

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
ALI SADEGHI, Ph. D.**

Program and Service:
Behavior Management Consultant - P66302, PL0180

(Audit Period: July 1, 2008, through June 30, 2011)

Audit Branch

Auditors: Michael Masui, Chief of Vendor Audits
Alimou Diallo, Supervisor
Jennifer Bernard, Lead Auditor
Wilfredo Golez, Staff Auditor

ALI SADEGHI, Ph.D.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Ali Sadeghi, Ph. D., Sole Proprietorship (Dr. Sadeghi). Dr. Sadeghi is one of a number of companies owned and operated by Dr. Ali Sadeghi, Ph. D. This report is an audit of only Dr. Sadeghi, although Behavior Respite In Action (BRIA), California PsychCare, Inc. (CPC), and Autism Response Team, Inc. (ART) were audited simultaneously and separate audit reports will be issued for each company. The audit was performed upon Dr. Sadeghi's Behavior Management Consultant program for the period of July 1, 2008, through June 30, 2011.

The audit disclosed the following issue of non-compliance:

Finding 1: Behavior Management Consultant – Unsupported Billings and Failure to Bill

The review of Dr. Sadeghi's Behavior Management Consultant, Vendor Numbers P66302 and PL0180, revealed that Dr. Sadeghi had both unsupported billings, as well as appropriate support for services that it failed to bill the Eastern Los Angeles Regional Center (ELARC), South Central Los Angeles Regional Center (SCLARC) and Westside Regional Center (WRC). As a result, Dr. Sadeghi had a total of \$35,450 of unsupported billings and a total of \$3,164 for which it failed to bill.

The net total unsupported billing discrepancies identified in this audit amounts to \$32,286 due back to DDS. A detailed discussion of this finding is contained in the Finding and Recommendation section of this report.

BACKGROUND

DDS is responsible, under the Lanterman Developmental Disabilities Services Act, for ensuring that persons with developmental disabilities receive the services and supports they need to lead more independent, productive, and normal lives. DDS contracts with 21 private, nonprofit regional centers that provide fixed points of contact in the community for serving eligible individuals with developmental disabilities and their families in California. In order for regional centers to fulfill their objectives, they secure services and supports from qualified service providers and/or contractors. Pursuant to the Welfare and Institutions (W&I) Code, Section 4648.1, DDS has the authority to audit those service providers and/or contractors that provide services and supports to persons with developmental disabilities.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The audit was conducted to determine whether Dr. Sadeghi's Behavior Management Consultant program was compliant with the W&I Code, California Code of Regulations, Title 17 (CCR, Title 17), and the regional centers' contracts with Dr. Sadeghi for the period of July 1, 2008, through June 30, 2011.

Scope

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. The auditors did not review the financial statements of Dr. Sadeghi, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of Dr. Sadeghi's internal controls to gain an understanding of the transaction flow and invoice preparation process as necessary to develop appropriate auditing procedures. The audit scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that Dr. Sadeghi complied with W&I Code and CCR, Title 17. Also, any complaints that DDS' Audit Branch was aware of regarding non-compliance with laws and regulations were reviewed and followed-up on during the course of the audit.

The audit scope was determined by reviewing the program and service provided to the following three regional centers that utilized Dr. Sadeghi's services during the audit period: ELARC, SCLARC, and WRC. All three regional centers were chosen for the audit due to the large amount of services utilized by the centers as measured by Purchase of Service (POS) expenditures.

In addition, analyzing the information received during a pre-audit meeting with the vendor, an internal control questionnaire and a risk analysis, it was determined that a one month sample period would be sufficient to fulfill the audit objectives.

Behavior Management Consultant

During the audit period, Dr. Sadeghi operated two Behavior Management Consultant programs. The audit included the review of both of Dr. Sadeghi's Behavior Management Consultant programs and testing was done for the month of December 2008. However, within that month, the audit sample demonstrated an unusual amount of unsupported billings due to the lack of supporting documentation in the form of timesheets or session notes. As a result, the testing sample was expanded to include the months of December 2008; January, February, and March 2009; and January, February, September, and November 2010. The program and vendor numbers audited are listed below:

- Behavior Management Consultant, Vendor Number P66302, Service Code 620
- Behavior Management Consultant, Vendor Number PL0180, Service Code 620

