

DEPARTMENT OF DEVELOPMENTAL SERVICES

1600 NINTH STREET, Room 320, MS 3-9
SACRAMENTO, CA 95814
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(916) 654-1958



January 31, 2018

TO: REGIONAL CENTER EXECUTIVE DIRECTORS

SUBJECT: VENDOR INDEPENDENT REVIEWS AND AUDITS

The purpose of this letter is to provide information on the requirements of vendor independent reviews and audits, as a result of the enactment of Senate Bill (SB) 1226, and to provide regional centers with Fiscal Year (FY) 2016-17 purchase of service (POS) expenditure data. Commencing January 1, 2018, SB 1226 requires vendors to obtain an independent review or audit report of its financial statements based upon the amount it receives from the regional center(s) during each state fiscal year. These reports must be submitted by vendors to their vendoring regional center within nine months of the end of the FY for the entity. In addition, Welfare and Institutions Code (WIC) section 4652.5 requires regional centers to submit to the Department of Developmental Services (Department) all copies of independent audit reports it receives and to notify the Department, within 30 days after receipt, of all qualified opinion reports or reports noting significant issues that directly or indirectly impact regional center services.

WIC section 4652.5 requires independent reviews and audits, as follows:

- If the amount received from regional center payments during the state FY is more than or equal to \$500,000 but less than \$2 million, the vendor shall obtain an independent review report of its financial statements for the period.
- If the amount received from regional center payments during the state FY is equal to or more than \$2 million, the vendor shall obtain an independent audit of its financial statements for the period.

Statute states that regional centers shall, upon request, grant a two-year exemption to entities if the prior year's independent review report resulted in an unmodified opinion or a qualified opinion which included issues that are not material. The vendoring regional center is required to report the entities that are granted an exemption to the Department annually.

“Building Partnerships, Supporting Choices”

Regional Center Executive Directors
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Please send all vendor Certified Public Accountant reports and the list of vendors receiving two-year exemptions to the following email address:

ddsvendorcpareports@dds.ca.gov

Separate data files based on FY 2016-17 POS expenditures in the Uniform Fiscal System will be sent to each regional center in a subsequent email. This data is a tool to identify vendors that may be impacted by WIC section 4652.5. Additionally, a file containing data for all regional centers will be sent to SANDIS to be uploaded onto the iSeries and distributed to all regional centers. For technical questions about this data, please contact Danielle Hurley at (916) 654-3228, or by email at Danielle.Hurley@dds.ca.gov. If you have questions regarding SB 1226 or independent review or audit requirements, please contact Mike Masui, Chief, Vendor Audits, at (916) 654-2769, or by email at Mike.Masui@dds.ca.gov.

Sincerely,

Original signed by:

BRIAN WINFIELD
Deputy Director
Community Services Division

cc: Regional Center Administrators
Regional Center Chief Counselors
Regional Center Community Services Directors
Amy Westling, Association of Regional Center Agencies
Brenda Crisler, Association of Regional Center Agencies
Vicky Lovell, Department of Developmental Services
Rapone Anderson, Department of Developmental Services
Rachel Long, Department of Developmental Services
Ed Yan, Department of Developmental Services
Mike Masui, Department of Developmental Services
Filmon Sebatu, Department of Developmental Services