



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	05/30/2024
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 federal disallowed costs and cost swaps associated with **prior fiscal year** expenditures for easier SEFA compilation. For guidance on refunds of expenditures, see [Wisconsin Accounting Manual s. 07-05, Statutory Refunds of Expenditures and Non-Statutory Refunds of Expenditures](#).

DEFINITIONS

For the purpose 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. Note: All cost swaps that meet this definition should be recorded using these account codes regardless of whether the cost swaps will be reported in the Notes to the SEFA.



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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 of prior fiscal year expenditures related to **federally funded expenditures**:

Account Type	Account Number	Allotment Line	Category	Class	Description
Expenditure	7093000	A000001	CAT0001	CLS0001	Federal Cost Swap
Expenditure	7093001	A000001	CAT0001	CLS0001	Federal Disallowed Cost
Expenditure	7153000	A000002	CAT0002	CLS0004	Federal Cost Swap
Expenditure	7153001	A000002	CAT0002	CLS0004	Federal Disallowed Cost
Expenditure	7293000	A000003	CAT0003	CLS0005	Federal Cost Swap
Expenditure	7293001	A000003	CAT0003	CLS0005	Federal Disallowed Cost
Expenditure	8193000	A000004	CAT0014	CLS0054	Federal Cost Swap
Expenditure	8193001	A000004	CAT0014	CLS0054	Federal Disallowed Cost
Expenditure	8993000	A000006	CAT0027	CLS0069	Federal Cost Swap
Expenditure	8993001	A000006	CAT0027	CLS0069	Federal Disallowed Cost
Expenditure	9530000	A000007	CAT0031	CLS0072	Interfund Trans In - Fed Cost Swap
Expenditure	9530001	A000007	CAT0031	CLS0072	Interfund Trans In - Fed Disallowed Cost
Revenue	6560000	A00000R	CAT1010	CLS1011	Interfund Trans Out - Fed Cost Swap
Revenue	6560001	A00000R	CAT1010	CLS1011	Interfund Trans Out - Fed Disallowed Cost
Expenditure	9793000	A000007	CAT0030	CLS0073	Intrafund Trans In/Out - Fed Cost Swap
Expenditure	9793001	A000007	CAT0030	CLS0073	Intrafund Trans In/Out - Fed Disallowed Cost

- 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/or 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 annually by SCO.



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Illustrative Examples

The exact accounting entries required will vary depending on the nature of the federal disallowed cost or cost swap of prior fiscal year expenditures. The below examples will illustrate different situations and the accounting entries required. If any transfer account codes are used for the disallowed cost or cost swap entries, see [Section V-18, Attachment A](#), in the GAAP Manual to determine if any adjusting entries are needed for your agency’s annual GAAP Submission.

1. Federal Disallowed Cost

In fiscal year 20X1, a State of Wisconsin Agency receives and expends funding from federal grant program ABC, which is coded to Project ID 20X1ABC. In fiscal year 20X2, 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 20X1

DR/CR	BU	Fund	Appn	Appn Type	Dept	Project	Account	Amount	Account Name
DR	XXXXX	10000	14100	PR-Fed	XXXXXXX	20X1ABC	7000000	35,000	Classified Civil Srvs Salaries
DR	XXXXX	10000	14100	PR-Fed	XXXXXXX	20X1ABC	8070000	15,000	Materials & Supplies -Other
CR	XXXXX	10000	14100	PR-Fed	XXXXXXX	20X1ABC	1000000	50,000	Treasurer’s Cash

Summary entry from state fiscal year 20X1 reflecting the payment for classified civil service salaries and materials & supplies other. Charged to project 20X1ABC within a program revenue federal state appropriation. The state subsequently drew down this federal revenue.

Fiscal Year 20X2

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	20X1ABC	7093001	35,000	Federal Disallowed Cost
CR	XXXXX	10000	14100	PR-Fed	XXXXXXX	20X1ABC	8193001	15,000	Federal Disallowed Cost

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 20X1ABC coding. The appropriation that these expenditures are moved to can lawfully support these expenditures.

Fiscal Year 20X2

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.



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2. Federal Cost Swap

In fiscal year 20X1, a State of Wisconsin Agency receives and expends funding from two different federal grant programs: ABC and XYZ, which are coded to Project IDs 20X1ABC and 20X1XYZ, respectively. In fiscal year 20X2, 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 20X1 should be transferred (i.e., “swapped”) to grant program XYZ. These costs include \$100,000 in aid payments.

Fiscal Year 20X1

DR/CR	BU	Fund	Appn	Appn Type	Dept	Project	Account	Amount	Account Name
DR	XXXXX	10000	14100	PR-Fed	XXXXXXX	20X1ABC	8800000	100,000	Grants & Aids to Indiv & Orgs
CR	XXXXX	10000	14100	PR-Fed	XXXXXXX	20X1ABC	1000000	100,000	Treasurer’s Cash

Summary entry from state fiscal year 20X1 reflecting the payment of aids. Charged to project 20X1ABC within a program revenue federal state appropriation.

Fiscal Year 20X2

DR/CR	BU	Fund	Appn	Appn Type	Dept	Project	Account	Amount	Account Name
DR	XXXXX	10000	14100	PR-Fed	XXXXXXX	20X1XYZ	8800000	100,000	Grants & Aids to Indiv & Orgs
CR	XXXXX	10000	14100	PR-Fed	XXXXXXX	20X1ABC	8993000	100,000	Federal Cost Swap

Upon reviewing the updated guidance for grant program XYZ, the State of Wisconsin agency “swaps” these aids payments, originally incurred in fiscal year 20X1, from grant program ABC into XYZ.