



# Chapter Three

## *Fabrications of Equipment*

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### **Overview**

The fabrications process is one of various methods by which property is “acquired” at Stanford. Due to the specific requirements surrounding method of acquisition, they are addressed in this chapter exclusively. Herein we address the business process, accounting, and reporting requirements associated with equipment fabrications at Stanford, whether they are developed for use on the project or intended to be deliverable end-items to the sponsor.

Application of these guidelines is required for fabrications developed on federal contracts. It is optional, but may be used, for fabrications developed on grants or other sponsored projects.

### **Definition**

A fabrication is not something routinely configured at a store or assembly facility; it is a one-of-a-kind creation. They are used to meet unique research or testing requirements and are typically classified as Special Test Equipment or Special Tooling by sponsor agencies.

Fabrications are created by assembling a number of components (manufactured or custom made) to produce a piece of equipment that meets unique research specifications. Most fabrications are sponsor-funded and therefore have a number of compliance requirements related to acquiring and tracking individual pieces of equipment in an assembled fabrication.

An equipment fabrication must meet all of the following criteria:

- Be a unique, one-of-a-kind item, fabricated by Stanford
- The aggregate cost of materials, supplies, and components must be \$5,000 or greater and is included as part of the acquisition cost for the completed asset
- The cost of associated labor is included as part of the acquisition cost reported for the completed asset
- Upon completion, have a useful life of more than one (1) year; or, if on a NASA contract, two (2) years

## Policies

Due to the systems implementation efforts underway throughout the campus, the implementation of this policy is May 1, 2004. This change is applicable to federal contracts or subcontracts awarded in FY04 as well as any new fabrications initiated in FY04 on existing contracts.

The university must capture and report the costs of materials, supplies, components, and labor related to bringing the fabrication to completion for initial use.

Equipment fabrications, while work-in-process, will be accounted for in Oracle Grants Accounting (GA). To facilitate the process, specific tasks must be established with the Project-Task-Award (PTA) setup in the Grants Accounting system for each fabrication. Each fabrication on a Sponsored federal contract will require a FAB task on a capital project and a burdened fabrication task. The task number for both tasks will include the four-digit FAB number assigned by PMO to facilitate reporting. Throughout the fabrication process, project personnel must appropriately charge expenses for materials, supplies, labor and other associated costs to each appropriate fabrication task. Upon completion of the fabrication, the tasks will be closed and total cost reported is included in the subsequent asset record. Please see “Records Section” for details on the fabrication record. Additional guidance may be obtained from the Property Service Representative [[link to contact page on web](#)]

All directly related costs associated with a fabrication will be accounted for under the designated project tasks and will be available for sponsor reporting (see below for types of allowable expenses). Costs required to bring the item to completion shall be properly documented, supported and retained; supporting documentation shall be made available for audit upon request.

Upon completion for initial use, the fabrication is “capitalized” and subsequently tracked as an asset in Sunflower Assets and Oracle Fixed Assets. Changes made to completed fabrications are considered modifications and accounted for as a separate task. Stanford will not capitalize labor and other indirect costs associated with a fabrication; this information is collected and available for sponsor reporting and property management records only. Ongoing maintenance or repair costs are not included as part of the acquisition cost of the fabrication.

## Expenditure Types for Fabrications

Materials and supplies for a Fabrication Task should always be charged to the following Expenditure Types:

Purchases from outside vendors, use

- 53195 (SU CAP FABRICATION) or
- 55095 (NON-SU CAP FABRICATION)

Purchases from Stanford Stores, use

- 58671 (INTRA-DEPT SU CAP FABRICATION)
- 58676 (INTRA-DEPT NON SU CAP FABRICATION)

Fabrications charged to the old Expenditure Types for fabrications don't need to be changed to the new Expenditure Types if charged **before 12/1/05**. These Expenditure Types are:

- 53115 (SU TECH SCIENTIFIC EQUIP) or
- 55010 (NON-SU SCIENTIFIC EQUIPMENT)

If you have any questions, you should contact your [Property Service Representative \(PSR\)](#).

## Use of University Purchase Cards (P-Cards) for fabrication expenditures

In accordance with [Administrative Guide Memo 54.5](#), the use of P-cards is not permitted for expenditures on fabrication tasks. Use the Rapid Purchase Order for material or supplies with an acquisition cost under \$1,500

## Capital and Burdened Fabrication Tasks

Instructions for appropriate charging of expenses to either one of these fabrication tasks is provided at the department level for each federal contract. The table below is provided to clarify specific types of expenditures that are appropriate for each task.

