
HOUSE BILL 2791

State of Washington

53rd Legislature

1994 Regular Session

By Representatives R. Johnson, Dyer, L. Thomas, B. Thomas, Foreman,
Forner and Silver

Read first time 01/24/94. Referred to Committee on Health Care.

1 AN ACT Relating to nursing home cost reports and audits; and
2 amending RCW 74.46.060, 74.46.105, and 74.46.820.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 74.46.060 and 1985 c 361 s 6 are each amended to read
5 as follows:

6 (1) Cost reports shall be prepared in a standard manner and form,
7 as determined by the department, which shall provide for an itemized
8 list of allowable costs and a preliminary settlement report. Costs
9 reported shall be determined in accordance with generally accepted
10 accounting principles, the provisions of this chapter, and such
11 additional rules and regulations as are established by the secretary.

12 (2) The records shall be maintained on the accrual method of
13 accounting and agree with or be reconcilable to the cost report. Costs
14 not paid within six months of the end of the reporting year shall be
15 allowed in the year in which they are paid.

16 **Sec. 2.** RCW 74.46.105 and 1985 c 361 s 10 are each amended to read
17 as follows:

1 Cost reports and patient trust accounts of contractors shall be
2 field audited by the department, either by department staff or by
3 auditors under contract to the department, in accordance with the
4 provisions of this chapter. The department when it deems necessary to
5 assure the accuracy of cost reports may review any underlying financial
6 statements or other records upon which the cost reports are based. The
7 department shall have the authority to accept or reject audits which
8 fail to satisfy the requirements of this section or which are performed
9 by auditors who violate any of the rules of this section. Department
10 audits of the cost reports and patient trust accounts shall be
11 conducted as follows:

12 (1) Each year the department will provide for field audit of the
13 cost report, statistical reports, and patient trust funds, as
14 established by RCW 74.46.700, of all or a sample of reporting
15 facilities selected by profiles of costs, exceptions, contract
16 terminations, upon special requests or other factors determined by the
17 department.

18 (2) Beginning with audits for calendar year 1983, up to one hundred
19 percent of contractors cost reports and patient care trust fund
20 accounts shall be audited: PROVIDED, That each contractor shall be
21 audited at least once in every (~~three-year~~) five-year period.

22 (3) Facilities shall be selected for sample audits within one
23 hundred twenty days of submission of a correct and complete cost
24 report, and shall be so informed of the department's intent to audit.
25 Audits so scheduled shall be completed within one year of selection.

26 (4) Where an audit for a recent reporting or trust fund period
27 discloses material discrepancies, undocumented costs or mishandling of
28 patient trust funds, auditors may examine prior unaudited periods, for
29 indication of similar material discrepancies, undocumented costs or
30 mishandling of patient trust funds for not more than (~~two~~) four
31 reporting periods preceding the facility reporting period selected in
32 the sample.

33 (5) The audit will result in a schedule summarizing appropriate
34 adjustments to the contractor's cost report. These adjustments will
35 include an explanation for the adjustment, the general ledger account
36 or account group, and the dollar amount. Patient trust fund audits
37 shall be reported separately and in accordance with RCW 74.46.700.

38 (6) Audits shall meet generally accepted auditing standards as
39 promulgated by the American institute of certified public accountants

1 and the standards for audit of governmental organizations, programs,
2 activities and functions as published by the comptroller general of the
3 United States. Audits shall be supervised or reviewed by a certified
4 public accountant.

5 (7) No auditor under contract with or employed by the department to
6 perform audits in accordance with the provisions of this chapter shall:

7 (a) Have had direct or indirect financial interest in the
8 ownership, financing or operation of a nursing home in this state
9 during the period covered by the audits;

10 (b) Acquire or commit to acquire any direct or indirect financial
11 interest in the ownership, financing or operation of a nursing home in
12 this state during said auditor's employment or contract with the
13 department;

14 (c) Accept as a client any nursing home in this state during or
15 within two years of termination of said auditor's contract or
16 employment with the department.

17 (8) Audits shall be conducted by auditors who are otherwise
18 independent as determined by the standards of independence established
19 by the American institute of certified public accountants.

20 (9) All audit rules adopted after March 31, 1984, shall be
21 published before the beginning of the cost report year to which they
22 apply.

23 **Sec. 3.** RCW 74.46.820 and 1985 c 361 s 14 are each amended to read
24 as follows:

25 (1) Cost reports and their final audit reports shall be subject to
26 public disclosure pursuant to the requirements of chapter 42.17 RCW.
27 Notwithstanding any other provision of law, (~~cost report schedules~~
28 ~~showing information on rental or lease of assets, the facility or~~
29 ~~corporate balance sheet, schedule of changes in financial position,~~
30 ~~statement of changes in equity fund balances,~~) notes to financial
31 statements, and any accompanying schedules summarizing the adjustments
32 to a contractor's financial records, reports on review of internal
33 control and accounting procedures, and letters of comments or
34 recommendations relating to suggested improvements in internal control
35 or accounting procedures which are prepared pursuant to the
36 requirements of this chapter shall be exempt from public disclosure.

1 This subsection does not prevent a contractor from having access to
2 its own records or from authorizing an agent or designee to have access
3 to the contractor's records.

4 (2) Regardless of whether any document or report submitted to the
5 secretary pursuant to this chapter is subject to public disclosure,
6 copies of such documents or reports shall be provided by the secretary,
7 upon written request, to the legislature and to state agencies or state
8 or local law enforcement officials who have an official interest in the
9 contents thereof.

--- END ---