

**Purpose:**

Occasionally the University will find it necessary to fabricate specialized equipment within the University system due to lack of availability on the market. Typically when this occurs, several purchases which are individually below the capitalization threshold are made and charged to expense object codes. The result is that a valuable piece of equipment is created but not placed in the capital equipment inventory, and therefore, not insured.

**Policy:**

When a department determines the need to fabricate an equipment item whose total cost will be \$5,000 or greater, and whose fabrication will cross fiscal years, a plant fund fabricated equipment WBS element should be established. This account will be used to track the expenditures associated with the fabrication of the equipment. Charges which should be included in the capitalization of this equipment should be charged to the account using expense code 550090, Fabricated Equipment.

Note: Equipment having a total cost of \$100,000 or greater requires legislative approval.

**Procedures:**

1. To establish a Fabricated Equipment WBS element, the department will submit the following:
  - a. A completed [Fabricated Equipment WBS Element Information Sheet](#),
  - b. An estimate of the total cost of the project,
  - c. A [Capital Budget Form](#) establishing the budget for the project, and
  - d. A journal voucher shall be completed using IRIS transaction code FV50 to transfer necessary funds to the WBS element. Journal vouchers funding existing WBS elements shall be completed and parked by the department for posting by General Accounting. When journal vouchers for new WBS elements are created, the department will not know the WBS element number; therefore, these journal vouchers should be saved only. General Accounting will complete the journal voucher and post after the WBS element has been created.
  
2. If the fabricated equipment will be funded in part or in whole by a grant, then procedures will be implemented on a case-by-case basis based on the requirements of the grantor(s). Sponsored Projects and OSPA should be notified at the outset of the process. When a fabricated equipment WBS element funded by a grant is established, a journal voucher funding the project will not be required. Rather, reimbursement from the grant will be made by General Accounting after expenditures are made.
  
3. Each month, Plant Assets will add expenses from the plant fund account to the Equipment Inventory database as “Equipment in Process.” The “Equipment in

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Process” property tag will be identified with a “P” prefix. Placing the equipment in process into the Equipment Inventory System will cause the equipment to be insured while it is still only partially completed.

4. Each year prior to the year end process, General Accounting will request an update of the status of all fabricated equipment WBS elements.
  - a. If the equipment has not been completed, the equipment will retain the “P” tag number and will be capitalized to “Fabricated Equipment in Process.”
  - b. If the department notifies General Accounting that a project is complete, the plant fund WBS element will be closed and Plant Assets will be notified.
    - 1) Plant Assets will move the amount from the “Equipment in Process” tag number to a permanent tag number and capitalize the item to “Equipment.”
    - 2) Items that have been retagged with a permanent tag number will be removed from “Fabricated Equipment in Process” and capitalized to Equipment.
  - c. Balances remaining in the WBS element shall be returned to the original funding sources:
    - 1) For WBS elements funded by University current unrestricted funds, balances shall be returned to the appropriate area’s unrestricted renovation reserve cost center.
    - 2) For WBS elements funded by an affiliated corporation, auxiliary or restricted funds, balances shall be returned to the original funding source.