



ACCOUNTING POLICY AND PROCEDURES (APP) MANUAL

TOPIC: Section 16 – Audit 2.0	EFFECTIVE DATE: 03/14/1983
TITLE: Federal Disallowance / Deferral Reporting and Monitoring	REVISION DATE: 12/13/2016
AUTHORIZED BY: Deputy Director, Bureau of Fiscal Services	

BACKGROUND

Uniform policies are needed for handling and monitoring disallowance and deferral notices received from federal agencies. It is necessary to ensure that all notices promptly come to the attention of all appropriate offices in order to resolve the disallowance or deferral, prevent a recurrence if possible and facilitate the statutory reporting.

POLICY

The Bureau of Fiscal Services (BFS) will be the central coordinating point for all disallowance and deferral notifications received by the Department of Health Services (DHS). BFS will maintain a record of all disallowance and deferral notices and ensure that the responsible division is involved in preparing timely responses. In addition, the division administrator of each program division will designate a single point of contact to address and respond to such disallowances.

[Wis. Stat. § 16.544](#) requires that the Department of Administration (DOA) and the Joint Committee on Finance be notified of federal aid disallowances and the method proposed to settle each disallowance. DOA is also to be provided with quarterly reports on the status of federal aid disallowances and must approve all settlement proposals before final action is taken.

PROCEDURES

Disallowance and Deferral Notification and Handling

1. Copies of audit reports will be handled and distributed as outlined in APP Section 16 – Audit 1.0 (Audit Liaison and Resolution – DHS Organizations). For audits that report or identify federal aid disallowances/deferral against DHS, The director of BFS, or designee, will serve as department coordinator for such notices.
2. If a disallowance or deferral is received elsewhere in DHS, the receiving unit will forward it to the department coordinator in BFS within 24 hours of receipt.
3. The department coordinator shall:
 - a. Forward a copy of the notice to the appropriate division contact, the lead accountant, the Office of Legal Counsel, and others as deemed necessary.
 - b. Coordinate responses with program managers, lead accountants and others as necessary to ensure that action is taken within time limits established by the federal government.
 - c. Draft a joint BFS and program division response for review by the affected division and the Office of the Secretary.

- d. Track and record all notices and pending resolution.
 - e. Consult the Office of Legal Counsel (OLC) as necessary to determine if valid substantive evidence is available when challenges of disallowances/deferrals are contemplated. OLC will be consulted immediately whenever an appeal to the Grant Appeals Board, or other appeal process involving a federal hearing, is contemplated so that OLC can directly request or assist in requesting representation by the Department of Justice. (Requests to federal offices for administrative reconsideration of disallowances/deferrals do not involve hearings and do not require representation by the Department of Justice.)
 - f. Determine what interest or other penalties may be incurred as a result of appeal or legal challenge in conjunction with the program division as necessary.
4. Final copies of responses should be filed with BFS, the division involved, and OLC.
 5. Fiscal consequences of any disallowance, deferral, or audit which are final will be reviewed by BFS and handled in compliance with APP Section 16 – Audit 5.0 (Financial Coverage of External Audit Disallowances or Noncompliance Sanctions).
 6. For disallowances only, BFS will prepare for the Department a notice of the disallowance (\$10,000 or greater) to DOA and the Joint Committee on Finance. The notice shall include the proposed method of settling the disallowance. Prior to taking final action on the settlement proposal, it must be approved by DOA with a notification to the Joint Committee on Finance.
 7. For disallowances only, BFS will prepare a quarterly report to DOA listing any disallowances (\$10,000 or over) that are pending resolution.

CONTACTS

[Director, Bureau of Fiscal Services](#)

[Managerial Accounting Section Chief](#)