

Rule No. 560-X-42-.21 Accounting Records

(1) The provider must submit adequate cost data based on financial and statistical records which can be verified by qualified auditors. The cost data must be presented on the accrual basis of accounting. This basis requires that revenue must be allocated to the accounting period in which it is earned and expenses must be charged to the period in which they are incurred, regardless of when cash is received or disbursed.

(2) Cost information as developed by the provider must be current, accurate, and in sufficient detail to support payments made for supplies, services, or assets. This includes all ledgers, books, records, and original evidence of costs which pertain to the costs reported. Financial and statistical records should be maintained in a consistent manner from one period to another; however, the regard for consistency should not preclude a desirable change in accounting procedures provided that full disclosure of significant changes is made.

(3) The following records and documentation must be kept by the provider and must be available for audit inspection by Medicaid:

- (a) General Ledger
- (b) Disbursements Journal
- (c) Cash Receipts Journal
- (d) Payroll Journal
- (e) Working Trial Balance and Adjusting Entries
- (f) Residents Personal Funds Records
- (g) Resident Admission and Discharge records
- (h) Purchases Journal (For facilities larger than 100 beds)

(4) Disbursements must be supported by invoices which detail the quantity and price of goods and services purchased, together with evidence that such goods and/or services were received. Disbursements made without proper documentation will not be allowable for Medicaid reimbursement purposes. This documentation should be filed in chronological order, either alphabetically or in some other reasonable manner capable of being audited. Payroll journals must be supported by time cards or other documentation signed by the employee and verified by his/her department head. Each time card or other documentation must also indicate the hours worked by the employee, the rate of pay for the services rendered by the employee, and must be identified by the cost center, to which the expense should be charged. If an employee works in more than one area, the expense should be charged to more than one cost center, and the expenses should be allocated to the centers in the same ratio as the work is performed, with a notation made to explain the allocation.

(5) Subsidiary records which must be kept by the provider and be readily available for audit and inspection include, but are not limited to: (items marked by * do not apply to State owned and operated facilities)

- (a) Accounts Receivable ledger sheets or cards which agree with the General Ledger control account (to include September 30 aging schedules).
- (b) Accounts Payable Ledger sheets or cards which agree with the General Ledger control accounts (to include September 30 aging schedules).

- (c) Notes Receivable
- (d) Notes Payable*
- (e) Long-Term Debt evidenced by amortization schedules and copies of the original debt transaction.*
- (f) Insurance policies together with invoices covering the fiscal year reported.
- (g) Depreciation Schedules showing the cost of the facility and equipment. (State owned and operated facilities will provide non consumable property inventory that shows use allowance).
- (h) Payroll Tax Returns*
- (i) Income Tax Returns*
- (j) Census Records (See Schedule 6A)
- (k) Bank Statements, cancelled checks, deposit slips, voided checks, and bank reconciliations
- (l) A signed copy of the current lease*
- (m) Automobile travel logs*

(6) Petty Cash Funds shall be maintained under the Imprest System. The disbursement of these funds shall be substantiated by an invoice and/or voucher detailing the date of disbursement, expense category, and name of person disbursing the funds.

(7) All documents, work papers, and schedules prepared by or on behalf of the provider which substantiate data in the cost reports must be made available to Medicaid auditors and investigators upon request. These records must be maintained for at least three years, plus the current year, following the date of submission of the relevant cost report.

(8) The provider will provide adequate desk space and privacy to Medicaid auditors and investigators during the progress of audits. The provider's personnel or personnel representing an outside independent accountant may be present at a Medicaid audit and be allowed access to the Medicaid auditors and workpapers only at the invitation and discretion of the Medicaid auditors during the course of their work at the provider's establishment.

(9) If the provider fails to keep the minimum financial records required to properly substantiate reported costs, the provider will be in violation of the provider agreement and will be subject to termination from the Medicaid program.

(10) All books and records required to be kept and made available to Medicaid personnel by a provider will be made available at the ICF/~~MR~~IID facility unless this requirement is specifically waived in writing in advance by Medicaid.

(11) If a provider who has been given three (3) full working days notice of an audit fails to make the required records, including any not maintained at the facility, available at that facility, the Medicaid auditor(s) will return to his (their) office, and the provider will be given ten (10) calendar days to present all of the accounting records at the Medicaid office. Should the provider fail to present all of the accounting records at the Medicaid office during the allotted time period, Medicaid will consider all payments made to the provider during the time period covered by the records sought to be audited to be overpayments and may proceed to recover

those overpayments from the provider. The provider will also be subject to termination and other sanctions under the Medicaid program.

(12) If Medicaid is required to go out of state for an audit, the organization being audited will bear all expenses and costs related to the audit, including, but not limited to, travel and reasonable living expenses, and those costs will not be allowable on any subsequent cost report.

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Statutory Authority: State Plan; Title XIX, Social Security Act, 42 C.F.R. Section 447.250-.255.

History: Rule effective October 13, 1988. Effective date of this amendment July 13, 1993.

Amended: Filed March 21, 2107