
HOUSE BILL 1725

State of Washington

53rd Legislature

1993 Regular Session

By Representative Silver

Read first time 02/05/93. Referred to Committee on Health Care.

1 AN ACT Relating to nursing homes; and amending RCW 74.46.105.

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

3 **Sec. 1.** RCW 74.46.105 and 1985 c 361 s 10 are each amended to read
4 as follows:

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

16 (1) Each year the department will provide for field audit of the
17 cost report, statistical reports, and patient trust funds, as
18 established by RCW 74.46.700, of all or a sample of reporting
19 facilities selected by profiles of costs, exceptions, contract

1 terminations, upon special requests or other factors determined by the
2 department.

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

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

11 (4) Where an audit for a recent reporting or trust fund period
12 discloses material discrepancies, undocumented costs or mishandling of
13 patient trust funds, auditors may examine prior unaudited periods, for
14 indication of similar material discrepancies, undocumented costs or
15 mishandling of patient trust funds for not more than two reporting
16 periods preceding the facility reporting period selected in the sample.

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

22 (6) Audits shall meet generally accepted auditing standards as
23 promulgated by the American institute of certified public accountants
24 and the standards for audit of governmental organizations, programs,
25 activities and functions as published by the comptroller general of the
26 United States. Audits shall be supervised or reviewed by a certified
27 public accountant.

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

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

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

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

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

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

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