16.2. ACQUISITION OF EQUIPMENT

**A. Purchase of New Equipment**

**1. Ownership**

All equipment and material items purchased with University of Texas at Austin monies are property of the university. Ownership for items purchased with private and federal funds is determined by a governing document such as an award or a contract. Even if the title to an item does not rest with the university, the university is still responsible for the caretaking of the item and liable for the item until it is returned to its owner. Additionally, based on FAR clause [52.245-1 (f)(1)(i)](https://www.acquisition.gov/far/52.245-1" \l "FAR_52_245_1__d3642e372), the department that acquires government-owned property is identified as the contractor and shall document that all the property was acquired consistent with its engineering, production planning and property control operations.

**2. Asset Threshold**

Expenditures for items with a unit cost meeting the [State Property Accounting (SPA) Process User’s Guide guidelines](https://fmx.cpa.texas.gov/fmx/pubs/spaproc/index.php) for capital equipment shall be coded as capital equipment. Expenditures for items that meet the criteria set by SPA for controlled equipment must be coded as controlled equipment. Visit the SPA Process User’s Guide for a current listing of capitalization thresholds and a listing of items considered controlled.

**3. Costs Included in Asset Value**

Freight and shipping charges associated with acquiring a capital or controlled asset must be included in the asset's value, as well as all modifications, attachments, accessories, or apparatuses necessary to render the asset usable for service. The total value determines whether the item is expensed, controlled, or capitalized. Warranty and service agreement costs are expensed if the warranty or service agreement costs are listed as separate line items on the purchase order or invoice. Otherwise, warranty costs and service agreement costs are added to the value of the asset.

**4. Assets Purchased with Federal Funds**

There are additional guidelines to be followed when purchasing items with government funds. Prior to the purchase of equipment, the project director should screen available equipment to ascertain whether existing equipment will meet the requirements. The authority to purchase equipment is determined by the contract or grant. Project directors and departmental purchasing personnel must be sufficiently familiar with the provisions of the contract or grant to ensure that purchases are not made until approval is obtained from the sponsoring government agency. A Contract and Grant Services accountant monitors each federal contract and grant account. One of the accountant's specific duties is to ensure that approval has been obtained from the government agency before purchasing equipment.

When overages, shortages, or damages are discovered upon receipt of government-furnished property, the project director shall provide a written report to Contract and Grant Services within ten days of receipt. This report must contain sufficient facts and pertinent data to enable Contract and Grant Services to comply with the required reporting procedures of the sponsoring government agency. For overages, shortages, or damages relating to contractor-acquired property, the department should work with Contract and Grant Services and Campus Distribution Services.

All PIs and departmental inventory contacts dealing with federal inventory must complete inventory training annually. Please refer to [16.1. Section D. Inventory Training](https://afm.utexas.edu/hbp/part-16/1-inventory-control-and-property-management-overview) for more details.

**5. Vehicles**

Newly purchased vehicles and electric carts (costing $5,000 or more) received by University Fleet Operations operating under Parking and Transportation Services are tagged by University Fleet Operations. Departments are not responsible for tagging these items but must still supply Inventory Services with the tagging details.

**Note**: Attaching property control plates or tags or otherwise marking capital or controlled items to indicate university ownership is required by state law. For information about the sale and purchase of vehicles, refer to [16.6. Other Transactions Relating to Equipment](https://financials.utexas.edu/hbp/part-16/6-other-transactions-relating-to-equipment#vehicle-title-transfers).

**B. Rent/Purchase - Lease/Purchase - Installment Payment**  
  
Property items acquired on a rent/purchase, lease/purchase, or installment payment basis must be added to the departmental inventory at the total value of the purchase when the initial payment is made or when the property has been received. These items will be inventoried in the same manner as direct or outright purchases.  
  
  
**C. Fabrication of Equipment**

**1. General Overview**

Fabricated equipment is defined as a unique one-of-a-kind item built or assembled from individual parts or materials by or under the direction of university personnel. The completed item of fabricated equipment may have, but is not limited to, a single power source and may result in a stand-alone item. Fabrications are created by assembling a number of components (manufactured or custom-made) to produce a piece of equipment that meets unique research specifications. Most fabrications are sponsor-funded and, therefore, have several compliance requirements related to acquiring and tracking individual pieces of equipment in an assembled fabrication.

All services purchased for equipment fabrication must be used in the fabrication process and become a permanent part of the end product’s value. All items purchased must also become a permanent part of the end product’s value unless they are destroyed during testing or consumed in fabrication. The completed item of fabricated equipment must have a useful life of at least one year and be classified as either a capital or controlled asset per SPA guidelines. Once the fabricated equipment is completed or has started producing useful information in research, the department must notify Inventory Services within 30 days of rendering it into service so it can be added to their inventory.

Please refer to [16.1.B. Inventory Definitions](https://afm.utexas.edu/hbp/part-16/1-inventory-control-and-property-management-overview) for more details on fabrication that will revert to the sponsoring agency at the end of the award/contract.

All PIs who have fabrication in progress are required to complete inventory training on an annual basis. Please refer to [16.1.D. Inventory Training](https://afm.utexas.edu/hbp/part-16/1-inventory-control-and-property-management-overview) for more details.

