

## Essentials of Fabrication

### What is a fabrication?

Fabrication is the **transformation** of materials, hardware, components, etc., into a one-of-a-kind piece of equipment that meets a unique research need.

- Every component of a fabrication must be essential and necessary to the function of that fabricated unit, and are integrated into the unit.

### Capitalization rules for fabrications

- $\geq \$5,000$
- Useful life of at least 1 year
- Additions/upgrades can be capitalized if the total cost  $\geq \$5k$  and the upgrade adds enhanced functionality.

### Explain various types of fabrications

- Becomes a piece of capital (permanent) equipment with a useful life  $>1$  year when placed into service
- Deliverable (built for external entity that will retain title to it)
- Clusters (multi-component item that is connected together so it acts as one unit at a higher capacity than if functioning individually)
- Special test equipment (engineered, designed, or fabricated, or modified to accomplish special testing in performing a contract and isn't considered capital equipment)

### Fabrication SpeedTypes and Subclass

- Each fabrication has unique subclass and tag numbers.
- Each project needs a dedicated SpeedType for fabrication charges being allocated to that project.
- Fabrications can be charged to multiple projects.
- If a fabrication is charged to multiple projects, you can track the overall cost of a specific fabrication through the subclass.
- The fabrication SpeedType will be closed at the end of the award. If the fabrication is not complete or "put into service" by the project's end date, it can be completed on another project.



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List things that can be charged to a fabrication

- Materials and supplies that are *integrated into the fabricated unit*
- Freight
- Construction
- Installation
- Training
- Assembly labor
- Materials and/or supplies that assist in constructing or testing the fabrication (e.g., fuels, gasses, or compressed air) are **not** integrated into the unit and are **not** capitalizable costs.

What are some key indicators that suggest your PI might be building a fabrication?

- PI tells you to charge PCard supplies or materials to “the new rocket module” and there’s no equipment budget.
- Lots of charges for components, materials, and hardware, especially if there is no equipment budget and the SOW mentions items listed in bullet point below.
- Proposal or SOW states they are assembling, designing, prototyping, delivering, etc., an item.

What are some red flags when managing a fabrication?

- New charges to fabrication when spending has been inactive for a while, especially misc. small dollar charges.
- Charges being expensed to a fabrication that’s been placed into service.
- Charges moved from award to award (esp. old charges to new awards).
- Supply charges that are years old (e.g., from a/c 530101) being transferred to the fabrication SpeedType at closeout.

Fabrication Closeout

- Notify PAO when placed into service. This should not just occur at project closeout.
- Notify OCG when deliverable is shipped. Again, this should not just occur at project closeout.
- Accurately account for fabrication on DCPR, especially if that fabrication is being charged to multiple projects.