



Capital Equipment Fabrications

Lawrence Berkeley
National Laboratory

Financial Policies and Procedures

Part I

Title:	Capital Equipment Fabrications
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Primary contact:	Controller

Summary

The purpose of this policy and procedure is to provide guidance for the identification, processing and accounting of capital equipment fabrications at LBNL.

Policy

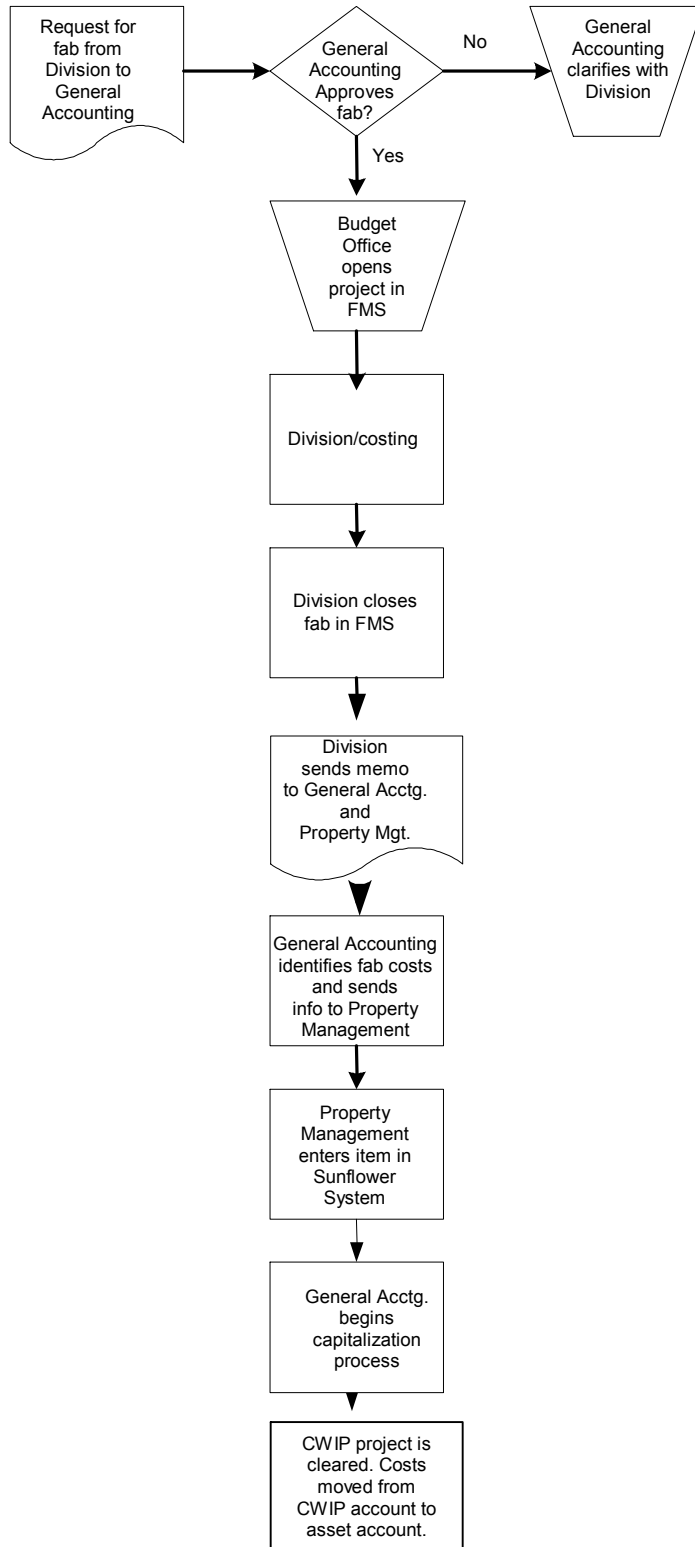
The following criteria must be met in order for a capital equipment fabrication (see glossary) project to be approved:

- Meets basic Department of Energy (DOE) property capitalization criteria:
 - Has a minimum life of two years and a value of \$50K or greater. The \$50K threshold includes overheads, freight, and any applicable taxes.
 - Must be tangible and capable of specific identification and continuous control through tagging and periodic physical inventory.
- Must be a self-constructed asset built at LBNL to be used for research by LBNL employees.
- The asset must be permanently placed on LBNL's accounting records.
- Must be a unique or custom device not available in the open market. To qualify as a fabrication, any modification or improvement of off-the-shelf equipment must be a betterment that significantly increases its value, functionality, or life.
- Fully loaded LBNL labor must total at least 20% of the total cost.
- For fabrication projects that do not meet the above criteria, the Division must obtain the express written concurrence of the Laboratory Director.
- If a project is identified as a capital equipment fabrication performed at an offsite location, the G&A burden assessed on this project is the Offsite rate (Burden = OFF).

