**Section 356.40 Cost Information Requirements of Providers**

a) Cost Reporting – Except as otherwise provided by this subsection, all providers shall annually file a certified cost report on a schedule provided by the Department. The time period covered by the cost report shall correspond to the Department's fiscal year unless otherwise approved by the Department. The Department may designate cost reports filed by the provider with other State agencies as suitable for fulfilling this requirement when those reports provide all of the information needed by the Department in a clear and usable way. Any provider that completes an audit in accordance with 89 Ill. Adm. Code 357.120 (Purchase of Service Fiscal Reports and Records) shall bind the DCFS cost report required by this subsection within that audit. Day care providers are exempt from all audit and cost reporting requirements unless they are involved in the cost based rate negotiations authorized under Section 356.30(a) of this Part. Providers involved in those rate negotiations shall file the cost report on the Department schedule, as described in this subsection, and, if required to file an OMB Circular A–133 audit, a copy of that audit with the cost report bound within the audit.

b) Accrual Accounting – The provider shall use the accrual basis of accounting when reporting financial data.

c) Audits – Providers shall cooperate in any audits undertaken to verify the truth, accuracy, and completeness of reported costs, in accordance with 89 Ill. Adm. Code 434 (Audits, Reviews, and Investigations).

d) Total Costs and Revenue – Providers must report all costs of service and must disclose their total costs and revenue. Supporting documentation will be required to verify the costs allocated to each of the various services the Department purchases and to the sum of other services the agency provides. The reported total cost and revenue must be certified by a licensed public accountant.

e) Historical Costs – Historical costs will be established when the provider has operated one or more years and independent auditors concur with the reported total costs. New providers who have not established their historical costs shall be permitted to submit budgeted information for the first fiscal reporting period. However, no rate increases shall be authorized for the next fiscal year until audited historical costs are available. When the rate increase is authorized based on historical costs, it will coincide with the effective date of the contract if the audit is received in accordance with contractual requirements.

f) Other Information Required – As a condition of contract issuance or renewal, the Department will request and receive promptly any other financial information, reasonably related to rate determination, needed to determine the provider's costs. For determining State Fiscal Year 2000 rates, this may include submission of program budgets. (See Section 356.50(f).)

(Source: Amended at 29 Ill. Reg. 8696, effective June 8, 2005)