

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
AUTISM RESPONSE TEAM, INC.**

Program and Service:

Adaptive Skills Trainer – PL0816

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

Audit Branch

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

AUTISM RESPONSE TEAM, INC.

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EXECUTIVE SUMMARY

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

The audit disclosed the following issue of non-compliance:

Finding 1: Adaptive Skills Trainer – Unsupported Billings and Failure to Bill

The review of ART's Adaptive Skills Trainer program, Vendor Number PL0816, revealed that ART had both unsupported billings, as well as appropriate support for services that it failed to bill the North Los Angeles County Regional Center (NLACRC) and San Gabriel/Pomona Regional Center (SG/PRC). ART had a total of \$283,881 of unsupported billings and a total of \$101,794 for which it failed to bill.

The net total of the unsupported billing discrepancies identified in this audit amounts to \$182,087 due back to DDS. A detailed discussion of the finding is contained in the Finding and Recommendation section of this audit 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 ART's Adaptive Skills Trainer was compliant with the W&I Code, California Code of Regulations, Title 17 (CCR, Title 17), and the regional centers contracts with ART 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 ART, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of ART'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 ART 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 programs and services provided to four regional centers that utilize ART's services during the audit period. Of the four regional centers, DDS audited services provided to the following two regional centers: NLACRC and SG/PRC's. These two regional centers were chosen 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.

Adaptive Skills Trainer

During the audit period, ART operated one Adaptive Skills Trainer. The audit included the review of ART's Adaptive Skills Trainer, Vendor Number PL0816, Service Code 605, 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 and/or progress notes. As a result, the testing sample was expanded to include January, February, and March 2009, and January, February, September, and November 2010.

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 was 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, ART 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 finding in the draft audit report was discussed at a formal exit conference with Dr. Ali Sadeghi, Executive Clinical Director and Manfred Rodriguez, ART's Administrative Director, on December 19, 2014. Subsequent to the meeting, on December 23, 2014, ART requested the auditors' working papers and a four-month extension of time until April 16, 2015, to provide its response to the draft audit report. DDS provided ART with the working papers and granted a two-month extension. On March 27, 2015, ART submitted a response to the draft audit report.

RESTRICTED USE

This audit report is solely for the information and use of the DDS, Department of Health Care Services, NLACRC, SG/PRC, Frank D. Lanterman Regional Center, Kern Regional Center, and ART. This restriction is not intended to limit distribution of this audit report, which is a matter of public record.

FINDING AND RECOMMENDATION

Finding 1: Adaptive Skills Trainer - Unsupported Billings and Failure to Bill

The review of ART's Adaptive Skills Trainer Program, Vendor Number PL0816, Service Code 605, for the sample months of December 2008, January, February, and March 2009, and January, February, September, and November 2010, revealed that ART had unsupported billings as well as appropriate support for services that it failed to bill.

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 ART had appropriate documentation, but did not bill NLACRC and SG/PRC.

ART was not able to provide appropriate supporting documentation for 5,570 hours of services billed to NLACRC and SG/PRC. This lack of documentation resulted in unsupported billings to the regional centers in the amount of \$283,881.

In addition, ART provided appropriate supporting documentation for 1,996 hours of services, but was not billed to NLACRC and SG/PRC. This lack of documentation resulted in unbilled amount of \$101,794.

The net total of the billing discrepancies resulted in \$182,087 (\$283,881 - \$101,794) of unsupported billings due back to DDS. (See Attachment A)

W&I Code, Section 4648.1(e)(1) states:

“(e) A regional center or the department may recover from the provider funds paid for services when the department or the regional center determines either the following has occurred:

- (1) The services were not provided in accordance with the regional center's contract or authorization with the provider, or with applicable state laws or regulations.”

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

“(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:

ART must reimburse to DDS the \$182,087 for the unsupported billings. In addition, ART should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to NLACRC and SG/PRC.

ART’s Response:

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

See Attachment B for full text of ART’s response and Attachment C for DDS’ Evaluation on ART’s response.

Autism Response Team (ART)
Summary of Unsupported Billings and Failure to Bill
Fiscal Years July 1, 2008 through June 30, 2011

<i>Finding</i> #	<i>Svc</i> Vendor Code Description	<u>Unsupported Billings</u>		<u>Failed to Bill</u>		<u>Amount Due to DDS</u>
		<i>Units</i>	<i>A</i> Amount	<i>Units</i>	<i>B</i> Amount	<i>C = A + B</i> Amount*
1	<u>Adaptive Skills Trainer</u>					
	<u>Sample Months December 2008 to March 2009</u>					
	PL0816 605 Adaptive Skills Trainer					
	NLACRC	2,656	\$ 136,375	579	\$ (29,862)	\$ 106,513
	SG/PRC	331	17,058	252	(12,948)	4,110
	Subtotal	2,987	\$ 153,433	831	\$ (42,810)	\$ 110,623
	<u>Sample Months Jan 2010, Feb 2010, Sept 2010, Nov 2010</u>					
	NLACRC	2,351	\$ 118,729	1,001	\$ (50,704)	\$ 68,025
		284	14,332	164	(8,280)	6,052
	Subtotal	2,635	\$ 133,061	1,165	\$ (58,984)	\$ 74,077
	<i>Amount Credited to CPC based on Submitted Documents for the month of November 2010</i>					
		(52)	\$ (2,613)			\$ (2,613)
	FINDING 1: Total - Adaptive Skills Trainer	5,570	\$ 283,881	1,996	\$ (101,794)	\$ 182,087

