

BANNER FINANCE MODULE



Fabricated Equipment – End User Guide

Property Accounting

11/15/2023

Overview

Occasionally, there is a need to build unique, specialized equipment that is not commercially available in order to perform the statement of work on a sponsored award. Federal sponsoring agencies often refer to this as Special Test Equipment (STE) or Special Tooling (ST). Sponsored research proposals and awards sometime refer to these items as Fabricated Equipment, which in order to meet the definition of equipment when completed, must result in an item of non-expendable and non-consumable, tangible, personal property titled to the University, with a useful life greater than one year after completion of the fabrication. Fabricated Equipment is usually built by purchasing various components used to build the equipment. The purpose of this guidance is to provide the criteria for a fabrication on a research project sponsored by the federal government to be considered equipment. The procedures necessary to track the costs are also listed in this guidance, in order for the costs to be tracked in compliance with generally accepted accounting principles for equipment, and to ensure that those costs are properly recorded in the University's accounting system and presented correctly on the University's financial statements.

In instances where the fabrication title is a deliverable on a sponsored award, or if the final fabrication will be transferred to an organization other than the University upon completion, the fabrication is not considered equipment and the fabrication costs should be budgeted as materials and supplies expenses. This guidance explains the process of accounting for a fabrication that will result in a piece of equipment per the criteria listed below.

Criteria

*Following Generally Accepted Accounting Principles,
https://files.fasab.gov/pdf/files/2019_fasab-handbook.pdf*

The fabrication must meet ALL of the following to meet the definition of UNM equipment:

1. The total cost of the components of the fabrication must be \$5,000 or more. Items acquired for a fabrication must not be consumed in the performance of the statement of work of the sponsored award.
2. The fabrication results in one identifiable and discrete item with all parts assembled together as a single unit. It must be tangible and capable for specific identification and continuous control through tagging and annual physical inventory process.
3. No components of the fabrication can be expendable or consumable, and the completed fabrication must have a useful life of more than one (1) year following the later of either the completion and tagging of the fabrication or the end of the award.
4. The title of the fabrication is not a deliverable to the sponsor.
5. Title of the entire fabrication vests with UNM upon completion, and no portion of the fabrication can be transferred to an outside organization.

Examples of costs that do not result in a piece of Fabricated Equipment which are defined as materials and supplies expenses

- General Purpose equipment that is altered or customized to make it usable on a project does not qualify as a fabrication. (General Purpose equipment is defined as equipment whose use is not limited to “Special Purposes” and includes items like office equipment and furnishings, modular offices, copiers and vehicles.)
- Maintenance contracts (other than first year or if not in place at the time the asset is initially put into use) and extended warranties
- Upgrade of existing Equipment (if not adding new functionality and extending the life of the asset).
- Repair and Maintenance
- Replacement parts
- Replacement supplies
- Consumables or supplies (that do not become a part of the final equipment, e.g. tools, paper towels, test equipment, etc.)
- Spare parts

Procedure for tracking costs for Fabricated Equipment

Department

UNM departments must complete and submit a ‘Request for a Fabrication Control Number’ once it is determined that they will be fabricating an asset meeting the previously mentioned criteria. The form is found on the Property Accounting website: <http://inventory.unm.edu/>. Once the form is received and approved by all appropriate offices, Property Accounting will issue a Fabrication Control Number (FAB#). The FAB# must be referenced for all charges related to the project. The request should also include the research proposal documentation and budget. A timeline to fabricate the equipment should also be submitted as well as a description of the final equipment capabilities.

Property Accounting

Charges will be allocated to account 9060 which will serve as a “holding account” to capture activity/charges that are posted to the operating ledger throughout the fiscal year as the equipment is being fabricated. Property Accounting closely monitors the 9060 account code to ensure that all transactions posted to the 9060 account code have a Fabrication Control Number. As charges are made, the department must identify the assigned fabrication control number in the documentation before the transaction is approved. Types of transactions processed by departments that post to Account Code 9060:

1. Purchase Requisitions
2. PCard Allocation
3. Journal Entry

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Once all charges have been captured in 9060 and the item is completed and is in use as intended, the department will notify Property Accounting who will then process a JV entry to move the charges out of account 9060 as follows:

- 9000 for capital equipment (general)
- 9020 for capital computer equipment
- 9040 for equipment to be titled to a government agency

When the JV entry posts, an asset tag will be issued for the equipment. After the project is complete and the asset tag is issued, any appropriate and approved future “add-on” components must be allocated to account 9000, 9020, or 9040 as stated above in the Criteria section. The asset tag number must be referenced for these charges. Do not reference the FAB# since the FAB is considered complete.

Additional Information

For fabrications that may include existing equipment at UNM, please contact Property Accounting at unminventory@unm.edu to obtain information on how to account for a specific scenario.