



U.S. Department
of Transportation

**Federal Highway
Administration**

Memorandum

SP-88-040-FI

Subject Motor Carrier Safety Assistance Program (MCSAP)
Definition and Policy Regarding Incurred Costs

From Director, Office of Motor Carrier Safety
Field Operations Washington, D.C. 20590

To Regional Directors of Motor Carrier Safety

Date February 24, 1988

Reply to
Attn of HFO-20

Because confusion continues to exist concerning "incurred costs," we generated a memorandum to the Office of Fiscal Services requesting a determination of when a cost becomes incurred under the grant program. The memorandum states that a cost is incurred when the state has:

1. Made a cash disbursement or is in the process of making a cash disbursement, and
2. The goods and services for which the disbursement is being made have been received and accepted by the state.

Certain situations are also, addressed, such as salary costs for work performed during the last month of the grant period. The memorandum states that these costs should be charged to the grant and reimbursed when the state makes disbursement to the employees, which may be .after the end of the grant period.

The memorandum also addresses equipment purchases which are not always ordered .early enough for the state to receive the equipment and pay for it within the grant period. The memorandum suggests that we adopt a policy which allows for an orderly disposition of work in process.

In summary, we are adopting the following policy in regards to incurred costs:

- 1 The state shall claim reimbursement only for costs incurred. Costs are not incurred prior to the state's receipt and acceptance of the goods and services.
2. When FHWA approves the purchase of equipment, the state shall make every effort to acquire the equipment early in the grant period.
- 3 In exceptional cases, when equipment was ordered but not received before the end of the grant period, the state may submit a written request to the FHWA Division Office to extend the 90-day limitation for submitting a final voucher and advising FHWA to release any unneeded funds.

If an extension past the 90-day limitation for submitting a final voucher is approved, the Division Office will advise the state and submit copies of the state's request and the FHWA approval through the Regional Office to Washington Headquarters. The Division Office Financial Manager would then modify the FHWA-37 to release unneeded funds.

Your cooperation in effecting this policy is appreciated.

John D. Stenshoff
for John O. Hibbs