TEXAS HHSC RESOURCE LIBRARY

# HHSC Related-Party Transaction Documentation Checklist

A structured review tool for identifying relationships, documenting transactions, and assembling support before amounts are included in a cost report or financial-compliance submission.

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| **Provider legal name** ________________________ | **Program / service** ________________________ |
| **Reporting period** ________________________ | **Prepared by** ________________________ |
| **Management reviewer** ________________________ | **Review date** ________________________ |

**Identification comes before measurement**
First determine whether ownership, control, family, management, shared personnel, common facilities, or another relationship exists. Then evaluate each transaction under the current program instructions and applicable rules. A market-rate invoice alone does not resolve every reporting question.

## 1. Identify potentially related parties

- [ ] Owners, officers, directors, partners, members, key management, and immediate or extended family relationships relevant under the applicable instructions.
- [ ] Parent, subsidiary, brother-sister, commonly controlled, affiliated, management, leasing, staffing, pharmacy, therapy, transportation, or purchasing entities.
- [ ] Entities using common employees, office space, equipment, bank accounts, vendors, systems, or administrative personnel.
- [ ] Individuals or organizations able to influence pricing, terms, selection, operations, or financial decisions.
- [ ] Formerly related entities or changes in ownership or control occurring during the reporting period.

## 2. Build the transaction inventory

- [ ] List every related-party payment, charge, reimbursement, receivable, payable, loan, contribution, distribution, asset transfer, lease, or service arrangement.
- [ ] Reconcile the inventory to general-ledger accounts, vendor activity, payroll, intercompany accounts, and year-end balances.
- [ ] Identify the nature, date, amount, frequency, program, location, and financial-statement or cost-report line affected.
- [ ] Document transactions that were netted, recorded through journal entries, paid by another entity, or allocated through a central office.

## 3. Assemble relationship and transaction support

- [ ] Ownership records, organizational charts, governing documents, family or control relationship description, and changes during the year.
- [ ] Executed agreements describing services, responsibilities, pricing, payment terms, renewal, and termination provisions.
- [ ] Invoices, payroll records, time support, purchase documents, proof of payment, and evidence that the goods or services were received.
- [ ] Cost records or other evidence needed to evaluate the amount eligible for reporting under the applicable instructions.
- [ ] Comparable quotes, appraisals, market information, or procurement documentation when relevant to management's review.

## 4. Evaluate reporting and disclosure

- [ ] Determine whether the transaction is allowable, allocable, reasonable, necessary, properly classified, and supported under the current program instructions.
- [ ] Identify any limitation based on the related organization's cost, another applicable ceiling, or a program-specific reporting rule.
- [ ] Separate capital purchases, financing components, markups, management fees, owner compensation, and other elements requiring distinct analysis.
- [ ] Confirm the allocation method for shared related-party costs and reconcile allocated amounts to the underlying source records.
- [ ] Record book-to-report adjustments and retain the calculation supporting the amount reported, excluded, or reclassified.
- [ ] Complete all applicable related-party disclosures and ensure descriptions agree across the report, financial statements, contracts, and supporting schedules.

## 5. Management review and retention

- [ ] A knowledgeable reviewer has confirmed that the related-party population is complete.
- [ ] The final schedule agrees to the trial balance, general ledger, intercompany balances, and filed report.
- [ ] Unusual terms, unpaid balances, retroactive agreements, unsupported allocations, and material changes from the prior year are resolved.
- [ ] Management has approved the conclusion for each material transaction and understands the representations included in certification.
- [ ] The final relationship analysis, transaction schedule, source support, calculations, disclosures, and reviewer sign-off are retained together.

## Related-party transaction log

| Party | Relationship | Transaction | Book amount | Reported amount | Support / conclusion |
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## Official sources to verify

HHSC Provider Finance Department
HHSC Cost Report Information
HHSC Program-Specific Instructions and Resources
HHSC STEPS Transition Information

**Need help preparing for Texas HHSC financial reporting?**
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