1. **Procedure Title:** Work in Process: Equipment Fabrication and Internally Generated Software.

2. **Procedure Purpose and Effect:** The University's Kuali Financial System (KFS) allows for the accumulation of costs incurred in the fabrication of equipment, models or internally generated software to work-in-process accounts. The accumulated costs are transferred from the work-in-process account to the fund and account that owns the finished product. Since a purchase of such equipment, model or software would not be subject to F&A costs, fabrication and development is exempt from such costs. These accounts may also be used for special projects for Telecommunications and Facilities Management upon approval from Business and Financial Services.

3. **Application of Procedure:** The purpose of this FPI is to outline the procedure for establishing and utilizing work-in-process accounts for the fabrication of equipment, the creation of models and the development or implementation of software.

4. **Exemptions:** Internally generated software that in aggregate will be less than $50,000.

5. **Definitions:**

   A. **Internally Generated software** - Software developed in-house by CSU or by a third-party contractor on behalf of CSU. Commercially available software that is purchased or licensed by the government and modified using more than minimal effort before being put into operation is also considered internally generated software.

   B. **Equipment** - Equipment is tangible capital assets with a cost of $5,000 or more and a useful life longer than one year.

   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 an operating expense 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 as capital expense and are exempt from F&A costs.

   D. **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 (Sponsored Funds).

6. **Procedure Statement:**

   Costs for any constructed equipment, model or internally generated software must be accumulated in a work-in-process (WIP or SPWIP) account. The source of a SPWIP account is a sponsored project fund account. The source of a WIP account is any other University fund account.
Monthly, the costs are transferred from the WIP or SPWIP account to the account that will ultimately receive the benefit from the completed equipment, model or software. The SPWIP account is administered by Sponsored Programs. The WIP account is administered by Business and Financial Services.

Costs that may be charged to a WIP or SPWIP account include:
- Materials needed to fabricate equipment or models.
- Software purchased as part of the implementation or development.
- Services needed to fabricate equipment, models or develop software.
- Salaries of technicians performing the actual fabrication or programming development.
- Any other costs that can be specifically identified as directly related to the equipment fabrication.

Costs that may not be charged to a WIP or SPWIP account include:
- Salaries of principal investigators or administrative personnel. Salaries should be recorded in the funding account,
- Travel expenses,
- Indirect costs (charged to funding source if applicable).
- Salaries of clerical support staff,
- Facilities rental,
- Capital Equipment, and
- Any other costs that cannot be specifically identified as directly related to the equipment, model or software development. Example: postage.

When the equipment, model or software development is finished, the total costs will be transferred into an equipment object code.

7. **Reference and Cross-References**: OMB Circulars A-21, A-110 and GASB-34

8. **Forms and Tools**:

For detailed procedures contact Business and Financial Services.  
[http://busfin.colostate.edu/guides.aspx](http://busfin.colostate.edu/guides.aspx)