*Rounded to the nearest dollar

ART's Response to Draft Report

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

The response included a five page letter and additional supporting documents. Due to the large volume of documents provided as part of the response package, these documents are not included in this audit report. The following pages contain ART'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

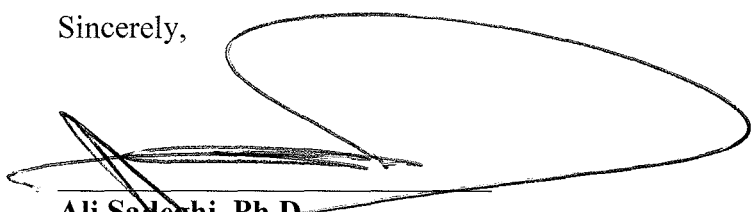
Re: Settlement Request
California PsychCare, Inc. (“CPC”)
Behavior Respite In Action, Inc. (“BRIA”)
Autism Respond Team, Inc. (“ART”)
Ali Sadeghi (AS)

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



Autism Response Team
16946 Sherman Way, 100
Van Nuys, CA 91406

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: Autism Response Team ("ART")

Dear Mr. Yan:

This letter is in response to your letter dated December 16, 2014 and the Department of Developmental Services ("DDS") audit of ART 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 the finding.

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

1. Finding Number 1: Adaptive Skills Trainer unsupported billings and failure to bill. DDS determined that there were 37 unsupported billing units. Enclosed is support for 579.00 (99%) of the alleged unsupported billing units. ART agrees with the DDS finding that ART omitted to bill \$101,793.00.

ART omitted to bill \$101,793.00. ART reserves all of its rights to bill for such omitted amounts. ART 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

AUTISM RESPONSE TEAM, INC.

Program Services:

Adaptive Skills Trainer- PL0816

Introduction:

Autism Response Team, INC. (ART) 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: Adaptive Skills Trainer – Unsupported Billings and Failure to Bill

The audit report states that under vendor PL08163 \$286,495.00 was overpaid due to unsupported billing to NLACRC, SG/PRC. The report also indicates that \$101,793.00 was credited to ART for failure to bill to the same regional centers named above. The finding assess that \$184,702.00 is due back to DDS.

On December 23, 2014, Dr. Sadeghi made a written requested to Jean Johnson to provide ART 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:

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

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

ART RESPONDS AND RECOMMENDATIONS**Respond to Finding 1: Adaptive Skills Trainer – Unsupported Billings and Failure to Bill**

ART was able to produce for the month of November 579.00 hours out of the 583.83 hours reported by DDS as “unsupported” to NLACRC and SG/PRC 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, ART

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 November 2010 Audit, ART recommends that:

1. DDS should provide detailed information and rationale on all findings categorized as "Unsupported Units" or affect negatively to ART. 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 ART accordingly
3. Additional 12 months should be granted to ART 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 AUTISM RESPONSE TEAM'S RESPONSE

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

ART states that:

Finding Number 1 - "DDS determined that there were 37 unsupported billing units. Enclosed is support for 579.00 (99%) of the alleged unsupported billing units. ART agrees with the DDS finding that ART omitted to bill \$101,793.00."

DDS disagrees with ART's assertions for Finding 1. ART 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. ART's computations of the 99 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 ART 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, ART 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 ART 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 consumer as these activities are included in the rate of payment agreed upon by ART. As a result, adjustments were made for "Non-billable Activities" reducing the hours billed by ART for services that were not considered direct service to the consumers.

"Additional 12 months should be granted to ART 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."

ART's request for an additional 12 months to respond to the audit report is denied. In addition to the two month extension granted to ART in the January 15, 2015 letter, the auditors gave ART 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 AUTISM RESPONSE TEAM'S RESPONSE

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

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

As previously discussed with ART over the duration of the audit, the definition of “Unsupported Units” simply means, unsubstantiated or not supported by evidence or source documents. 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 represent billings that were found to have no supporting documentation (Multiple Consumers with No Service Records), as well as those billings that had documentation for administrative functions/duties but not direct service hours.

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

ART requested the opportunity to discuss with DDS a possible settlement agreement prior to the issuance of the final audit report. DDS' Administrative Deputy Director responded to ART in a letter dated April 20, 2015, stating that a settlement discussion is premature as the Final Audit Report has not been issued. The CCR, Title 17, Section 50705, provides for recovery of overpayment after the final audit report has been issued.

“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 ART'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 ART 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:

Based on the evaluation of ART's documents for November 2010, DDS accepted documents that supported an additional credit of 52 hours of service that were previously classified as unsupported during the audit fieldwork. As a result, an adjustment of \$2,613 was made to the draft audit report

**THE DEPARTMENT OF DEVELOPMENTAL SERVICES'
EVALUATION OF AUTISM RESPONSE TEAM'S RESPONSE**

and will be reflected in the final audit report. DDS is requesting reimbursement of \$182,087 for the unsupported billings identified in this audit.