



# WISCONSIN ACCOUNTING MANUAL

Department of Administration – State Controller’s Office

Section	10	CONTRACTS, GRANTS, AND FEDERAL DRAWS	Effective Date	07/01/2022
Sub-section	03	Accounting for Federal Disallowed Costs and Cost Swaps of Prior Fiscal Year Expenditures	Revision Date	05/02/2023
SAM Ref	n/a			

## BACKGROUND

Pursuant to 2 CFR 200.510(b), the State must prepare a statewide schedule of expenditures of federal awards (SEFA) to be included in the Single Audit. The SEFA must reflect *current fiscal year* expenditures. The SEFA is compiled, in large part, from information in the STAR ACTUALS ledger and in accordance with instructions provided by the SCO to agencies as outlined in *Wisconsin Accounting Manual s. 10-02, Schedule of Expenditures of Federal Awards*.

Given the nature of federal grant program administration and audits, there may be situations that arise where certain costs incurred in a *prior fiscal year* are determined to be a disallowed cost. Similarly, an agency may identify more than one grant program that has overlapping compliance, programmatic, and performance periods and therefore transfer (i.e., “cost swap”) expenditures between them, including expenditures originally incurred in a *prior fiscal year*. Because the SEFA must reflect *current fiscal year* expenditures, separate account codes have been established in the ACTUALS ledger to track these disallowed costs and cost swaps associated with *prior fiscal year* expenditures for easier SEFA compilation.

## DEFINITIONS

For the purposes of this *Wisconsin Accounting Manual* section, the following definitions apply:

1. **Disallowed Cost** – charges (expenditures) to a federal grant/award that the federal awarding agency or pass-through entity determines to be unallowable. Disallowed costs may be resolved through a reduction of future grant revenues associated with this same federal program or may require a payment to the federal awarding agency. [See 2 CFR 200.31]
2. **Cost Swap** – the transfer (i.e., “swap”) of *prior fiscal year* expenditures from one federal grant/award program to another federal grant/award program. Cost Swaps may only be performed if the source expenditures (i.e., personnel costs, supplies and services costs, aid payments, etc.) qualify under both of the federal grant/award programs’ rules and regulations, and both of the federal grant/award programs have overlapping periods of performance.



# WISCONSIN ACCOUNTING MANUAL

Department of Administration – State Controller’s Office

<b>Section</b>	<b>10</b>	<b>CONTRACTS, GRANTS, AND FEDERAL DRAWS</b>	<b>Effective Date</b>	<b>07/01/2022</b>
<b>Sub-section</b>	<b>03</b>	<b>Accounting for Federal Disallowed Costs and Cost Swaps of Prior Fiscal Year Expenditures</b>	<b>Revision Date</b>	<b>05/02/2023</b>
<b>SAM Ref</b>	<b>n/a</b>			

## POLICIES

The following policies have been established to track federal disallowed costs and cost swaps in order to assist in the preparation of the SEFA:

- The following contra expenditure account codes have been established and shall only be used to track disallowed costs and cost swaps:

Account Number	Description	Account Type	Allotment Line
7093000	Fed Disallow & Cost Swap (A1)	Expenditure	A000001 - Alt 1 Perm /Project Salaries
7153000	Fed Disallow & Cost Swap (A2)	Expenditure	A000002 - Alt 2 LTE/Misc Salaries
7293000	Fed Disallow & Cost Swap (A3)	Expenditure	A000003 - Alt 3 Fringe Benefits
8193000	Fed Disallow & Cost Swap (A4)	Expenditure	A000004 - Alt 4 Sup and Svcs/Perm Pro
8993000	Fed Disallow & Cost Swap (A6)	Expenditure	A000006 - Alt 6 LCF Asst/Aid Ind & Org
9793000	Fed Disallow & Cost Swap (A7)	Expenditure	A000007 - Alt 7 Special revenue

- Agencies shall use the account codes established in (1.) above when handling a federal disallowed cost item or a cost swap of **prior fiscal year** expenditures. The account code used should be consistent with the allotment line of the original expenditure(s).

## PROCEDURES

### General Procedures

- When compiling the SEFA, both the agency SEFA compilers and the SCO will review the transactional activity in the account codes established in policy (1.) above and determine if a note disclosure and subsequent adjustments to the SEFA are necessary. Pursuant to *Wisconsin Accounting Manual* s. 10-02, additional guidance related to the preparation of the agency SEFA submissions will be provided by SCO.

### Illustrative Examples

The exact accounting entries required will vary depending on the nature of the federal disallowed cost or cost swap. The below examples will illustrate different situations and the accounting entries required.



# WISCONSIN ACCOUNTING MANUAL

Department of Administration – State Controller’s Office

<b>Section</b>	<b>10</b>	<b>CONTRACTS, GRANTS, AND FEDERAL DRAWS</b>	<b>Effective Date</b>	<b>07/01/2022</b>
<b>Sub-section</b>	<b>03</b>	<b>Accounting for Federal Disallowed Costs and Cost Swaps of Prior Fiscal Year Expenditures</b>	<b>Revision Date</b>	<b>05/02/2023</b>
<b>SAM Ref</b>	<b>n/a</b>			

## 2. Federal Disallowed Cost

In fiscal year 2021, a State of Wisconsin Agency receives and expends funding from federal grant program ABC, which is coded to Project ID 2021ABC. In fiscal year 2022, as a result of an audit completed, \$50,000 of expenditures, including \$35,000 in permanent position salary and \$15,000 in supplies and services, are determined to have been inappropriately charged to the ABC grant program. As a result, the federal awarding agency disallows the costs and instructs the State of Wisconsin Agency to repay the federal government.

