

CALIFORNIA INSTITUTE OF TECHNOLOGY
OFFICE OF FINANCIAL SERVICES

Equipment Fabrication Policy (Revised 11/23/04)

POLICY OBJECTIVE

This policy defines key concepts relating to equipment fabrications and outlines the process for establishing, charging, and closing an equipment fabrication account at the California Institute of Technology (“Caltech”).

DEFINITIONS

“*Equipment fabrication*” is defined as the transformation of materials, supplies, hardware costs and direct labor (including associated fringe benefit costs) into an item(s) of equipment that:

- does not currently exist;
- meets unique research specifications (typically as outlined in a research proposal or award)
- has a total estimated cost in excess of \$5,000;
- has an estimated useful life of at least 2 years;
- when completed, will not be affixed permanently to a building or structure

An “*Equipment fabrication account*” is defined as an account that collects the material, supply, hardware and direct labor (including fringe benefit) costs associated with the creation of an “*equipment fabrication*.”

“*Direct Labor*” is defined as labor that is specifically attributable to the creation of an equipment fabrication.

The “*Estimated placed-in-service date*” is defined as the best judgment of a PI of the point in time at which an equipment fabrication or a deliverable will become operational. In general, the estimated placed-in-service date cannot be later than the award end date.

APPLICABILITY OF OVERHEAD RATE

Caltech’s Facilities and Administrative Overhead rate will not apply to costs accumulated in an equipment fabrication account.

ESTABLISHMENT OF AN EQUIPMENT FABRICATION ACCOUNT

The process for establishing an equipment fabrication account is as follows:

1. The Division administrator or PI should complete and sign an **Equipment Fabrication PTA Request Form** (copy attached). This form is available electronically at http://finance.caltech.edu/property_fabrication.htm.]. If desired, the PI or Division Administrator should also complete and sign a PTA Set Up Assistance Form to request particular naming convention for the fabrication account.

Equipment Fabrication Policy (cont')

2. The completed form(s) should be sent to Property Services at M.C. 116-6.
3. Property Services will review the Equipment Fabrication Request Form for completeness and verify that the item being constructed meets Caltech's criteria for equipment fabrication (see definition above). This review may involve follow up conversations with the requestor.
4. Property Services will notify the requestor if the item does not meet the equipment fabrication criteria.
5. If Property Services verifies that the item is *capable of meeting the definition of fabricated equipment*, Property Services will then pass the form(s) on to the Office of Sponsored Research (OSR).
6. OSR will verify that the proposed fabrication is *allowable* under the terms of the grant, contract or co-operative agreement being charged.
7. If the fabrication is allowable, OSR will establish an equipment fabrication account.
8. OSR will then notify the original requestor that an equipment fabrication account has been established. (The original requestor will also be notified if a request has been rejected.)

CHARGING COSTS TO AN EQUIPMENT FABRICATION ACCOUNT

Chargeable

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:

- Direct Labor (and associated fringe costs)
- Materials & supplies
- Hardware
- Shipping/transportation to ultimate use location
- Equipment tool rentals
- Technician travel for installation, if applicable

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

Allowability schedules will be established within Oracle Grants Management ("OGM") for equipment fabrication accounts that will automatically disallow the charging of any other category of costs to these accounts.

Non-chargeable

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

- Entertainment
- Facilities rental
- Indirect Labor, e.g., clerical support

Equipment Fabrication Policy (cont')

Review and Transfer of Costs

The PI, or the individual designated by the PI as having delegated authority to review the fabrication account, should periodically review the expenses being charged to the account for appropriateness. In addition Project Accounting will periodically perform a high level review of the expenditure types being charged to the fabrication account and will require justification for any potentially questionable costs. Costs that cannot be adequately justified will be transferred by Project Accounting to the main research account, and overhead will be applied.

Transfers of costs from other accounts to the equipment fabrication account will not be allowed unless justification is provided.

CLOSING OUT THE EQUIPMENT FABRICATION ACCOUNT

Property Services must tag all operational Caltech owned fabrications and all Government owned fabrications that remain under our stewardship. Property Services will contact the original requestor within 30 days of the estimated placed-in-service date to arrange a time to tag. If the item is not completed at that time, a revised estimated placed-in-service date should be provided.

Within 30 days of the estimated end date of the main funding award, Project Accounting will notify the PI or Division Administrator to ascertain if a no-cost-extension is required and to request notification of any equipment fabrications that have been (or in the next 30 days will be) placed in service.

At the end date of the main funding award, Project Accounting will notify the PI/contact person and Property Services that the equipment fabrication account is to be closed. During the close-out process, any costs considered inapplicable will be transferred to the main research account, and overhead will be applied. Property Services will contact the appropriate division personnel to make arrangements to tag any items that have not already been tagged.

EXCEPTIONS

Any exceptions must be approved, in writing, by the Provost and the Vice President for Business & Finance.