Methodology

The following methodology was used by DDS to ensure the audit objectives were met. The methodology was designed to obtain a reasonable assurance that the evidence provided was sufficient and appropriate to support the findings and conclusions in relation to the audit objectives. The procedures performed included, but were not limited to, the following:

- Review of vendor files for contracts, rate letters, program designs, POS authorizations, and correspondence pertinent to the review.
- Interview of regional center staff for vendor background information and to obtain insight into the vendor's operations.
- Interview of vendor staff and management to gain an understanding of its accounting procedures and processes for regional center billing.
- Review of vendor service/attendance records to determine if the vendor had sufficient and appropriate evidence to support the direct care services billed to the regional centers.
- Analysis of the vendor's payroll and attendance/service records to determine if the appropriate level of staffing was provided.

CONCLUSION

Based upon items identified in the Finding and Recommendation section, Dr. Sadeghi did not comply with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on December 16, 2014. The findings in the draft audit report were discussed at a formal exit conference with Dr. Ali Sadeghi, Executive Clinical Director and Manfred Rodriguez, Administrative Director, on December 19, 2014. Subsequent to the meeting, on December 23, Dr. Sadeghi requested the auditors' working papers and an extension of time until April 16, 2015 (4 months) to provide its response to the draft audit report. DDS provided Dr. Sadeghi with the working papers and granted a two-month extension. On April 6, 2015, Dr. Sadeghi requested the opportunity to discuss the findings and a potential settlement.

RESTRICTED USE

This report is solely for the information and use of the DDS, Department of Health Care Services, SCLARC, WRC, ELARC, and Dr. Sadeghi. This restriction is not intended to limit distribution of this report, which is a matter of public record.

FINDING AND RECOMMENDATION

Finding 1: Behavior Management Consultant - Unsupported Billings and Failure to Bill

The review of Dr. Sadeghi's Behavior Management Consultant program, Vendor Numbers P66302 and PL0180, Service Code 620, for the sample months of December 2008, January, February, and March 2009, and January, February, September, and November 2010, revealed that Dr. Sadeghi had unsupported billings, as well as appropriate support for services that it failed to bill to the regional centers.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to the regional centers. The failure to bill occurred when Dr. Sadeghi had appropriate documentation, but did not bill ELARC, SCLARC, and WRC.

Dr. Sadeghi was not able to provide appropriate supporting documentation for 980 hours/units of services billed for Vendor Numbers P66302 and PL0180. This lack of documentation resulted in unsupported billings to ELARC, SCLARC, and WRC in the amount of \$35,450.

In addition, Dr. Sadeghi provided appropriate supporting documentation for 202 hours/units of service for Vendor Numbers P66302 and PL0180 that were not billed to ELARC, SCLARC, and WRC. This resulted in an unbilled amount of \$3,164.

The net total of the billing discrepancies resulted in \$32,286 (\$35,450 - \$3,164) of unsupported billings due back to DDS. (See Attachment A.)

CCR, Title 17, Section 54326(a)(3) and (10) states in pertinent part:

“(a) All vendors shall:

(3) Maintain records of service provided to consumers in sufficient detail to verify delivery of the units of service billed:

(10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center...”

CCR, Title 17, Section 50604(d) and (e) states:

“(d) All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program...”

(e) All service providers' records shall be supported by source documentation...”

Recommendation:

Dr. Sadeghi must reimburse to DDS \$32,286 in unsupported billings. In addition, Dr. Sadeghi should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to ELARC, SCLARC, and WRC.

Dr. Sadeghi's Response:

In Dr. Sadeghi's response dated March 27, 2015, Dr. Sadeghi requested the opportunity to discuss the audit finding further with DDS; and on April 6, 2015, Dr. Sadeghi indicated that he would like to meet with DDS to discuss a potential settlement.

See Attachment B for full text of Dr. Sadeghi's response and Attachment C for DDS' Evaluation on Dr. Sadeghi's response.

