



**Highway Maintenance Manual**  
**Chapter 02 Administration**  
**Section 30 Cost Documentation**  
**Subject 60 Actual Cost Provision**

**Bureau of Highway Maintenance**  
**February 2022**

**1.0 Authority and Purpose**

Under s. 84.07(2), Wis. Stats. "Repayment for state work.", the department shall pay the actual cost of this maintenance, including the allowance for material and the use of county or municipal machinery and overhead expenses agreed upon in advance.

The policy HMM 02-30-60 provides for an optional "actual cost" method of equipment cost reimbursement for counties. This alternate application of actual cost has been reviewed by the Machinery Management Committee and is available to any county choosing to follow this policy.

**2.0 Optional Use By Counties**

Counties may elect to use this "actual cost" method provision as described in this policy. The election shall be documented in writing by signing the Election to Accept Actual Cost Agreement (Agreement) found in HMM 02-30-65. The County shall work directly with the department through the appropriate region office to coordinate the selection of this option and any additional terms that may apply. A county and department shall execute the agreement by signing the form found in HMM 02-30-60. The signed Agreement shall be submitted to the Region Maintenance Office to be attached to the annual County Routine Maintenance Agreement (RMA). The Agreement is effective for two (2) years, after such time the County may choose to return to regular cost method or resign a new Agreement.

**3.0 Definition**

This special provision requires a proportionate sharing of the actual gain or loss for all specific units used on State Highway projects. The method under HMM 02-30-60 is referred to as the actual cost method.

**4.0 Methodology for Development of the Actual Cost Agreement**

This special provision requires a proportionate sharing of the actual gain or loss for all specific equipment units used on State Highway projects. An Election to Accept Actual Cost Method for Equipment Cost Reimbursement Agreement (Agreement) is signed annual prior to signing the RMA.

The County shall advise WisDOT's regional office of its intent to enter into an Agreement by June 30<sup>th</sup>, when the County submits their annual financial report.

The Agreement shall be entered into by October 1<sup>st</sup> and incorporated as part of the Routine Maintenance Agreement (RMA). The executed Agreement shall be effective for a minimum of two (2) years.

Acceptance of the Actual Cost agreement eliminates the County from eligibility for the use of Composite Rates and Winter Readiness Rates reimbursement. The County equipment data will not be included as part of the equipment rate calculations; however, the County will continue to use the current procedures for classifying and Invoicing for their equipment. The County will provide a detailed summary report documenting the County's actual costs.

Representatives of the County, WisDOT's regional office and the Bureau of Highway Maintenance must meet to discuss the Agreement prior to signing to ensure all parties are aware of their responsibilities and obligations under the Agreement.

The department may conduct an audit of the of the County's financial records as part of the verification of the County's actual costs.

### **Annual Report by County**

The County will provide an annual report to the department by detailing all the following:

- (1) The usage (hours, mileage, or other specified units for the class) of each unit of equipment in the County's fleet pertaining to department RMAs, DMAs, TMAs, county operations, other accounts, and customers.
- (2) The proportionate share, as determined based on usage, of any net gain or loss generated by each unit.
- (3) A summary of the total gain or loss on all equipment utilized for the department, county operations, and other accounts, including detail of gains or losses dealing with the department, the County, and other accounts.

When the class summary indicates a net loss for equipment used for department RMAs, DMAs, and TMAs, the County shall invoice the department for the portion of the loss attributable to the department's share of the total usage.

When the class summary indicates a gain for equipment used for department RMAs, DMAs, and TMAs, the county shall issue a credit for the portion of the gain attributable to the department's share of the total usage. If there is a variance of 15% or greater, a written explanation shall be included as part of the summary. The state share of the loss or credit shall be issued no later than the May invoice of the subsequent year.

The appropriate WisDOT regional office is responsible for the review of the County's report and the approval of the loss or credit reported by the County. Acceptance of this provision eliminates the County from eligibility for the guarantee provision of the composite rate provision.

### **Verification Process**

As part of the actual cost verification process, WisDOT may conduct audits of the County's financial and operational records to evaluate internal controls and verify equipment cost and utilization.

The objectives of WisDOT audits may include but are not limited to the following:

- Existence and allocation of expenses allocated to equipment.
- Evaluation of controls to ensure accurate and complete accounting for utilization of equipment for all systems and customers.
- Evaluation of controls to safeguard materials and supplies allocated to equipment costs directly or through indirect cost allocations
- Review of equipment acquisitions and dispositions to ensure that costs are reasonable.
- WisDOT regional staff should be available for questions from WisDOT Auditor during audits of County Highway Departments in their region.