

Chapter 9 - Capital Items as Contract Costs

Authoritative Sources

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

Contractors sometime include the unamortized value of capital equipment in contract cost presentations. For items other than approved special tooling, machinery, or equipment, and in the absence of specific contractual coverage, the auditor will question costs of capital items.

Special Tooling and Special Test Equipment. The cost of special tooling and special test equipment (as defined in FAR 2.101b) 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). In auditing costs for special tooling or test equipment, determine if such items are properly classified and authorized under the contract. Unauthorized or otherwise inappropriate charges for this type of item may be misclassified in detailed cost accumulations such as for material, supplies, or miscellaneous in-house work orders for fabrication, production support, or maintenance (see CAM 9-602). The auditor will use the Government property administrator's review data and evaluation reports, and should request technical assistance to review any observed or suspected deficiencies (See CAM 14-400).