Fabricated Equipment Policy

I. Purpose
To provide guidelines for capturing costs of capitalizable equipment fabricated by
departments. Occasionally, it is necessary to fabricate specialized equipment within the
university due to lack of availability on the market. 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 not being insured.

II. Responsibilities
A. Department
1. Submit necessary documents to Accounting and Financial Reporting Services in
   order to initiate the creation of the fabricated equipment WBS Element.
2. Create a journal voucher to fund the project. If funding from a grant, work with
   Research Financial Services and the Office of Sponsored Projects Administration.
3. Clear any overdrafts immediately and provide additional documentation and funding
   necessary to complete project.
4. Notify Accounting and Financial Reporting Services when project is complete.
B. Accounting and Financial Reporting Services
1. Create fabricated equipment WBS Element.
2. Complete and post journal voucher funding the project. If it is sponsored project
   funded, reimburse the project from the sponsored project monthly as expenditures
   are incurred.
3. Monitor and manage the accounting for the fabricated equipment.
4. Capitalize the project and record to equipment inventory.
5. 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 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 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 Project Establishment Form.
   2. An estimate of the total cost of the project
   3. Specific cost object instructions:
      a) Cost centers:
      1) A journal voucher debiting GL account 755030, Transfer to
         Unexpended Plant Funds, 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 Accounting and Financial Reporting
         Services.
2) When journal vouchers for new WBS elements are created, the department will not know the WBS element number; therefore, these journal vouchers should be parked only. Accounting and Financial Reporting Services will complete and post the journal voucher after the WBS element has been created.

b) Sponsored project:
   1) If the fabricated equipment will be funded in part or in whole by a sponsored project, then procedures will be implemented on a case-by-case basis based on the requirements of the sponsor(s). Research Financial Services and Office of Sponsored Projects Administration must be notified at the outset of the process.
   2) When a fabricated equipment WBS element funded by a sponsored project is established, a journal voucher funding the project will not be required. Rather, reimbursement from the sponsored project will be made by Accounting and Financial Reporting Services monthly as expenses are incurred.

B. Fabricated equipment is capitalized when the value reaches $5,000. The equipment will then begin depreciating.

C. Prior to the fiscal year-end process, Accounting and Financial Reporting Services will request an update of the status of all fabricated equipment projects.
   2. The department should notify Accounting and Financial Reporting Services when a project is complete. Then, Accounting and Financial Reporting Services will close the project WBS element.
   3. Balances remaining in the project WBS element will be returned to the original funding source.