### Fiscal Year 2021

DR/CR	BU	Fund	Appn	Appn Type	Dept	Project	Account	Amount	Account Name
Dr	XXXXX	10000	14100	PR-Fed	XXXXXXX	2021ABC	7000000	35,000	Classified Civil Srvs Salaries
Dr	XXXXX	10000	14100	PR-Fed	XXXXXXX	2021ABC	8070000	15,000	Materials & Supplies -Other
Cr	XXXXX	10000	14100	PR-Fed	XXXXXXX	2021ABC	1000000	50,000	Treasurer’s Cash

*Summary entry from state fiscal year 2021 reflecting the payment for classified civil service salaries and materials & supplies other. Charged to project 2021ABC within a program revenue federal state appropriation. The state subsequently drew down this federal revenue.*

### Fiscal Year 2022

DR/CR	BU	Fund	Appn	Appn Type	Dept	Project	Account	Amount	Account Name
Dr	XXXXX	10000	10100	GPR	XXXXXXX		7000000	35,000	Classified Civil Srvs Salaries
Dr	XXXXX	10000	10100	GPR	XXXXXXX		8070000	15,000	Materials & Supplies -Other
Cr	XXXXX	10000	14100	PR-Fed	XXXXXXX	2021ABC	7093000	35,000	Fed Disallow & Cost Swaps (A1)
Cr	XXXXX	10000	14100	PR-Fed	XXXXXXX	2021ABC	8193000	15,000	Fed Disallow & Cost Swaps (A4)

*Upon receiving the disallowance notice, the State of Wisconsin agency re-codes the previously recorded expenditures to a State GPR appropriation, thus removing these expenditures from the project 2021ABC coding. The appropriation that these expenditures are moved to can lawfully support these expenditures.*

### Fiscal Year 2022

DR/CR	BU	Fund	Appn	Appn Type	Dept	Project	Account	Amount	Account Name
Dr	XXXXX	10000	14100	PR-Fed	XXXXXXX	2021ABC	4500000	50,000	Fed Aid – Grants & Contracts
Cr	XXXXX	10000	14100	PR-Fed	XXXXXXX	2021ABC	1000000	50,000	Treasurer’s Cash

*The State of Wisconsin agency repays the federal awarding agencies on the disallowed costs by reducing the amount of fed aid revenue they previously recorded on the project.*



# WISCONSIN ACCOUNTING MANUAL

Department of Administration – State Controller’s Office

<b>Section</b>	<b>10</b>	<b>CONTRACTS, GRANTS, AND FEDERAL DRAWS</b>	<b>Effective Date</b>	<b>07/01/2022</b>
<b>Sub-section</b>	<b>03</b>	<b>Accounting for Federal Disallowed Costs and Cost Swaps of Prior Fiscal Year Expenditures</b>	<b>Revision Date</b>	<b>05/02/2023</b>
<b>SAM Ref</b>	<b>n/a</b>			

### 3. Federal Cost Swap

In fiscal year 2021, a State of Wisconsin Agency receives and expends funding from two different federal grant programs: ABC and XYZ, which are coded to Project IDs 2021ABC and 2021XYZ, respectively. In fiscal year 2022, the federal awarding agency for grant program XYZ promulgates new guidance indicating a wider range of qualifying allowable costs. Further, the federal awarding agency for grant program XYZ indicates that this new guidance is *retroactively* applicable.

As a result, the State of Wisconsin Agency determines that costs it had initially charged to grant program ABC in fiscal year 2021 should be transferred (i.e., “swapped”) to grant program XYZ. These costs include \$100,000 in aid payments.

#### Fiscal Year 2021

DR/CR	BU	Fund	Appn	Appn Type	Dept	Project	Account	Amount	Account Name
Dr	XXXXX	10000	14100	PR-Fed	XXXXXXX	2021ABC	8800000	100,000	Grants & Aids to Indiv & Orgs
Cr	XXXXX	10000	14100	PR-Fed	XXXXXXX	2021ABC	1000000	100,000	Treasurer’s Cash

*Summary entry from state fiscal year 2021 reflecting the payment of aids. Charged to project 2021ABC within a program revenue federal state appropriation.*

#### Fiscal Year 2022

DR/CR	BU	Fund	Appn	Appn Type	Dept	Project	Account	Amount	Account Name
Dr	XXXXX	10000	14100	PR-Fed	XXXXXXX	2021XYZ	8800000	100,000	Grants & Aids to Indiv & Orgs
Cr	XXXXX	10000	14100	PR-Fed	XXXXXXX	2021ABC	8993000	100,000	Fed Disallow & Cost Swaps (A6)

*Upon reviewing the updated guidance for grant program XYZ, the State of Wisconsin agency “swaps” these aids payments, originally incurred in fiscal year 2021, from grant program ABC into XYZ.*