

Chapter 67 – Special Tooling and Special Test Equipment

Authoritative Sources

[FAR 31.205-40](#) Special Tooling and Special Test Equipment Costs

[FAR 2.101](#) Definitions

[FAR 52.245-1](#) Government Property

[DoD Instruction 4161.02](#) Accountability and Management of Government Contract Property

This chapter provides general audit guidelines for auditing Special Tooling and Special Test Equipment. Additional guidance is included in CAM [9-605](#) (for Price Proposals) [12-304.13](#) and [12-304.14](#) for Terminations).

67-1 General Information

67-2 General Audit Guidelines

67-1 General Information

The cost of [special tooling](#) and [special test equipment](#) (as defined in FAR 2.101(b)) used in performing one or more Government contracts is allowable and shall be allocated to the specific Government contract or contracts for which acquired (FAR 31.205-40). Special tooling and special test equipment are direct costs to a contract and are usually established at the proposal stage. Special tooling and special test equipment are generally not a part of the deliverable product.

67-2 General Audit Guidelines

In auditing costs for special tooling or test equipment, determine if such items are properly classified and authorized under the contract. Contractors are required to record and classify the acquisition and/or receipt of Government property (FAR 52.245-1(f)(1)(iii)). Unauthorized or otherwise inappropriate charges for this type of item may be misclassified in detailed cost accumulations such as for materials, supplies, or miscellaneous in-house work orders for fabrication, production support, or maintenance (see [CAM 9-602](#)). Special tooling and special test equipment items must meet the definition included in FAR 2.101 and comply with FAR 31.205-40 when determining allocability and allowability. Technical assistance may be required to verify the tooling/equipment meets the FAR definition.

If the contractor bought the items before the effective date of the contract and the contract schedule specifically excludes the items, the costs of special tooling and special test equipment are allowable only as depreciation or amortization, not as a direct cost.

For tooling and equipment that can be easily and inexpensively converted to general purpose use, the cost for adapting them for special contract use and the cost to reconvert them to general use is allowable.

The contractual intent of the Government and the contractor on reimbursing these costs affects their allowability.

- If the Government requires the contractor to purchase special tooling or test equipment to perform the contract, the price proposal will include the costs for these items.
- If an incurred cost or termination proposal includes special tooling or test equipment costs, the audit team should review the terms of the contract to determine if the costs are to be treated as direct costs.

Definitions

Special tooling means jigs, dies, fixtures, molds, patterns, taps, gauges, and all components of these items including foundations and similar improvements necessary for installing special tooling, and which are of such a specialized nature that without substantial modification or alteration their use is limited to the development or production of particular supplies or parts thereof or to the performance of particular services. Special tooling does not include material, special test equipment, real property, equipment, machine tools, or similar capital items (FAR 2.101). ([Return](#))

Special test equipment means either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose testing in performing a contract. It consists of items or assemblies of equipment including foundations and similar improvements necessary for installing special test equipment, and standard or general purpose items or components that are interconnected and interdependent so as to become a new functional entity for special testing purposes. Special test equipment does not include material, special tooling, real property, and equipment items used for general testing purposes or property that with relatively minor expense can be made suitable for general purpose use (FAR 2.101). ([Return](#))