

Fabricated Equipment (United States Government-Owned Equipment)

Responsible Officer: Vice President for Business Affairs and Controller

Sponsoring Department: Property Management

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PROCEDURE OBJECTIVE

This procedure provides procedural guidelines for administratively controlling and assigning costs for equipment that is fabricated or constructed by a university research department/center in accordance with all applicable rules, laws, and policies.

RATIONALE

Generally, equipment acquired by U. T. Arlington to support research under a Government contract or grant is comprised of easily identifiable, standalone items. The equipment items are assigned an inventory number, tagged (if feasible) with a label, and have an invoiced unit cost, which is charged to an equipment sub-account. However, the nature of the project or research under some contracts or, in others, the non-availability of suitable equipment to perform the research, requires that the department assigned the contract complete the fabricated equipment. In these cases, and particularly if more than one item is built, identifying the cost of the equipment becomes complex. Nevertheless, equipment costs must be derived.

SCOPE

University research departments/centers who fabricate equipment that supports research under a Government contract or grant.

WEBSITE ADDRESS FOR THIS PROCEDURE

<http://www.uta.edu/policy/procedure/2-60>

RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS

UT System Administration Policies and Standards	Other Policies and Standards
Federal Acquisition Regulation Part 45 (FAR Part 45) Office of Management and Budget A-21-Cost Principles for Educational Institutions Office of Management and Budget A-110-Uniform Administrative Requirements for Grants and Contracts	

CONTACTS

If you have any questions about this procedure, contact the following departments:

Subject	Office Name	Telephone Number	Email/URL
All topics in procedure	Property Management	817-272-2191	property_management@uta.edu http://www.uta.edu/policy/bac/inventory
Website access	Administrative Information Management	817-272-0222	aim@uta.edu http://www.uta.edu/aim

DEFINITIONS

Equipment: A tangible asset that is functionally complete for its intended purpose, durable, nonexpendable, and needed for the performance of a contract. Equipment is not intended for sale, and does not ordinarily lose its identity or become a component part of another article when put into use.

Fabricated Equipment: Equipment made or constructed from raw or processed materials, supplies, parts, small tools, components, etc. in accordance with the terms of a contract or grant to accomplish specific research purposes or goals.

Federal Acquisition Regulation (FAR): The FAR is the single regulation for use by most federal agencies in their acquisition of supplies and services with appropriated funds. It should be administered in conjunction with agency-specific supplemental regulations.

Project Director/Principal Investigator (PD/PI): A term used generically herein to refer to the individual with primary responsibility for a contract or grant. The terms Project Director and principal investigator are synonymous in this publication and will be indicated by PD/PI.

RESPONSIBILITIES

Property Management Office (PM)

- Enters the fabricated equipment on the Inventory System for inventory record purposes
- Tags the equipment (once notified by the PD/PI that construction is complete) within 15 working days

Project Director/Principal Investigator (PD/PI)

- Advises the U.T. Arlington accountant involved with the particular contract or grant if an item of equipment is going to be fabricated
- Maintains a record system which will reflect the significant costs directly related to the construction of the fabricated item
- Notifies the PM Office when the equipment item has reached an appropriate stage of construction so that the item of equipment may be tagged

University Department or Center Fabricating the Item of Equipment

- Maintain a ledger detailing how expenditures were allocated if the PD/PI uses one sub-account for different fabricated items

PROCEDURES

Section I. Reasoning

The intent herein is not to constrain or impede research efforts, but to ensure that expenditures are properly allocated in keeping with good accounting practices and in a manner that will withstand the scrutiny of the awarding agencies. It is recognized that PD/PIs need flexibility in managing their research grants and contracts. The PM Office will assist and support the PD/PIs in that regard.

Section II. Sub-Accounts

To consolidate the various expenditures involved in fabricating items of equipment, therefore, the Office of Grant and Contract Services has established fabrication sub-accounts for use in each agreement affected.

- A. The PD/PI must advise the U. T. Arlington accountant of the particular contract or grant involved, if an item of equipment is going to be fabricated so they can jointly agree on the appropriate sub-account number. It is then incumbent upon the PD/PI to maintain a

record system, which will reflect the significant costs directly related to the construction of the fabricated item.

- B. If more than one piece is to be produced, (for example, a production run of identical items), the total cost of the operation may be divided by the number of items produced to obtain a unit cost.

Section III. Cost of Materials

Costs of materials and supplies used in fabricating equipment shall be assigned to the fabrication sub-account, to the extent to which the department or center can identify them. The costs of contract labor directly related to fabrication shall also be assigned, but not the cost of in-house (U. T. Arlington) labor. Those cumulative costs, as determined by the PD/PI, regardless of object class code, will become the cost of record for the fabricated equipment item.

- A. When a fabrication sub-account has been established for a particular contract, other sub-accounts should not be used to purchase materials, parts, etc. for the fabricated equipment, as to do so would conceal costs properly chargeable to the fabrication.
- B. Further, if different equipment items are going to be fabricated, the PD/PI must keep the costs for each segregated and properly allocated. To facilitate this segregation, a limited number of different sub-accounts can be established for the costs of the different fabricated items. If, however, the different items being fabricated will work as an integral unit or system when finished, the same sub-account number may be used. The PD/PI shall determine this; however, the accountant for the contract must be kept apprised. If the PD/PI uses one sub-account for different fabricated items, a ledger detail should be maintained by the department or center staff to show how the expenditures were allocated.

Section IV. Transfer of Cost

Departments/centers frequently maintain bench stocks of commonly used components and replacement parts. Because these items are purchased in quantity, they are more economical than special ordering similar items. Consequently, researchers will use them in the interests of expediency and economy. Costs of these items should be determined and transferred by Inter-departmental Transfer Voucher (IDT) from a departmental revolving account to the fabrication sub-account. In some cases, the use of these materials and supplies may be minimal; therefore, it may be difficult or not feasible to ascertain their cost. When such costs are insignificant or cannot be determined, they will not be transferred to the fabrication sub-account. The PD/PI shall determine this. The basic policy, however, is to identify and properly assign the costs of all materials and supplies used in the fabricated product.

Section V. Entry into System

For inventory record purposes, the fabricated equipment item will be entered on the Inventory System by the PM Office. The costs to be assigned to the fabricated item are those that were charged to the fabrication sub-account.

Section VI. Tagging of Equipment

When the equipment item has reached an identifiable stage of construction (or is complete), as determined by the PD/PI, it will be tagged, upon notice from the PD/PI. After notification, the PM Office will tag the equipment within 15 working days. A UT Arlington tag and number will be assigned.

- A. If tagging is not possible or feasible, the department/center shall keep the inventory tag on file along with the other property records for the project.
- B. Normally, major fabricated equipment items or diagnostics will be assigned one inventory number; fabricated subsystems which become integral parts of existing items, as well as modifications to existing ones, will be included under the single inventory number for the specific item.

FORMS AND TOOLS/ONLINE PROCESSES

None

APPENDICES

None