Purpose

The purpose of this Guidance is to define criteria and procedures for the inclusion of Fabricated Equipment on research projects sponsored by the federal government, so that such charges are in compliance with federal regulations and University policies.

Definition

Capital Equipment. An asset with a purchase price of $5,000 or more and having an estimated useful life of more than one year.

Fabricated Equipment. Fabricated equipment is self-constructed equipment having a useful life of more than one year and a total cost of $5,000 or more upon completion. Fabricated equipment cannot be purchased off the shelf. Fabricated equipment does not include upgrades to existing equipment and refers only to the construction of a new piece of equipment.

Fabricated items delivered to a sponsor or sponsor directed third parties will not be considered Capital Equipment, will not be coded as equipment, and will incur full F&A.

Guidance

From time-to-time for reasons of cost efficiency, timeliness of delivery, non-availability or uniqueness of a particular piece of equipment, it may be necessary or advantageous for a research project to fabricate a piece of equipment rather than purchase the item. Such Fabricated Equipment is exempt from the Indirect Cost (F&A) Rate, subject to the following policy and procedure.

I. Criteria. An item shall be classified as Fabricated Equipment if:

a. The total cost is $5,000 or more.

b. The equipment is not expendable and has a usable life of more than one (1) year.

c. The fabrication is based on a proven, available design. That is, the entire design of the equipment is known at the outset of the project and its use is legally permissible, e.g., there is no patent in force that prohibits the fabrication or a license from the patent holder is obtained.

d. The Fabricated Equipment costs must be equal to or less than the cost of constructing subsequent units. For example, if subsequent units are constructed at a cost of $25,000, the initial Fabricated Equipment cost (i.e., the amount exempted from indirect cost calculations) should not exceed $25,000.
e. The Fabricated Equipment costs must not exceed the costs of commercially available units, unless the commercially available units cannot be procured in time to meet the needs of the project. Such limitation must be confirmed in writing to SPA at the time of proposal by including an explanation in the budget justification.

f. The grant proposal and award explicitly include a budget for Fabricated Equipment and the sponsor stipulates that title to the equipment will be retained by UNH.

g. The equipment is to be used only for research and is needed to carry out a sponsored project. This Fabricated Equipment Guidance does not apply when the purpose of the sponsored project is construction of experimental equipment, i.e., when the equipment is a deliverable or for equipment intended for transfer to any organization outside the University.

h. There is a 1:1 correlation between a single fabrication and a single sponsored project. Only in rare circumstances and with explicit approval by the sponsor(s) can the costs of a single fabrication be charged to more than one sponsored project.

i. The fabrication should be started and completed within a single award period.

j. With some exceptions, fabricated equipment is located in the same physical space, normally a single room. Transfer of Fabricated Equipment to non-USNH entities; to another department; or from one location to another within a department requires the completion of an Equipment Location Form USNH 11-010F. In addition, the transfer of equipment to an offsite location may require sponsor approval. Such approval shall be requested and documented prior to any transfer occurring. Please refer to Maintaining an Equipment Inventory Policy (USNH 11-010) for the form and procedures.

k. Connecting components together into a system, e.g., when individual computers and servers are joined to create a network, does not constitute a fabrication. Likewise, the components of fabricated equipment would not be usable independently of the fabricated item.

l. The equipment is free-standing, movable as an entire unit, not permanently attached to a structure, and must not lose its identity when installed in other property.

m. The costs for testing and redesign associated with getting an item to function, or the costs of equipment repairs, maintenance, or non-capitalized modifications are not part of the fabrication costs. Please refer to the Fabricated Equipment Policy (USNH 11-022) for more information.

II. Procedure. For fabrication of equipment which meets the above criteria, the following procedure should be utilized:

a. The Principal Investigator will include the total estimated amount for the fabrication on the equipment line item of the sponsor’s budget. The budget explanation will identify the equipment specifically and will provide a description of the equipment, along with a detailed itemization of all of the costs of fabrication, including non-academic personnel salaries (i.e., technicians or shop recharges), related fringe benefits and material costs. The following statement must be added to the budget justification: “The University has approved the exemption of indirect costs for this
fabricated equipment on the condition that the University shall retain title. Should title not be granted to the University, the sponsor shall pay the full indirect costs on the exempted items.”

b. In finalizing the budget proposal for submission to the funding agency, the fabrication costs as specified above will be excluded from the modified total direct cost base.

c. If the project is funded and the construction of the fabricated equipment is approved, the PI should refer to the University’s policy on Fabricated Equipment. The Fabricated Project Report Form *USNH 11-022F) must be completed and submitted to UNH Fixed Asset Management and the BSC prior to equipment construction.

d. The cost of Fabricated Equipment must be reasonable and supported by adequate documentation and properly tagged by the end of the project.

e. Should the PI determine that the project will require Fabricated Equipment after the award is established, the PI will notify SPA immediately and provide a justification and budget. SPA will submit the request to the sponsor for approval which must be received before commencement of any fabrication.