**2. Subaccounts**

To consolidate the various expenditures involved in fabricating items of equipment, Contract and Grant Services has established fabrication subaccounts for use in each agreement affected. If an item of equipment is going to be fabricated, the project director must advise the university accountant of the particular contract or grant involved. Then, they can jointly agree on the appropriate subaccount number. It is then incumbent upon the project director to maintain a record system that will reflect the significant costs directly related to the construction of the fabricated item.

**3. Cost of Materials**

Costs of materials and supplies used in fabricating equipment shall be accounted for using the 1832 object code or 1862 for fabrication reverting to government. The contract labor costs directly related to fabrication are included in the transactions using the 1832 object code (1862 for fabrication reverting to government), but not the cost of in-house (UT Austin) labor. Those cumulative costs, as determined by the project director, will become the cost of record for the fabricated equipment item. When a fabrication subaccount has been established for a particular contract, other subaccounts must not be used to purchase materials, parts, etc., for the fabricated equipment.  
  
If different equipment items are going to be fabricated, the project director must keep the costs for each item segregated and properly allocated. To facilitate this segregation, a limited number of different subaccounts can be established for the costs of the different fabricated items. If, however, the different items being fabricated work as an integral unit or system when finished, the same subaccount number may be used. The department producing the fabrications is encouraged to maintain a detailed spreadsheet that allocates all of its qualifying expenses to specific projects.

**4. Transfer of Cost**

Departments/Centers frequently maintain bench stocks of commonly used components and replacement parts. Because these items are purchased in quantity, they are more economical than special ordering similar items. Consequently, researchers use them in the interests of expediency and economy. Costs of these items must be determined and transferred by an Interdepartmental Transfer (IDT) voucher from a departmental revolving account to the fabrication subaccount. In some cases, the use of these materials and supplies may be minimal; therefore, it may be difficult or not feasible to ascertain their costs. When such costs are insignificant or cannot be determined, they should not be transferred to the fabrication subaccount. The project director shall determine this. The basic policy is to identify and properly assign the costs of all materials and supplies used in the fabricated product. Refer to the Inventory Services prepared fabrication training at the link below for further details.

[Fabrication Training](https://utexas.box.com/v/fabrication)

**D. Noncash Gifts to the University**  
  
Noncash gifts to the university are added to inventory upon formal acceptance by the University Development Office. The value of such items is an appraised or fair market value as provided by the donor. The official acceptance of all gifts on behalf of the university is governed by the University of Texas System Board of Regents Rules and Regulations [Series 60101](https://www.utsystem.edu/board-of-regents/rules/60101-acceptance-and-administration-gifts) and UT System System-wide Policy [UTS138 Gift Acceptance Procedures](http://www.utsystem.edu/board-of-regents/policy-library/policies/uts138-gift-acceptance-procedures).

Contact the University Development Office at [giftoperations@austin.utexas.edu](mailto:giftoperations@austin.utexas.edu) to report nonmonetary gifts to the university.

**E. Equipment Transferred to the University**  
  
  
Two types of equipment transfers come into the university.

* **Interagency Transfers,** or transfers from another state agency such as Texas Department of Transportation, University of Texas M.D. Anderson, Texas Tech University, etc., to The University of Texas at Austin.
* **Transfers in from a Non-Texas State Agency** or private institution, such as Stanford University or Baylor University. These transfers usually occur as a result of a principal investigator (PI) coming to the university or for equipment that is not being received by the University Development Office.

The transferring entity must send a property transfer receipt form for the property manager to sign, signifying receipt of the item(s). Once the receiving department has confirmed the transfer, the property manager signs the form, retains a copy for university records, and returns the form to the sending entity. Once the property manager has approved the transfer, the department needs to send the tagging information to Inventory Services within 30 days of receipt of the equipment.  
  
**F. Tagging**  
  
  
Departments must affix a barcode numbered property tag to the property (or assign an inventory number for intangible or art items) and submit the required information to Inventory Services at [INVselftag@austin.utexas.edu](mailto:INVselftag@austin.utexas.edu) for processing within 30 days of receipt of equipment. If the property is government-owned, it must be tagged, and the required information should be submitted to Inventory Services within ten (10) days of acquiring the property. After receiving tag information from the department, Inventory Services will update the property records within ten (10) business days, excluding the fiscal year-end period when the property system is not operational.

Additionally, affix a Federal or Property of U.S. Government Tag in conjunction with the university barcode tag for any assets that meet controlled or capital thresholds.

Affix a UT seal blank tag for items below the capital thresholds and not categorized as Controlled Class Codes or fall below the 500-4999.99 value to help identify equipment as UT property. The blank tag also helps to deter theft and avoid confusion as to whether an item was missed during the initial tag process and is also accepted by surplus properties. Please refer to the [Tagging Equipment Guide](https://utexas.app.box.com/s/ntlobxubcvb8adpijwvlwft73dhuummu) for more information.

If an inventory tag is worn out, illegible, or missing from an inventoried item, a new tag must be affixed to the asset. A tag update will need to be provided to Inventory Services so that the inventory record can be updated.