

Harbor Regional Center
Vendor Independent Audit/Review Report Requirements Summary

Original Requirement—Effective 2011 through June 8, 2016

- A. Any service provider that receives payments from one or more regional centers shall contract with an independent accounting firm for an audit or review of its financial statements, subject to the following:
- When the amount received from the regional center(s) during the entity's fiscal year is more than or equal to \$250,000 but less than \$500,000, the entity shall obtain an independent audit or review report of its financial statements for the period. This also applies to work activity program providers receiving less than \$250,000.
 - When the amount received from the regional center(s) is equal to or more than \$500,000, the entity shall obtain an independent audit of its financial statements for the period.
- B. The service provider shall provide copies of the independent audit or independent review report and accompanying management letters to the vendoring regional center within 30 days after completion of the audit or review.
- C. Regional centers shall notify the Department of Developmental Services (DDS) of all qualified opinion reports noting significant issues that directly or indirectly impact regional center services within 30 days after receipt.

Amended Requirement—Effective June 9, 2016

- A. Any service provider that receives payments from one or more regional centers shall contract with an independent accounting firm to obtain an independent audit or independent review report of its financial statements relating to payments made by regional centers, subject to the following:
- If the amount from the regional center(s) is more than or equal to \$500,000 but less than \$2,000,000, the service provider shall obtain an independent review report of its financial statements for the entity's fiscal year. This also applies to work activity program service providers receiving less than \$500,000.
 - If the amount received from the regional center(s) is equal to or more than \$2,000,000 the service provider shall obtain an independent audit of its financial statements for the entity's fiscal year.
- B. Service providers shall provide copies of the independent audit or independent review report and accompanying management letters to the vendoring regional center within nine (9) months of the end of the entity's fiscal year. Therefore, if your fiscal year ended June 30, 2016, your independent review report or independent audit is due March 31, 2017. Or if your fiscal year ended December 31, 2016, your deadline is September 30, 2017.

- C. Regional centers shall notify DDS of all qualified opinion reports noting significant issues that directly or indirectly impact regional center services within 30 days after receipt.
- D. Regional centers shall submit copies of all independent audit reports that it receives to DDS for its review.
- E. Impacted service providers may apply to the regional center for, and the regional center may grant, following completion of the 2016 independent audit or review, a two-year exemption:
 - from the independent review report requirement if the regional center does not find issues in the prior year's independent review report that have an impact on regional center services.
 - from the independent audit requirement if the independent audit for the prior year resulted in an unmodified opinion or an unmodified opinion with additional communication or if the independent audit for the prior year resulted in a qualified opinion and the issues are not material.
- F. Regional centers shall annually report to DDS any exemptions granted.

DDS's March 25, 2016 letter summarizing Assembly Bill (AB)X2 1 states:

...The amended requirements become effective June 9, 2016. Any vendor to whom the current [original] requirements apply and whose fiscal year ends prior to the effective date of the amended requirements is responsible to submit an independent review or audit report (whichever is applicable) to the regional center at the completion of their fiscal year. A vendor to whom the amended criteria applies, and whose fiscal year ends after the effective date of the amended criteria, must submit an independent review or audit report (whichever applies) to the regional center. The exemption provision for independent reviews is prospective, not retroactive; i.e., after the effective date of the amended criteria [June 9, 2016], a vendor must obtain an independent review report of its financial statements before it may apply for a two-year exemption from the independent review report requirement.