

THE UNIVERSITY OF TEXAS AT ALRINGTON (UTA)
OFFICE OF GRANT AND CONTRACT SERVICES (OGCS)
PROCEDURE FOR EQUIPMENT AND FABRICATION OF EQUIPMENT

EFFECTIVE DATE OF PROCEDURE: _____

REVIEW DATE: September 16, 2011, June 2014

Most Grants and Contracts are negotiated at a Modified Total Direct Costs (MTDC) indirect cost rate. The MTDC rate excludes indirect costs from being charged to the Equipment (G4050) and Fabrication of Equipment (G4040) categories. If items cannot be capitalized as Equipment or Equipment Fabrication, then the expenses will be charged to M&O (G4090) along with the applicable indirect charges. It is therefore imperative that principal investigators categorize anticipated expenses in the correct line items before a project is submitted. These rules are intended to give a better understanding of which items will be capitalized and the accounting procedures of capitalized items as they relate to the UT Share system:

(G4050): Equipment: For items to be expensed in the Equipment account, the item must be a stand-alone piece, valued at \$5,000 or more and have a useful life for more than a year at the time of acquisition. Freight and installation charges, if any, are considered part of the acquisition cost.

Upgrades and Improvements: Any additions, or improvements to an existing stand alone piece of equipment will be capitalized if the improvement is greater than \$5,000 **and/or** increases the original equipment's value by more than or equal to 25%. The value of the improvement will be added as a component of the original item. The improvement will have the same inventory tag number as the original item.

(G4040): Fabrication: Non-expendable items under \$5,000 may be capitalized if they are used to assemble a stand-alone piece of equipment with a value of \$5,000 or more. Normal repair, maintenance, and expendable supplies such as toner, glue, grease, and replaceable tubes are not capitalized expenses. When a Principal Investigator knows that a piece of equipment will be fabricated, they should notify the Office of Grant and Contract Services in order to give the name of the equipment to be fabricated.

The 87101 expense account is the **only** object code to be used for purchases of fabrication items. All purchases for the fabricated item whether greater than or less than \$5,000 should be coded with expense account 87101. The charges for each piece of fabricated equipment must be correctly accounted for

Documents and receipts should be kept in a file as support for the value of the final piece of equipment. Once fabrication of the equipment is complete (ie. now a functioning, stand-alone piece), the Principal Investigator should notify the Capital Asset Management Office (CAM) Box 19536 ext. 2191 so they can tag the equipment and include it on the department's inventory.

Any improvements or upgrades after the completed fabrication follow the standard upgrade and improvements rule.

Please note that fabricated pieces of equipment should always be completed before the project end date. It is extremely important to notify the CAM office when the fabricated item is functional as it pertains to its intended use.

Pro Card: The Pro Card may be used to purchase fabricated items under \$5,000. It is the department's responsibility to identify any items on the Pro-Card statement used for fabrication by writing the account number with the appropriate sub-account description and changing the expense account to 87101. This is the only way accounting will be notified that the charge should be capitalized. Individual ProCard purchases are limited to \$2,000 or less via ProCard usage policy

Any unique situations regarding capitalization of equipment should be deferred to the judgement of the CAM office.