

Administrative Policy No. 19.55.01

Subject: Questioned Costs Identified via External Audits on DSHS

Information Contact: Office of Accounting Services
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Authorizing Source: [2 CFR Part 200, Subpart F](#) – Audit Requirements
Admin Policy [16.01](#), Internal Audit

Effective Date: February 20, 2007

Revised: October 16, 2015ⁱ Housekeeping 5/19/16

Approved By: original signed by Kathy Marshall
Chief Financial Officer/Assistant Secretary

Purpose

This policy defines how the Department of Social and Health Services (DSHS) identifies, monitors, manages, and reports questioned costs identified by an external audit.

Scope

This policy applies to all DSHS programs.

This policy does not apply to:

- Internal DSHS audits. For DSHS audits refer to Admin Policy [16.01](#) Internal Audit.
- Employee overpayments. For employee overpayments refer to Admin Policy [19.25.01](#) Employee Overpayments.
- Questioned costs identified via external or internal audits of DSHS contractors, clients, and/or providers/vendors. For such costs, refer to Admin Policy [19.85.53](#), Audit Overpayments Identified via External or Internal Audits for Contractors, Clients and Providers/Vendors.

Definitions

Corrective Action Plan means an agency response to audit findings documenting how deficiencies are to be corrected, how improvements are to be made, or demonstrates that audit findings are invalid or do not warrant any subsequent action.

External Audit is any audit or review conducted by a private or public entity outside DSHS.

Program means the affected DSHS programs, including the division, office, or staff designated by the Assistant Secretary or Division Director as being responsible for compliance with this policy.

Questioned Costs are expenditures identified through an audit that are considered to be in error.

Policy

There must be coordination among DSHS programs, DSHS Financial Services Administration (FSA), and Health Care Authority (HCA) (if Medicaid payments are involved) when questioned costs are identified during an external audit performed on DSHS. In such cases, the identified program and FSA have specific roles and responsibilities.

A. The programs must evaluate all questioned costs.

To determine whether a questioned cost is valid and reasonable, the program must:

1. Review the original audit finding(s).
2. Determine the accuracy of the questioned costs.
 - Provide any additional research and data collection as needed to support the program's position if variances are noted.
3. Develop, implement, and monitor a Corrective Action Plan (CAP).
4. Work with the granting authority to determine if the questioned costs must be returned.
5. Refer any resulting overpayments to the Office of Financial Recovery (OFR) to perform collections. For these overpayments, refer to Administrative Policy [19.85.53](#).
 - a. Use appropriate account coding to track the repayment, if possible.
 - b. Maintain audit documentation to provide evidence of the repayment and the repayment amount.
6. Programs will coordinate with DSHS Office of Accounting Services (OAS) for the resolution and/or return of all questioned costs. For Medicaid, programs must also work with HCA to ensure the return of questioned costs reported correctly on the CMS 64.
7. Programs must maintain all audit documentation and submit copies to OAS.

B. OAS must monitor all questioned costs and ensure funds are returned appropriately.

1. This ensures questioned costs are properly entered into the financial records and monitored.
2. OAS must maintain documentation supporting the resolution of questioned costs.

C. Questioned costs may result in a liability accrual.

All questioned costs may result in a liability accrual in GL 5113 – Potential Liabilities for the non-state share. OAS will ensure the liability is accrued if appropriate and both of the following conditions are met:

1. It is probable the program will have to return the funds.
2. The amount of the questioned costs can be reasonably estimated by the affected program and OAS.

ⁱ Removing unnecessary definitions & spelling out acronyms

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