ALI SADEGHI, Ph. D.
Summary of Unsupported and Failure to Bill
July 1, 2008 through June 30, 2011

Finding #	Vendor Number	Svc Code	Description	Unsupported Billings		Failed to Bill		Amount Due to DDS
				Hours/Units	A Amount	Units	B Amount	C = A+B Amount*
1	<u>Behavior Management Consultant</u>							
	<u>Sample Months December 2008 to March 2009</u>							
	PL0180	620	Behavior Management Consultant SCLARC	308	\$ 12,999	91	\$ (1,567)	\$ 11,432
	P66302	620	WRC ELARC	213 401	10,974 8,886	- 20	- (679)	10,974 8,207
			Subtotal	922	\$ 32,859	111	\$ (2,246)	\$ 30,613
	<u>Sample Months January, February, September, and November 2010</u>							
	PL0180	620	Behavior Management Consultant SCLARC	13	\$ 309	91	\$ (473)	\$ (164)
	P66302	620	WRC	45	2,282	-	(445)	1,837
			Subtotal	58	\$ 2,591	91	\$ (918)	\$ 1,673
FINDING 1: Total - Behavior Management Consultant				980	\$ 35,450	202	\$ (3,164)	\$ 32,286

*Rounded to the nearest dollar

Dr. Sadeghi's Response to Draft Report

As part of the audit report process, Dr. Sadeghi was afforded the opportunity to respond to the draft audit report and provide a written response to the finding identified. On March 27, 2015, Dr. Sadeghi submitted a response to the draft audit report via email. This was within the granted extension period Dr. Sadeghi had requested to provide its response to the draft audit report.

The following five pages contain Dr. Sadeghi's written response.

VIA E-MAIL(Jean.Johnson@dds.ca.gov)
and FedEx

April 6, 2015

Jean Johnson, Deputy Director

Department of Developmental Services ("DDS")
Audit Branch
1600 Ninth Street, Room 230, MS 2-10
Sacramento, CA 95814

Re: Settlement Request

California PsychCare, Inc. ("CPC")
Behavior Respite In Action, Inc. ("BRIA")
Autism Respond Team, Inc. ("ART")
Ali Sadeghi (AS)

Dear Ms Johnson:

I had the privilege of speaking with you about our audit when you had just returned to your new position with the department two years ago. As I understand, our audit by the department is almost done and under final review. I am enclosing for your reference a copy of CPC, BRIA, ART, Ali Sadeghi's letter dated March 27, 2015 to Mr. Edward Yan of the Department of Developmental Services.

After speaking with Mr. Alimou Diallo lead auditor, I would like to meet with DDS to discuss a potential settlement.

Sincerely,



Ali Sadeghi, Ph.D.

Executive Clinical Director

CPC-BRIA-ART

16946 Sherman Way, 100

Van Nuys, CA 91406

Off: 818.401.0661

Cell: 805.300.6655

Fax: 818.235.1408

March 27, 2015

VIA FedEx

Edward Yan, Manager
Department of Developmental Services
Audit Branch
1600 Ninth Street, Room 230, MS 2-10
Sacramento, CA 95814

Re: Ali Sadeghi ("AS")

Dear Mr. Yan:

This letter is in response to your letter dated December 16, 2014 and the Department of Developmental Services ("DDS") audit of AS for the period of July 1, 2008 through June 30, 2011 (the "Audit Period").

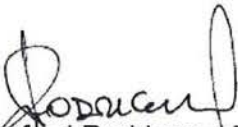
The DDS report for the Audit Period reflects 1 finding. This letter addresses each of the findings.

DDS audited 8 months during the Audit Period. Due to time constraints, regarding Findings 1 through 3 below, AS's response reflects a detailed analysis of 1 of such months (September 2010).

1. Finding Number 1: Behavior Management Consultant unsupported billings and failure to bill. DDS determined that there were 37 unsupported billing units. Enclosed is support for 37.00 (100%) of the alleged unsupported billing units. ART agrees with the DDS finding that ART omitted to bill \$\$\$3,164.00.

ART omitted to bill \$\$\$3,164.00. ART reserves all of its rights to bill for such omitted amounts. AS requests the opportunity to discuss this matter further with DDS after it has had a chance to review this letter and enclosures.

Sincerely,



Manfred Rodriguez, MBA
Administrative Director
16946 Sherman Way, 100
Van Nuys, CA 91406
Off: 818.474.1562 ext. 1303
Cell: 805.637.6250
Fax: 818.235.1408

DDS AUDIT 2011 Respond

ALI SADEGHI, PH. D.