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Procedure

The following is an overview of the fabrication project life cycle:



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Requesting/Opening a Fabrication Project

Memo Requirements

The Division Resource Analyst submits the [Plant and Capital Equipment \(PACE\) Project Life Cycle Form](#) to General Accounting. The form will require the following information:

- Project ID.
- Project title.
- Estimated cost of labor and total estimated cost for the project. Submit estimate with memo.
- Estimated completion date.
- Principal Investigator/Manager in charge of project.
- Number of units to be fabricated. Indicate if any units are prototypes.
- Location of unit(s).
- A full description of the item to be fabricated. The description should include the purpose of the item being fabricated and should be easy to interpret, so that Property Accounting can identify units that need to be capitalized when the fabrication is completed.
- If an improvement to existing DOE property is being made, include the property number of that unit(s).
- Provide the estimated useful life of the fabrication.

FMS Requirements

The Division will enter a project in FMS and submit in "R" (Requested) status with the following information:

- Project Type = EQFAB
- Burdens = PRO, FAB, RND, IUP, IUR, and TVL
- Management Analysis and Reporting System (MARS) Code = EQUIP
- Budget and Reporting (B&R) code = B&R code where funding resides
- Budget Reference Number (BRN) = EQU
- BRN sub
- Team Principal Investigator (PI)/ Resource Analyst

If the memo is not approved, the Indirect Budget Office will contact the Division Resource Analyst to clarify details. If it is approved, the Indirect Budget Office will change the project status to "Open" in FMS, which will enable the project to begin incurring costs.

Closing a Fabrication Project

To close a fabrication project, the Division Resource Analyst submits the [Plant and Capital Equipment \(PACE\) Project Life Cycle Form](#) to General Accounting and Property Management. The form will require the following information:

- Division requesting closure
- Description of asset

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- Project ID
- Project title (current title of project at time of closing - description of asset)
- Location of unit(s)*
- PI/ custodian name, telephone number, and point of contact
- Budget and Reporting (B&R) code
- Property ID
- Total cost of project by fiscal year

Example:

(\$K)			
Total	FY 2004	FY 2003	FY 2002
350	100	200	50

*Note: A Division representative must provide the exact location of the asset, which must also be tagged for capitalization.

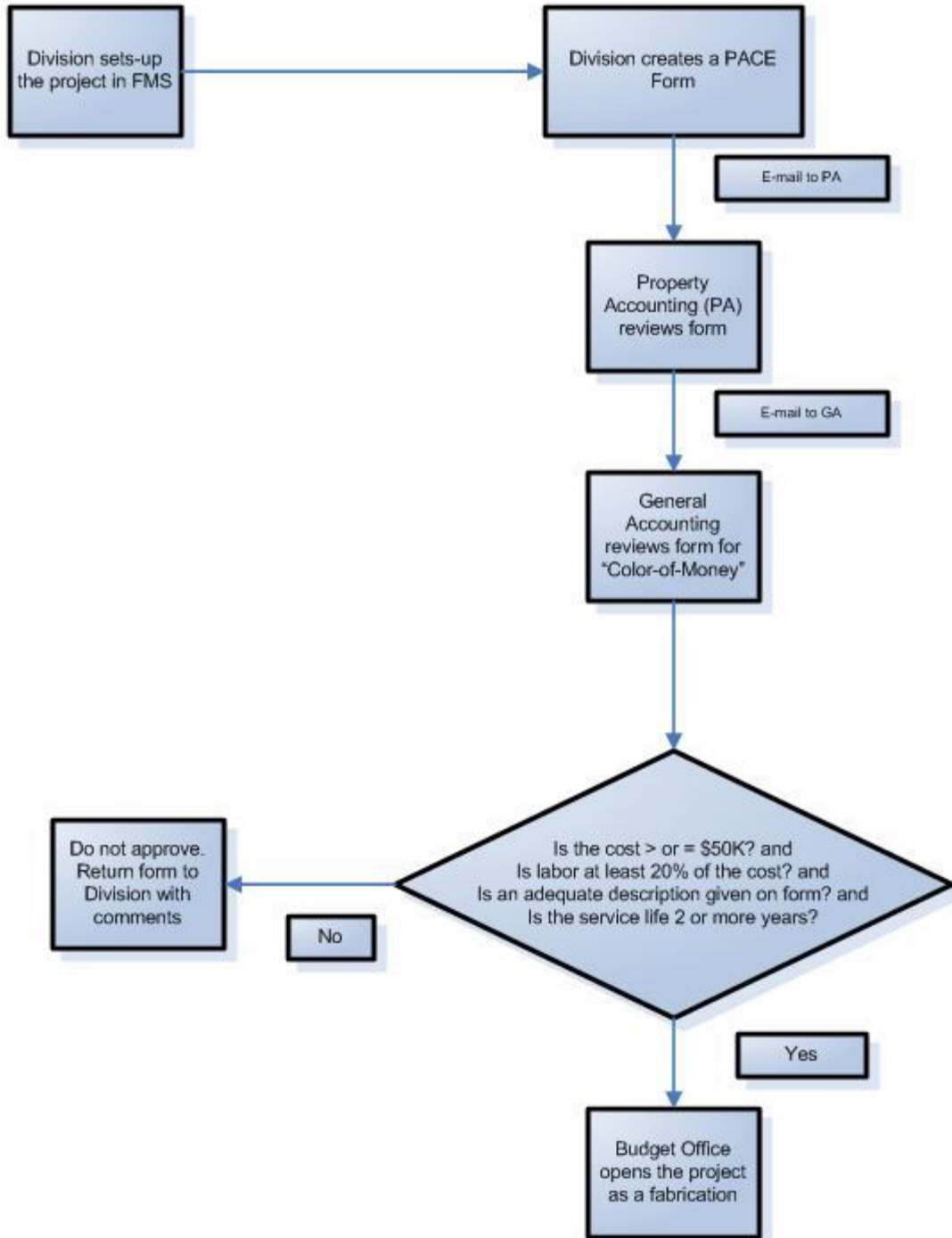
Once notification is submitted, the Division Resource Analyst can close the project in FMS.

