Fabricated Equipment Policy

I. Purpose
To provide guidelines for capturing costs of capitalizable equipment fabricated by University departments. Occasionally the University will find it necessary to fabricate specialized equipment within the University due to lack of availability on the market. Typically when this occurs, several purchases that are individually below the capitalization threshold are charged to expense general ledger accounts, resulting in a valuable piece of equipment being omitted from the capital equipment inventory, and therefore not insured.

II. Responsibilities
A. Department
1. Submit necessary documents to General Accounting in order to initiate the creation of the fabricated equipment WBS Element.
2. Create a journal voucher to fund the project or notify Sponsored Projects Accounting and the Office of Sponsored Projects Administration if funded by a grant.
3. Clear any overdrafts immediately and provide necessary additional funding to complete project.
4. Notify General Accounting when project is complete.
B. General Accounting
1. Create fabricated equipment WBS Element.
2. Complete and post journal voucher funding the project.
3. If it is grant funded, reimburse the project from the grant.
4. Monitor and manage the project.
5. Capitalize the project and record to equipment inventory.
6. Close the project and return any excess funds to original funding source.

III. Policy
When a department determines the need to fabricate an equipment item with an expected total cost of $5,000 or greater, a plant fund fabricated equipment WBS element must be established to track the expenses associated with the fabrication of the equipment. Charges which should be included in the capitalization of this equipment must be charged to the GL account 550090, Fabricated Equipment.

Note: Equipment having a total cost of $200,000 or greater requires legislative approval.

IV. Procedures
A. To establish a fabricated equipment WBS element, the department will submit the following:
1. A completed Fabricated Equipment WBS Element Information Sheet
2. An estimate of the total cost of the project
3. A journal voucher should be completed using SAP transaction FV50 to transfer necessary funds to the WBS element. Journal vouchers funding existing WBS elements should be saved 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 and parked only, not completed. General Accounting will complete the journal voucher and post after the WBS element has been created.
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B. 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 Accounting and Office of Sponsored Projects Administration must 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 expenses are made.

C. Each month, General Accounting will add expenses from the project WBS element to the Equipment Inventory database as “Equipment in Process.” The “Equipment in 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.

D. Each year prior to the year end process, General Accounting will request an update of the status of all fabricated equipment projects.

1. If the equipment has not been completed, the equipment will retain the “P” tag number and will be capitalized to “fabricated equipment in process.”
2. If the department notifies General Accounting that a project is complete, the project WBS element will be closed and Plant Assets will be notified.
   a. Plant Assets will move the amount from the “equipment in process” tag number to a permanent tag number and capitalize the item to “equipment.”
   b. Items that have been retagged with a permanent tag number will be removed from “fabricated equipment in process” and capitalized to equipment.
3. Balances remaining in the project WBS element will be returned to the original funding source.

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