RUTGERS UNIVERSITY
Office for Research

Research and Sponsored Programs Procedure

Fabricated Equipment

1. Overview

This procedure establishes guidelines for classification, costing, and related procedures for fabricated equipment within sponsored projects. Fabricated equipment is defined as scientific or other complex equipment comprising individual components built into a single functional unit. It is capitalized as a single asset if its combined total cost exceeds $5,000, it is free-standing, complete, does not lose its identity when affixed to other property, and has a useful life greater than one (1) year. All components must function as a single unit, be disposed of collectively, and individual components cannot be used independently. The need for such equipment arises when it is not commercially available or existing equipment lacks the necessary functionality. Departments must be able to justify the capitalization of fabricated equipment if audited.

2. Purpose

The purpose of this procedure is to outline clear definitions, criteria, and procedures for identifying, costing, and processing fabricated equipment within sponsored projects. This ensures proper classification for capitalization, adherence to indirect cost regulations, and appropriate documentation throughout the project lifecycle.

3. Who Must Comply

This policy applies to all members of the University community involved in sponsored projects that include or may include fabricated equipment, including:

- Principal Investigators (PIs)
- Department Administration
- Research and Sponsored Programs (RSP) Grants / Contracts Specialist
- Research Financial Services (RFS)

4. Definitions

Fabricated Equipment: Scientific or other complex equipment made up of individual components built into a single functional unit. To qualify for capitalization as a single asset, it must meet the following criteria:

- The combined total cost is greater than $5,000.
- Free-standing.
- Complete.
- Does not lose its identity when affixed to other property.
- A useful life greater than one (1) year.
- Components are typically purchased separately, possibly from multiple vendors.
- All components must function as a singular unit and be collectively disposed of.

Not Fabricated Equipment:	• Standard items altered or customized for a sponsored project. • Connecting components together in a system (physical or virtual), such as joining individual computers and servers to create a network. • Components greater than $5,000 that are not physically attached or can function independently (these should be considered stand-alone capital equipment). • Items less than $5,000 (these should be considered "supplies and materials" instead of capital equipment). • A sponsored project whose primary purpose is the construction of experimental equipment does not characterize fabricated equipment. • Computer as part of Fabricated Equipment (Exception): If a computer is strictly required to run complex scientific equipment and the fabricated equipment cannot function without it, the computer can be capitalized as part of the fabricated equipment. However, it MUST be used STRICTLY for that fabricated equipment and cannot be used in any other capacity.

5. Procedure

A. General Considerations

The need to fabricate equipment typically arises when suitable equipment is not available off-the-shelf or when additional functionality is required that existing equipment lacks. All materials, supplies, and services from outside vendors or authorized internal recharge activities used in the fabrication of this equipment are EXEMPT from indirect costs, if title is retained by the University. Department labor, travel, or other operational expenses associated with fabrication (e.g., salaries of PIs, graduate student researchers, or comparable personnel) are NOT included in the acquisition cost of the fabricated equipment and ARE subject to indirect costs.

B. Costs That May Be Included in Fabricated Equipment

Costs may be included if they directly contribute to making the equipment functional as a single unit prior to initial use or deployment for research. Allowable costs include:

- Maintenance contract (First year only): If in place for a sub-component at the time the asset is initially put into use.
- Software: If its sole use is for the fabricated equipment, or if it is a critical part without which the equipment would not function, and it is developed specifically for the fabricated equipment's function.
- Modification costs of existing equipment: Only if adding substantial new functionality, rather than expanding existing functionality.
- Testing costs: To confirm proper assembly only; testing to see if an item produces intended results or works in a specific environment is not included.
- Travel: If travel supports both testing and research, costs must be prorated.
- Modification costs of Fabricated Equipment: Only if prior to initial use or deployment for research. Modifications due to design flaws discovered during the first use or deployment are not allowed, but fabrication of changes to the fabricated equipment and/or its software is allowable.
- Installation costs: If necessary to ensure the fabricated equipment is functioning properly prior to initial use, and if directly related to the installation.

C. Costs That May Not Be Included in Fabricated Equipment

Costs that are generally operational, reparative, or for general use are excluded from the capitalized cost of fabricated equipment:

- Cannibalized parts: Parts removed from an existing asset that has already been recorded, capitalized, and fully depreciated.
- Maintenance contracts: Other than for the first year, or if not in place at the time the fabricated equipment is initially put into use.
- Modification Costs of existing equipment: If not adding substantial new functionality.
- Modification costs of fabricated equipment: If incurred after initial use or deployment for research.
- Repairs and Maintenance.
- Replacement Parts.
- Replacement Supplies.
- Spare Parts.
- Supplies: Those that do not become an actual part of the item, such as books, tools, paper towels, test equipment, etc.
- Testing: If the data gathered is to be used in research.
- Travel: If it supports research or is made to discuss design issues.

D. Fabricated Equipment Procedures

- The Principal Investigator (PI), in conjunction with department administration, identifies whether fabricated equipment is to be included in an upcoming proposal.
- The PI completes and submits the Fabricated Equipment Questionnaire to the assigned Research and Sponsored Programs (RSP) Grants / Contracts Specialist.
- Ensure that the cost related to the Fabricated Equipment is included under the items excluded from Modified Total Direct Costs (MTDC).
- Upon initiation of the award, follow the instructions from Research Financial Services.

E. Fabricated Equipment Questionnaire

The Fabricated Equipment Questionnaire is a required document that must be completed and signed by the Principal Investigator.

- SECTION A: Completion is required when costs for fabricated equipment have been included in a proposal budget and described in the budget justification. PIs are cautioned that sponsor funding does not guarantee the fabrication will meet the criteria to be considered a fixed asset or be tagged in the Rutgers inventory system.

  Checking "YES" or "NO" in "SECTION A" engages the analysis for proper classification. If any "YES" answer indicates the product may not meet the definition of fabricated equipment, the PI should contact their RSP Grants / Contract Specialist for assistance. The completed form must be uploaded to the respective RAPSS Funding Proposal as an attachment at least 10 days prior to the Sponsor's due date.

- SECTION B: If the need to fabricate equipment arises unexpectedly after the proposal and budget preparation stage, "SECTION B" must be completed in addition to "SECTION A". Failure to complete "SECTION B" in such circumstances will result in processing delays.

6. Roles and Responsibilities

A. Principal Investigator (PI):

- Identifies the need for fabricated equipment in proposals.
- Completes and signs the Fabricated Equipment Questionnaire.
- Ensures fabricated equipment costs are correctly identified as excluded from MTDC.
- Contact the RSP Grants / Contract Specialist for assistance with classification if "SECTION A" questions yield "YES" answers.
- Ensures "SECTION B" is completed if fabrication is unanticipated.

B. Department Administration:

- Works in conjunction with the PI to identify fabricated equipment in proposals.

C. Research and Sponsored Programs (RSP) Grants / Contracts Specialist:

- Receives the Fabricated Equipment Questionnaire.
- Aids PIs regarding the proper classification of equipment.
- Reviews the completed form and ensures proper classification procedures are followed.

D. Research Financial Services (RFS):

- Provides instructions regarding fabricated equipment upon award initiation.

7. Resources

- Fabricated Equipment Questionnaire & Worksheet

8. Contacts

- Research and Sponsored Programs: (848) 932-0150, ru-orsp@research.rutgers.edu.
- Research Financial Services: (848) 932-4146, financialservices@research.rutgers.edu.