

Fabrication of Equipment – Policy

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Responsible Administrator: Vice Chancellor for Finance and Chief Financial Officer
 Responsible Office: Controller’s Office
 Policy Contact: Assistant Controller

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1. Policy Statement

This policy establishes criteria for the inclusion of fabricated equipment on research projects sponsored by the federal government, so that such charges are in compliance with federal regulations and university policies. Vanderbilt University follows uniform policies and procedures for financial statement purposes and for compliance with federal requirements 2 CFR 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

From time-to-time for reason of cost efficiency, timeliness of delivery, non-availability or uniqueness of a particular piece of equipment, it may be necessary or advantageous for a research project to fabricate a piece of equipment rather than purchase the item.

2. Scope

This policy applies to all Vanderbilt staff responsible for initiating, processing, and authorizing fabricated equipment asset purchases. For additional details on capitalization of equipment, please reference Vanderbilt University Capitalization Policy.

3. Definitions

Asset Management – Oracle Fixed Asset Sub Ledger (FASL) – repository containing all details of capital assets.

Capitalize – Capitalizing is an accounting method used to delay the recognition of expenses by recording the expense as a long-term asset. In general, capitalizing expenses is beneficial as it allows organizations acquiring new assets with a long-term lifespan to spread out the costs.

Fabricated Equipment Asset – is a piece of equipment that, when assembled, functions as a stand-alone asset, or is an enhancement to an existing asset. In the case of Vanderbilt, personnel built or assembled the equipment from individual parts or components.

4. Policy

- a) All **fabrications of equipment** must meet the following criteria in order to be capitalized:
- Total estimated cost of \$5,000 or more.
 - Equipment is not expendable and has an estimated useful life of more than one year.
 - When completed, equipment will not be affixed permanently to a building or structure.
 - Is tangible and capable of specific identification and continuous control through tagging and physical inventory.
- b) Costs that may be charged to the Fabricated Equipment account must be integral to the construction of that fabrication and are limited to:
- Materials and supplies
 - Shop labor
 - Individual items of capital equipment that will be incorporated into the fabrication
 - Shipping and transportation charges
 - Travel directly related to installation of the fabricated equipment

Note: the terms and conditions of specific awards funding fabricated equipment may further restrict the types of costs that can be charged to the fabrication account. Questions about the validity of a particular cost can be referred to the Office of Contracts and Grants (OCGA).

- c) Costs not allowable for fabricated equipment include, but are not limited to, the following:
- Academic personnel labor costs (e.g., salaries for faculty, graduate research assistants, postdocs, senior research associates)
 - Books, periodicals, memberships
 - Computer maintenance and repair
 - Copying and fax usage
 - Entertainment
 - Equipment maintenance and repair
 - Facility rental
 - Food
 - Intracompany charges (e.g., Software Store Purchases)
 - Legal expenses
 - Meetings, conferences, symposia
 - Travel (unless directly related to the installation of the fabricated equipment)
 - Software acquisition and/or development unless necessary in order for the fabricated equipment or instrument to operate
 - Visa applications
- d) Fabricated Equipment is capitalized when placed in service.
- e) Subsequent modifications to the fabricated equipment or replacement of individual parts after the

original fabrication has been capitalized should be expensed, unless the subsequent modification or replacement itself costs \$5,000 or more and extends the useful life of the fabricated equipment beyond 1 year.

- f) Fabricated Equipment assets should be completed within two years of initiation. Any exceptions require approval from the Controller's Office.

5. Equipment Fabrication Responsibility Matrix

Activity	Financial Unit	Controller's Office
Initiate application for fabricated equipment	✓	
Maintains fixed asset sub ledger (FASL) (Oracle Asset Management) by recording additions, retirements, and depreciation monthly		✓
Initiate application for completion of fabricated equipment with date placed in service	✓	
Physical inventory for moveable equipment at least once every two years	✓	✓