<b><i>Capital Project Task</i></b>	<b><i>Burdened Fabrication Task</i></b>
<ul style="list-style-type: none"> <li>• Fabrication components</li> <li>• Start-up supplies and parts to be incorporated in or otherwise consumed in the research and development and associated fabrication process</li> <li>• Freight and handling</li> <li>• Third party installation charges (i.e.: vendor or manufacturer)</li> </ul>	<ul style="list-style-type: none"> <li>• *Labor and other direct or indirect costs associated with fabricating the asset</li> <li>• Engineering, architectural, and other outside services for designs, plans, specifications, and surveys</li> <li>• Travel directly related to the fabrication</li> <li>• Acquisition and preparation costs of structures and other facilities</li> <li>• Legal and recording fees and damage claims</li> </ul>

## **Accounting for Labor Cost for Fabrications**

Appropriately accounting for labor costs associated with each fabrication will be critical for sponsor reporting on federal contracts. Collecting this information will be accomplished through the Labor Schedules in the Labor Distribution system. Each department establishes and communicates procedures for time-keeping.

Individuals typically charging time (e.g. directly related or hands-on labor) to a burdened fabrication tasks include:

- Research Assistants
- Professional and hourly technical staff
- Research Associates
- Post-Docs

A Principle Investigator's general project supervision and oversight time is not charged to a burdened fabrication task.

Departments should establish procedures to follow for making any adjustments to the amount of salary expense charged to fabrication task. Adjustments, if needed should be completely in a timely manner.

Review and adjustment procedures could follow 3 scenarios –

- 1) PI requests adjustment to % charged before the end of a pay period; Labor Schedule adjusted.
- 2) PI requests adjustment to % charged following monthly review of Expenditure Statements. Journal transfer is processed.
- 3) PI requests adjustment to % charged following quarterly Expenditure Statement certification review. Journal transfer is processed.

## Completion and Identification of a Fabrication

A fabrication is considered complete when initially placed in operation -- specifically the first time it is used in the performance of the task/test for which it was designed. Upon completion of a fabrication, the DPA shall provide a [Fabrication Completion Verification Request Form](#) to the Property Management Office (PMO).

Each completed fabrication is “capitalized” in Oracle GA, and a property record, using the assigned SU ID barcode number, is created in Sunflower Assets (SFA) by the PMO. Notification that the property record has been created is provided to the Department Property Administrator (DPA) who subsequently is responsible for the ongoing update and completeness of the record. Ancillary items or easily removed components, if taggable, should have a fabrication tag applied with the FAB number, the PO and the line item number on the PO.

Ongoing maintenance or repair are not included as part of the acquisition cost of the fabrication. In some cases, the sponsor may approve maintenance or repair as an allowable direct charge to the project. Should this be the case, it is still excluded from the acquisition cost of the fabrication.

Upon completion of the fabrication, project personnel should identify any residual material for potential re-assignment to another fabrication or declare it as excess for final disposition.

## Modifications to Completed Fabrications

Once a fabrication becomes a capitalized asset, enhancements and modifications are considered upgrades and will be identified separately in the GA system by a new Project-Task-Award (PTA) combination.

The completed modification is tagged with an SU.ID barcode, recorded as an asset, or if applicable, associated with the original fabrication as a child asset.

## Fabrications provided to Subrecipients

Fabricated equipment provided by Stanford to sub-recipients must be documented. For government-owned property, a DD1149 form must be used to document the transaction. A signed copy of the form is maintained on file by the designated project personnel or the Department Property Administrator. In all cases, the DPA should be kept informed as to the property activity on a federal contract.

Fabrications accountable to subawards will be identified, tracked and reported by the subrecipient to Stanford's Property Management Office in accordance with the terms and conditions of the subaward issued by Stanford.

## Physical Inventory

Completed equipment fabrications will be included in the biennial physical inventory as assets. Refer to the [Physical Inventory Chapter](#) for additional details.

## Reporting for Fabrications

While a fabrication is work-in-process, reporting will be performed in the Grants Accounting module of Oracle Financials. Reporting should include the costs accrued for both the Capital Project Task and the associated Burdened Fabrication Task. One example of a useful report regarding the transactions charged to fabrication tasks is the Capital Equipment Expenditure Transaction (CEET) report.

After completion and capitalization, the asset reporting for a fabricated item will be performed in Sunflower Assets.

## References and Resources

- [Fabrication Number Request Form](#)
- [Fabrication Completion Verification Request Form](#)
- Chapter 10, Agreement Management, [Contract and Grant Closure](#) section
- [DD Form 1149](#)
- [Fabrication Training Document](#)
- **Appendixes**
  - [Appendix A](#): Roles and Responsibilities
  - [Appendix B](#): Grants Accounting Project/Task Setup Structure
  - [Appendix C](#): Fabrications Process