Each Division is responsible for maintaining costs within the approved equipment appropriations and for notifying General Accounting and Property Management in a timely manner when projects are closed. The Division will be contacted if a project is closed, and a closing memo has not been submitted. A Division representative must provide the exact location of the asset, which must also be tagged for capitalization.

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Fabrication Approval Process

4/26/2007



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Contacts

- Manager, General Accounting Office
- Manager, Indirect Budget Office

Glossary

- **Betterment:** The improvements to plant and capital equipment that result in better quality, higher capacity, or an extended useful life.
- **Budget and Reporting (B&R) Code (Classification):** A DOE-defined classification of financial activity prescribed for use in the formulation of budgets; the reporting of obligations, costs, and revenues; and for the control and measurement of actual execution versus budgeted performance.

It is one of six funding fields used by the DOE MARS system to identify the DOE program funding source. The other funding fields are: Fund Type, Program Task Number, BRN, and BRN Sub. The combination of these six funding fields is critical as to how projects are set up and costs are applied to funding.

- **Burden:** An indirect cost. This term is sometimes used interchangeably with overhead. For LBNL, burdens tend to be local in nature, and apply to particular Divisions or functions, such as procurement, travel, or organization burden. Also refers to the “tax” that is allocated to a direct cost objective to recover the cost of a set of indirect activities.
- **Capital equipment:** Movable personal property with an anticipated service life of two years or more and a cost of \$50,000 or more, which substantially retains its original characteristics. Capital equipment does not include application software, maintenance, repair, warranties, real property improvements or related personal property.
- **CWIP:** Construction Work in Progress.
- **Fabrication:** Equipment that is constructed by combining modular components and/or materials into one identifiable unit. The finished product must meet certain DOE property capitalization criteria such as:
 - Value of \$50K or more
 - Useful life of two years
 - Tangible, capable of identification and continuous control
 - Is a self-constructed asset built at LBNL
 - Unique or custom device not available in the open market
 - Modifications or improvements must be a betterment that significantly increases its value, functionality or life
 - Fully loaded LBNL labor must total at least 20% of the total cost

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- **Management Analysis and Reporting System (MARS):** The DOE financial system, to which LBNL must report on a monthly basis.
- **Prototype Equipment:** A completed experimental or prototype device built to obtain data or to demonstrate the feasibility of a particular process may be capital funded if its initial life is two years or more.
- **Self-constructed asset:** Any project funded by DOE to construct plant or fabricate capital equipment that will be used by LBNL staff and permanently placed on LBNL's books. The equipment may also be used off-site in support of LBNL research. For projects funded by a WFO sponsor, LBNL must retain title to qualify as a self-constructed asset. If the capital equipment is to be used elsewhere, its fabrication must be required to meet specific LBNL operating research project objectives as defined in the Field Work Proposal (FWP) or Statement of Work (SOW).