Program Services:

**Behavior Management Consultant-
P66302 – PL0180**

Introduction:

Ali Sadeghi. (AS) was subject to an audit from the Department of Developmental Services (DDS) for the period of July 1, 2008 through June 30, 2011. The audit process took approximated 3 years and a half. The results were presented to Dr. Ali Sadeghi and Manfred Rodriguez on December 19, 2014 by the DDS Audit Supervisor Alimou Diallo and Lead Auditor Jennifer Bernard.

The audit report requested a respond within 30 days from the exit conference and pointed the following findings:

Finding 1: Behavior Management Consultant – Unsupported Billings and Failure to Bill

The audit report states that under vendor P66302 and PL0180 \$35,450.00 was overpaid due to unsupported billing to NLACRC, SG/PRC. The report also indicates that \$3,164.00 was credited to AS for failure to bill to the same regional centers named above. The finding assess that \$32,286.00 is due back to DDS.

On December 23, 2014, Dr. Sadeghi made a written requested to Jean Johnson to provide AS with the working papers and an extension of 4 months to reconcile the findings and its interpretations.

On a letter dated January 15, 2015, Jen Johnson denied the 4 months request, but agreed to provide the working papers and 2 months extension. The working papers were provided to Manfred Rodriguez by Alimou Diallo between January 21, 2015 and January 23, 2015.

Methodology:

Ali Sadeghi allocated two full time employees to solely work on the audit project to analyze research and gather documentation to be presented to DDS.

AS recognized the challenged to review the amount of documentation in the short period of time imposed by DDS. Thus, AS decided to focus on September 2010 as a sample month to validate the findings.

AS RESPONDS AND RECOMMENDATIONS

Respond to Finding 1: Behavior Management Consultant – Unsupported Billings and Failure to Bill

AS was able to produce for the month of November 37.00 hours out of the 37 hours reported by DDS as “unsupported” to ELARC, SCLARC and WRC by:

- a. Submitting or resubmitting supportive documentation:

- i. The timesheets that were omitted for unknown reasons on the audit. The working papers do not indicate which timesheets were omitted; thus, AS resubmitted all the timesheets in our possession (see attachment A).
- ii. Submitting Payroll register and payroll reports as a second form of proof of service. Note that payroll reports indicate the service and the consumer served by the employee. Furthermore, payroll register shows services rendered by the employee and paid to the employee. The combination of the payroll register and payroll report undoubtedly proves that the service was rendered as stated on Title 17, section 54326. (a)(3) and (10) (see attachment A).

Title 17, section 54326. (a)(3) and (10)

(a) All vendors shall:

(3) Maintain records of services provided to consumers in sufficient detail to verify delivery of the units of service billed...

(10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center...

Recommendation:

Based on the results of the sample audit of the September 2010 Audit, AS recommends that:

1. DDS should provide detailed information and rationale on all findings categorized as "Unsupported Units" or affect negatively to AS. While the working papers provide additional information, it does not clarify why some units were classified as "Unsupported Units".
2. DDS should revise its proposed assessment of unsupported units, and credits AS accordingly
3. Additional 12 months should be granted to AS to audit the audit performed by DDS after receiving the supportive documentation requested on bullet point 1 and 4 above. The amount of time is approximated 1/3 of the time that DDS took to conduct the audit.

THE DEPARTMENT OF DEVELOPMENTAL SERVICES' EVALUATION OF DR. SADEGHI'S RESPONSE

DDS evaluated Dr. Sadeghi's written response to the draft audit report and determined that Dr. Sadeghi did not expressly disagree with Finding 1 but provided additional documentation to support the sample month of November 2010. Below is a summary of the vendor's response as well as DDS' evaluation of the vendor's response.

Dr. Sadeghi states that:

Finding Number 1 - "DDS determined that there were 37 unsupported billing units. Enclosed is support for 37.00 (100%) of the alleged unsupported billing units. Dr. Sadeghi (ART) [sic] agrees with the DDS finding that Dr. Sadeghi (ART) [sic] omitted to bill \$3,164.00."

