

**California Institute of Technology  
Office of Financial Services  
&  
Office of Research Administration**

**Equipment Fabrication Policy**

**Effective May 1, 2009**

**PURPOSE**

The purpose of this policy is to set forth Caltech's definition of "fabrication," for the purpose of establishing a Fabrication Account, and to identify types of expenditures that constitute allowable charges on fabrication accounts.

**DEFINITIONS**

**A. "*Equipment fabrication*" is the creation of an item of equipment, or scientific instrument that is built or assembled from individual parts by Caltech personnel, including internal or external shop staff, and meets all of the following criteria:**

The fabricated equipment or instrument:

1. meets unique specifications (typically as outlined in a research proposal or award)
2. has a total estimated cost of \$5,000 or more;
3. has an estimated useful life of 2 years or more  
(note that a completed experimental or prototype device built to obtain data or to demonstrate the feasibility of a particular process may be considered a fabrication only if its initial useful life is two years or more);
4. when completed, will not be affixed permanently to a building or structure;
5. is tangible and capable of specific identification and continuous control through tagging and periodic physical inventory;
6. is owned by Caltech when completed

**a. Notes for Clarification:**

- Software development in and of itself, which might be considered "fabrication" in the broadest sense of the term, does not constitute an equipment fabrication. Software that is an integral component of a fabrication, i.e., is necessary in order for the fabricated equipment or instrument to operate, can be considered part of the equipment fabrication.

- An instance where components are simply connected together in a system, either physically or “virtually,” does not constitute an equipment fabrication, e.g., when individual computers and servers are joined to create a network.

***B. A “Deliverable” is an item of equipment or scientific instrument created by Caltech personnel in connection with grant or contract funding to which Caltech will not hold title when it has been completed. A deliverable is not a “fabrication.” Indirect costs will apply, unless either of the following conditions exists:***

- The deliverable is space hardware (major spacecraft subsystems and scientific instruments carried on space missions), whether purchased or fabricated, that otherwise meets Caltech’s definition of equipment.
- The deliverable meets Caltech’s definition of “equipment” and is installed in a facility to which Caltech faculty will have access to the instrument for research purposes.

In such circumstances the costs of the acquisition or building of the deliverable item will not be subject to indirect costs, and a “fabrication account” subject to the requirements of Section C, below, will be set up .

***C. A “Fabrication Account” is an Institute account (known also as a “PTA”) that has been established for the purpose of recording the costs of an approved fabrication of equipment. Upon completion of the fabrication, the aggregated costs in the fabrication account constitute the total cost of the resulting item of equipment.***

### **COSTS THAT ARE ALLOWABLE ON FABRICATION ACCOUNTS**

Costs that may be charged to an equipment fabrication account must be integral to the construction of that fabrication and are limited to:

- Materials & supplies
- Shop labor
- Individual items of equipment (as defined in Caltech policy) that will be incorporated into the fabrication
- Shipping/transportation charges
- Salaries and wages of non-academic Caltech staff (e.g., engineers and technicians) working directly on the fabrication
- Travel directly related to installation of the fabricated equipment

Note that the terms and conditions of specific awards funding an equipment fabrication may further restrict the types of costs that can be charged to the fabrication account.

### **COSTS THAT ARE NOT ALLOWABLE ON FABRICATION ACCOUNTS**

Examples of costs that are not allowable charges to an equipment fabrication include, but are not limited to, the following:

- Academic personnel labor costs (e.g., salaries for faculty, graduate research assistants, postdocs, senior research associates)
- Books, periodicals, memberships
- Computer maintenance and repair
- Copying / Fax usage
- Entertainment
- Equipment maintenance and repair
- Facility rental
- Food
- Legal expenses
- Meetings, conferences, symposia
- Travel (unless directly related to the installation of the fabricated equipment)
- Software acquisition and/or development unless necessary in order for the fabricated equipment or instrument to operate
- Visa applications

On a per-project basis in highly unusual circumstances, salaries of academic staff for work directly on the fabrication may be allowed on a fabrication project. Such exceptions require the approval of both the Division Chair and the Provost.

Questions about the allowability of a particular cost can be referred to the Office of Sponsored Research (OSR) or the Project Accounting Office.

Caltech's Facilities and Administrative costs (indirect cost rate) will not apply to costs accumulated in an equipment fabrication account. Only costs integral to the fabrication and allowable under this 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.

### **CAPTITALIZATION OF COMPLETED FABRICATION**

A Caltech 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, except in those rare instances mentioned above where Caltech will not hold title to the fabricated item.

### **SUBSEQUENT MODIFICATIONS**

Subsequent modifications to the fabricated equipment or replacement of individual parts after the original fabrication has been completed do not qualify for an indirect exemption under this policy, unless the subsequent modification / replacement itself costs \$5,000 or more and extends the useful life of the fabricated equipment by at least two years.

**EXCEPTIONS**

Any exceptions to this policy must be approved by the Provost and the Vice President for Business & Finance.

April 29, 2009