

Memorandum

To: Deans, Director, Chairs and Department Business Officers

From: William W. Destler

Date: March 7, 2001

Subject: Revision of F & A (Facilities and Administration) Cost Waiver on Equipment Fabrication

The waiver of F & A on component parts for equipment fabricated in campus shops is now extended to equipment fabricated in campus labs as well. This action allows for the consistent treatment of equipment fabrication costs and supports graduate student training in research fields requiring construction of state-of-the-art equipment. The attached notice specifies the definitions and conditions of this waiver.

Background

Our F & A Rate Agreement exempts purchases of equipment, but not specifically component parts required for equipment the University fabricates for use on sponsored projects. Most component parts in and of themselves do not fall within the dollar definition of equipment and, therefore, are subject to F & A. For over 25 years, the campus has waived overhead applied to equipment fabricated, constructed, and/or assembled under work orders in department shops. This exemption did not apply to components of equipment fabricated in department labs. With the increase of the equipment definition to \$5,000 in July 1998, those researchers who need to fabricate equipment on-campus, but outside of the established shops, felt this policy was not equitable. A committee met late last year and recommended a revision to the current waiver policy.

Implementation

Effective March 1, 2001:

- Proposal budgets including equipment fabrication would exempt those items that meet the conditions of the policy;
- Separate accounts be established for new awards based on proposals already submitted which include equipment fabrication as a budget line item;
- Current awards with equipment fabrication line items are to start using the 4348 code within the existing account number.

Should you have any questions about the implementation of this waiver, please contact Ms. Erica Kropp, ORAA, at 301-405- 6266 or ekropp@umresearch.umd.edu.

WAIVER NOTICE

March 1, 2001

Facilities & Administrative Cost Waiver on Fabricated, Constructed and/or Assembled Equipment

A waiver of F & A is hereby granted to the work orders for fabrication of equipment in campus shops as well as component purchases required for equipment fabricated in campus laboratories, provided the following definitions and conditions are met:

1. Equipment is an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition or total fabricated/constructed/assembled cost of \$5,000 or more. Equipment expenditures include the cost of any reasonable modifications.
2. This waiver is limited to equipment that is used only for research, scientific or other technical activities and is needed to carry out the sponsored project. It does not apply to when the sponsored project itself is for construction of experimental equipment, such as when the equipment may be a deliverable, or for equipment intended for sale or transfer to any organization outside the University. It does not apply to equipment repairs.
3. Such fabricated/constructed/assembled equipment items require the same prior approvals required by the sponsor or University prior approval system (UPAS) as for equipment purchases.
4. Such equipment is capital equipment and must be inventoried and entered into the fixed asset system upon completion as federal or university property, as appropriate and in accordance with UMCP Administrative Procedure A3.14, Section C.2.c. Costs to be included in the valuation of such equipment are described in this administrative procedure. Subsequent modifications to inventoried equipment must be valued at the close of the sponsored project award.
5. Equipment fabricated/constructed/assembled within campus shops shall continue to be billed on a work order basis with an acceptable and verifiable method of billing in accordance with the cost accounting standards of OMB Circular A-21.
6. A separate account number will be established for each sponsored project on which *equipment* is to be fabricated. All equipment component purchases, even those over \$5,000, must use the object/expense code 4348 and are to be charged to these separate accounts.

This waiver and its use will be reviewed in three years.