I. APPLICATION AND PURPOSE

The University’s Financial Records System (FRS) allows for the accumulation of costs incurred in the fabrication of equipment or models in work-in-progress accounts. The accumulated costs are transferred from the work-in-progress account to the fund and account that “owns” the finished equipment or model. Since a purchase of such equipment or model would not be subject to F&A costs, fabrication is exempt from F&A costs.

The purpose of this FPI is to outline policies and procedures for establishing and utilizing work-in-progress accounts in Funds 8-8 and 8-9 for accumulation of costs of fabricated equipment or models. With approval from the Self Funded Accounting section, the 8-9 fund is also used for other special projects for Telecommunications and Facilities Management.

II. DEFINITIONS

A. Equipment - tangible capital assets with a cost of $1,000 or more (changing to $5,000 or more July 1, 2001) and a useful life longer than one year. Fabricated equipment is recorded in subcode 3780 and is exempt from F&A costs.

B. F&A Costs - Facilities and Administrative costs are the indirect overhead costs. F&A rates are negotiated with the U.S. Department of Health and Human Services. F&A rates are applied to modified total direct costs of a project (5-3 fund).

C. Model - A model is similar to equipment but is used and consumed in testing. An example is a wind tunnel model that is destroyed during testing. Models that last less than one year are recorded in subcode 3665 and are subject to F&A costs. A capitalized model is intended for continued use for more than one year, even though it may be subjected to numerous modifications during its useful life. Capitalized models are recorded in subcode 3660 and are exempt from F&A costs.

III. POLICY

Costs for any constructed or fabricated equipment or model must be accumulated in a work-in-progress account in the 8-8 or 8-9 fund.

Monthly, the costs are transferred from the 8-8 or 8-9 account to the account that will ultimately receive the benefit from the completed equipment or model. The ultimate source for an 8-8 fund account is the 5-3 Sponsored Program account or related cost-sharing account. The ultimate source for an 8-9 fund account is any other University fund.
account. The 8-8 fund is administered by Sponsored Programs. The 8-9 fund is administered by Business & Financial Services, Self Funded Accounting section.

Costs that may be charged to an 8-8 or 8-9 account include:

1. Materials needed to fabricate equipment or models.
2. Services needed to fabricate equipment or models.
3. Salaries of technicians performing the actual fabrication.
4. Any other costs that can be specifically identified as directly related to the equipment fabrication.

Costs that may not be charged to an 8-8 or 8-9 account include:

5. Salaries of principal investigators or administrative personnel. Salaries should be recorded in the ultimate (5-3 or other) account directly.
6. Travel expenses.
7. Indirect costs (charged to ultimate funding source if applicable).
8. Salaries of clerical support staff.
10. Capital equipment (over $5,000).
11. Any other costs that cannot be specifically identified as directly related to the equipment or model fabrication, such as postage.

When the equipment or model construction is finished, the total costs will be transferred into an equipment subcode 8XXX.

IV. PROCEDURES

A. Application for a Work-in-Progress Account

Each item of equipment or model fabricated will have one 8-8 or 8-9 account number. Complete a fund application form and submit it to Sponsored Programs for 8-8 funds - http://www.research.colostate.edu/pubs/ or to Self Funded Accounting for 8-9 funds - http://www.colostate.edu/Depts/BusFin/fm.html.

The budget section of the form includes the estimated total cost of the fabricated equipment or model including any equipment to be purchased by the ultimate source fund that is incorporated into the fabricated equipment. The subcode to be charged in the fund that will ultimately benefit from the equipment or model will be 378X for equipment, 3660 for capitalized models, or 3665 for uncapitalized models. Faculty and Administrative Professional salaries cannot be included in these costs and no charges may be made directly to 378X, 3660, or 3665 in the account that has the ultimate funding for the equipment/model. Appropriate expense subcodes must be used on the 8-8 and 8-9 fund accounts, such as 3410 for supplies. No F&A costs will be assessed on subcode 378X or 3660 because it is ultimately exempt from F&A costs.

If the account is for the modification of an existing piece of equipment or model, note the property inventory decal number and cost of the original item on the application.

For 8-8 fund applications, the Sponsored Programs Contract and Grant Administrator will determine whether sponsor approvals are necessary for the equipment. If this item can be purchased, a justification for fabrication of the
After the approval of the application, the Sponsored Programs Administrator will sign the application and forward it to the Sponsored Programs Accounting. Sponsored Programs Accounting will create the account and set up the prorates for moving the costs to the 5-3 fund account and excluding the F&A costs in the 5-3 fund account, if applicable. Sponsored Programs will notify the originating department and Property Management of the account number assigned with a copy of the approved application.

An 8-8 fund account is subject to the same limitations and restrictions as the ultimate 5-3 fund account. Sponsored Programs will monitor expenditures against the original budget on all 5-3 fund equipment. If the 8-8 account exceeds the budget by more than 25 percent, Sponsored Programs requires a revised budget and justification.

For 8-9 fund accounts, Self Funded Accounting will notify the department and Property Management of the account number assigned with a copy of the approved application.

Property Management will produce and hold a decal until completion of the project. Property Management monitors the accumulation of costs during the project.

A. Periodic Review and Termination

Sponsored Programs Accounting and Self Funded Accounting will periodically review all 8-8 and 8-9 accounts. An account will be frozen and deleted as follows:

1. When all transfers as detailed above have been accomplished.
2. When an account has been in use for more than twelve months and no adequate justification is provided to Sponsored Programs Accounting or Self Funded Accounting explaining the unplanned delay in completion of the equipment fabrication.
3. When Self Funded Accounting or Sponsored Programs Accounting has reason to believe that any of the policies or procedures outlined in this instruction are violated.

B. Completion of Construction

Upon completion of the work-in-progress item, the P.I. or other responsible person will prepare a memo stating that all expenditures are complete, encumbrances are zero, the capitalized item is now complete and ready to be placed on property records, and the account may be closed. This memo is sent to Sponsored Programs for the 8-8 fund and Self Funded Accounting for the 8-9 fund. For equipment construction or capitalized models, the department will prepare a Journal Entry Request on CIS (Campus Information System) transferring the accumulated charges from 378X or 3660 to the appropriate equipment subcode.

Work-in-progress models in 3665 are not capitalized because the useful life is less than one year and the item is expensed in the ultimate account number.

Self Funded Accounting or Sponsored Programs Accounting will approve the Journal Entry and close the account. Property Management receives a copy of
the CIS journal entry showing the total cost to be recorded on the property inventory and issues the decal.