DDS disagrees with Dr. Sadeghi's assertions for Finding 1. Dr. Sadeghi was allowed credit for all the verifiable hours identified through its source documentation. Pursuant to CCR, Title 17, Section 54326 (a)(10), only direct services to the consumers are billable to the regional center. Dr. Sadeghi's computations of the 100 percent in Finding 1 failed to consider "Non-billable Activities" such as: scheduling, processing payroll, conducting general staff meetings, oversight of staff's compliance with policies and procedures, training and supervision activities, and new staff orientation. These administrative functions or duties which normally occur as part of managing a business are not considered direct services.

Additionally, Dr. Sadeghi may not bill the regional centers for all the program supervisors' or support staff's hours. DDS will only allow program supervisors' and direct support staff's hours as billable hours when the program supervisors or support staff are directly involved in delivering hands-on training in accordance with the requirements of the consumer's Individual Program Plan. The fact that a staff person is conducting what is characterized as "program preparation functions" only allows that person to be defined as a Direct Care Staff and does not necessarily allow Dr. Sadeghi to bill for staff hours.

Activities such as report writing, program development, travel time, clerical work, and other non-direct care functions should not be billed as direct services to consumers, as these activities are included in the rate of payments agreed upon by Dr. Sadeghi. As a result, adjustments were made for Non-billable Activities, reducing the hours billed by Dr. Sadeghi for services that were not considered direct service to the consumers.

Dr. Sadeghi stated that "Additional 12 months should be granted to Dr. Sadeghi to audit the audit performed by DDS after receiving the supportive documentation requested on bullet point 1 and 4 above. The amount of time approximated 1/3 of the time that DDS took to conduct the audit."

Dr. Sadeghi's request for an additional 12 months to respond to the audit report was respectfully denied. In addition to the two month extension granted to Dr. Sadeghi in the January 15, 2015 letter, the auditors had given Dr. Sadeghi the list of all the consumers with "No Timesheets" in April 2014, eight months prior to the issuance of the draft audit report in December 2014.

THE DEPARTMENT OF DEVELOPMENTAL SERVICES’ EVALUATION OF DR. SADEGHI’S RESPONSE

If Dr. Sadeghi disagrees with any portion of the final audit report issued by DDS, Dr. Sadeghi may request an administrative review pursuant to CCR, Title 17, Section 50730 and submit all the supporting documentation its deem necessary to refute the audit finding. Information about the administrative review process is included in the final audit report.

“DDS should provide detailed information and rationale on all findings categorized as “Unsupported Units” or affect negatively to Dr. Sadeghi. While the working papers provide additional information, it does not clarify why some units were classified as Unsupported Units.”

As previously discussed with Dr. Sadeghi over the duration of the audit, the definition of “Unsupported Units” simply means, unsubstantiated or not supported by evidence or facts. DDS disallowed hours in which there were multiple staff working with one consumer at the same time or if there were hours that were classified as administrative hours. Therefore, the unsupported billings identified in the audit can represent billings that were found to have no supporting documentation (Multiple Consumers with No Service Records), and billings with documentation for non-billable administrative functions/duties.

“Dr. Sadeghi requests the opportunity to discuss this matter further with DDS after it has a chance to review this letter and enclosures.” And Dr. Sadeghi “would like to meet with DDS to discuss a potential settlement.”

Dr. Sadeghi requested the opportunity to discuss with DDS a possible settlement agreement prior to the issuance of the final audit report. DDS’ Administrative Deputy responded to Dr. Sadeghi in a letter dated April 20, 2015 stating that settlement discussions can only occur after the final report is issued pursuant to CCR, Title Section 50705.

Dr. Sadeghi stated that, “The combination of the payroll register and payroll report undoubtedly proves that the service was rendered as stated on Title 17, Section 54326, (a)(3) and (10).”

DDS disagrees with Dr. Sadeghi’s statements above. The audit finding is entirely consistent with CCR, Title 17, Section 50604 requiring vendors to provide adequate documentation to verify its services. The purpose of the record keeping requirement is to verify the accuracy and correctness of bills presented by Dr. Sadeghi to the regional centers for payment. Payroll records alone cannot validate that services were performed because payroll hours include time for administration functions which are not considered direct services and are not billable to the regional center.

Conclusion:

DDS has reviewed Dr. Sadeghi’s response to the draft audit report and finds that no new information or source documentation was provided to refute the audit finding. Therefore, DDS finds no reason to revise Finding 1 and the related audit recommendation. DDS is requesting reimbursement of \$32,286 for the unsupported billings.