Bulletin BUS-29, Management and Control of University Equipment, and BUS-43, Materiel Management. Requirements for the maintenance of inventory records are found in BUS-29. (See also Chapter 15 of this Manual.)

Non-federal sponsors may define equipment differently from the University. If this definition is accepted in an award, this definition becomes the controlling one for the purposes of the specific agreement only, thus requiring an individual equipment control plan for equipment purchased under that one award. For this reason, Contract and Grant Officers are encouraged to negotiate for the University's equipment definition in all agreements, whenever possible.

FABRICATIONS

FAB POLICY PER PPM 350-75

IV. Procedures

A. Fabrication

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2. The department creates a Fabrication Request (FR) document in the University's equipment tracking system (detailed procedures are at <http://dafis.ucdavis.edu/olrm/index.cfm?doc=FR>) and submits a completed Fabrication Justification form to Equipment Management.

3. Equipment Management reviews the justification form, approves the FR document, and sends a property decal to the department.

4. The department includes the property number of the fabrication when ordering supplies, accessories, or components for the project.

[...]