

Fabrication Guidelines

Key Unit Responsibilities

Equipment Fabrication is the process of constructing a piece of capital equipment that has an expected useful life of 1 year or more and an estimated construction cost of \$10,000 or greater.

1

Ensure fabrication components are coded to account 614060 (for university owned equipment) or account 614330 (for sponsor owned equipment)

2

Notify Sponsored Programs (for sponsored fabrications) or Financial Operations (for non-sponsored fabrications) when the fabricated equipment is completed and in use

3

Facilitate tagging and notify appropriate personnel within the department of the completed equipment, as necessary

Allowable Charges

Allowable fabrication expenses to be capitalized should include the non-labor costs of materials built into (or components of) the working fabricated equipment. These expenses should be accounted for on accounts 614060 or 614330.

Unallowable Charges

Unallowable fabrication expenses include salaries, fringes, tools or other supplies used to create the equipment but otherwise not part of the working piece of equipment (ie, hammers, drills, ladders, flux pens), postage, telephone, copying, gas cylinder rentals, warranties, freight that is separately billed, general or office supplies, custodial charges, consumable items such as chemicals/reagents/gases, items that are used up in the fabrication process, and items that are available for use on other projects. These costs are allowable on the project but are not part of the capital costs of the fabricated equipment. They will likely be moved to the Parent upon closeout.

Process Overview

Sponsored Fabrication

- If equipment fabrication is budgeted in the agreement, Department requests SP Customer Service to open a new Sub (FAB) P/G, named after the equipment to be built
- The Department purchases fabrication components on the Fab P/G, using account code 614060 (UM owned) or 614330 (sponsor owned)
- The Department notifies Sponsored Programs Customer Service when the fabrication is complete and in use
- The Department, or SP, writes the appropriate closing JE to move all fabrication components from the Sub P/G to the capital equipment account on the Parent P/G
- Financial Operations reviews the JE to close the fabrication and notifies Property Control.
- Property Control goes to the department to assess and physically tag the fabricated asset
- Once the asset is tagged, Sponsored Programs processes the JE and Financial Operations adds the completed fabricated equipment to the Asset Management System

For questions regarding Sponsored Fabrications, please contact your Sponsored Programs Coordinator

Non-Sponsored Fabrication

- The Department purchases fabrication components using account code 614060.
 - Financial Operations recommends that a separate P/G be established to track all costs of the fabrication
 - If unable to assign the appropriate fabrication account code at acquisition, the Department must JE all applicable costs to the appropriate account after acquisition
- The Department writes the appropriate closing JE to move all components from the fabrication account (614060) to the capital equipment account (614000)
- Financial Operations reviews the JE to close the fabrication and notifies Property Control.
- Property Control goes to the department to assess and physically tag the fabricated asset
- Once the asset is tagged, Financial Operations adds the completed fabricated equipment to the Asset Management system

For questions regarding Non Sponsored Fabrications, please contact accountingoperations@umich.edu

Department Responsibility

The department tracks and maintains the fabricated equipment in the same manner as all other capital equipment.

How to write the JE to close fabrications

- Move the allowable costs out of account code 614060 (equipment fabrication) or 614330 (sponsor owned fabrication) on to account 614000 (equipment >\$10,000) or 614300 (sponsor owned equipment)
- For Sponsored Only – Also, in the same JE move the whole amount from account 614000 or 614300 on the Sub P/G to the same account on the Parent P/G.
- Save all supporting documentation
- In the long description include the following: Fab P/G#, Parent P/G#, name of fabricated equipment, location of equipment for tagging purposes, Department contact, and asset custodian name and phone number.