

**California Institute of Technology
Office of Financial Services**

Equipment Fabrication Process

Effective May 1, 2009

PURPOSE

The processes set out in this document are designed to support the implementation of Caltech's Equipment Fabrication Policy.

INCLUSION OF FABRICATION PROJECT IN PROPOSALS

Equipment fabrications should be clearly identified and appropriately budgeted in proposals. This includes a discussion of the nature of the fabricated equipment in the proposal narrative and inclusion of the estimated costs in the proposal budget and budget justification. Detailed information supporting the fabrication budget should be included in the proposal itself.

When a proposal includes costs for fabrication, requests for internal Caltech review and approval of the fabrication should occur well in advance of the proposal submission deadline. If that is not possible, the proposal budget should be calculated with the F&A rate applied to Modified Total Direct Costs (MTDC), including the fabrication costs. If the fabrication is later approved, OSR will work with the PI and sponsoring agency, as appropriate, to renegotiate the budget and/or scope of the award. If the fabrication is not approved prior to submission and the proposal is submitted "at the last minute" (i.e., within less than five working days prior to the deadline) without including indirect costs, the F&A rate will nevertheless be applied if the approval of the fabrication request is later denied.

If the need for fabricated equipment arises only after the award has been made, the PI should provide a detailed expenditure category level budget to OSR. When prior approval of the sponsor is required, OSR will work with the PI to obtain that approval.

ACCOUNTING FOR FABRICATION COSTS

When a fabrication is contemplated, a special PTA must be established to accumulate the costs of all the individual elements that will constitute the fabrication upon its completion. Before a fabrication account may be established, the proposed fabrication must first be reviewed and approved. The review and approval process is described in **Appendix A**.

Caltech's Facilities and Administrative rate (F&A, rate, indirect cost rate or overhead rate) will not apply to costs accumulated in an equipment fabrication account. Only costs integral to the fabrication and allowable under Caltech's policy may be charged to a fabrication account. The PI is responsible for ensuring that only allowable and allocable costs are charged to a fabrication account.

After a fabrication account has been initiated, Project Accounting and Property Services may review and request additional information on the appropriateness of particular costs charged to that fabrication account. In the absence of adequate justification, the costs will be transferred from the fabrication account onto an appropriate non-fabrication account. Depending on the account to which the cost is transferred, indirect costs may be applicable to the costs that are transferred.

CAPTITALIZATION OF COMPLETED FABRICATION

An equipment fabrication will be capitalized, i.e., recorded as an asset on the Institute's Financial Statement, when it is ready to be placed in service. The procedure for recording and tagging fabricated equipment is described in **Appendix B.**

Review and Approval of Fabrications

The review and approval process for an equipment fabrication is dependant upon the dollar value of the proposed fabrication.

Valuation Table

| <i>Proposed value</i> | <i>Review and Approval</i> |
|---|--|
| \$5,000 - \$99,999 | Property Services and OSR ¹ |
| \$99,999 - \$250,000 | Division Chair, Property Services, and OSR ² |
| Over \$250,000 or ‘special circumstances’ (i.e. the proposed fabrication of an item or components that may not have been anticipated at the time that the fabrication policy was drafted) | Division Chair, Provost, OSR, and Property Services ³ |

Establishing a Fabrication Account

A fabrication account should be established at the same time as the account for the main award is established. The Principal Investigator should complete and sign an **Equipment Fabrication PTA Request Form**. The completed form(s) should be sent to OSR. OSR will circulate the request form for internal Institute approval, as appropriate. If the fabrication is approved, OSR will work with the investigator to establish an equipment fabrication account. If the fabrication is not approved, the investigator will be notified by OSR. The notification will identify the reason(s) why the request was not approved.

Once a fabrication has been approved and a fabrication PTA has been initiated, subsequent requests to increase the estimated cost of the fabrication by an amount greater than 20% of the original fabrication amount will require an updated **Equipment Fabrication PTA Request Form that provides an explanation of the reasons for the increase**. The revised cumulative fabrication budget will determine the level of review required.

¹ Requires at least three working days

² Requires at least five working days

³ Requires at least ten working days

Placing the Fabricated Equipment in Service

Once the fabrication process has been completed, Property Services records the fabricated items as Caltech assets and tags the fabricated items. Property Services will contact the PI within 30 days of the estimated placed-in-service date (listed in the fabrication request form) to arrange a time to verify completion of the fabrication and apply the appropriate tag(s). If the item is not completed at that time, a revised estimated placed-in-service date should be provided.

Following the end date of the main funding award, Project Accounting will notify the PI/contact person and Property Services that the main account and the fabrication account are being closed. During the close-out process, any costs considered inapplicable will be transferred to the main research account, and overhead will be applied. Property Services will contact the appropriate division personnel to arrange tagging of any items that have not already been tagged.