



In response to The State regulations Title 212, Chapter 10, Subchapter 00, Part 1.17.1. Regulation B.2, as proposed, is keeping the section to require all agencies to provide CPA prepared financial audits.

I believe the original regulations were drafted when all the agencies were not for profit organizations. These not for profit agencies were required by most funders to prepare audits to protect the public from misappropriation and falsification of financial records. Considering many agencies are now also for profit agencies, the original intention of the regulation isn't needed.

If there are negligence actions in an agency it would be in the form of neglecting many of the clinical and medical regulations in the care for patients. The state inspection and CARF accreditation processes would identify these staffing, chart, and other operating deficiencies during those inspections and surveys.

While I understand the need for financial stability in any organization, we are seeing many not for profit agencies cutting back on services and merging with other agencies to save funds and try to continue the care of their constituency. An audit these agencies go through and file with the State of RI has not resulted in any actions by the state. Usually if there is a financial issue, it is well known before any audits are prepared by the agency. The audit requirement further hurts the agency because the cost of the audit and the ongoing audit standards required of the accounting department of each organizations.

Some of the main focusses of an audit are internal controls, revenue recognition, and recording proper balances at the yearend cutoff date (usually June 30th or december31st).

This brings me to another level of financial statement attestation: Reviews

Reviews are a step below an audit but would satisfy many of the concerns of internal controls and stable record keeping. See below:

An **audit** requires the CPA to gather sufficient and reliable evidence regarding the information provided in the financial statement. ... A **review** of an organization's financial statements provides a report issued by a CPA which expresses that the financial statements are free from material misstatement.

Based on this difference you should allow the regulation to be changed to a Review. Along with the savings of costs to all agencies. Additionally, CARF standards already require just a review at minimum. Please see example of a CPA's review report on page five (5).



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Stockholders of
ABC Corp and Affiliates
Providence, Rhode Island

We have reviewed the accompanying financial statements of ABC Corp. and Affiliates (an S Corporation), which comprise the balance sheet as of December 31, 2017, and the related statements of income and retained earnings and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require that we perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.