



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General  
Office of Audit Services

AUG 28 2009

Region VII  
601 East 12<sup>th</sup> Street  
Room 0429  
Kansas City, Missouri 64106

Report Number: A-07-08-00281

Mr. David Breuer  
Senior Vice President of Finance and Chief Financial Officer  
Noridian Mutual Insurance Company  
4510 13th Avenue South  
Fargo, North Dakota 58121-0001

Dear Mr. Breuer:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Postretirement Benefit Costs Claimed for Medicare Reimbursement by Noridian Administrative Services, LLC, for Fiscal Years 2004 and 2005." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, OIG reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act. Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Jenenne Tambke, Audit Manager, at (573) 893-8338, extension 21, or through email at [Jenenne.Tambke@oig.hhs.gov](mailto:Jenenne.Tambke@oig.hhs.gov). Please refer to report number A-07-08-00281 in all correspondence.

Sincerely,

Patrick J. Cogley  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Ms. Nanette Foster Reilly  
Consortium Administrator  
Consortium for Financial Management & Fee for Service Operations  
Centers for Medicare & Medicaid Services  
601 East 12<sup>th</sup> Street, Room 235  
Kansas City, Missouri 64106

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF POSTRETIREMENT  
BENEFIT COSTS CLAIMED FOR  
MEDICARE REIMBURSEMENT BY  
NORIDIAN ADMINISTRATIVE  
SERVICES, LLC, FOR FISCAL  
YEARS 2004 AND 2005**



Daniel R. Levinson  
Inspector General

August 2009  
A-07-08-00281

# ***Office of Inspector General***

<http://oig.hhs.gov>

---

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

## ***Office of Audit Services***

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

## ***Office of Evaluation and Inspections***

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

## ***Office of Investigations***

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

## ***Office of Counsel to the Inspector General***

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

# *Notices*

---

**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
at <http://oig.hhs.gov>

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, Office of Inspector General reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act.

## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

During our audit period (fiscal years (FY) 2004 and 2005), Noridian Administrative Services, LLC (NAS), administered Medicare Parts A and B operations under cost reimbursement contracts with the Centers for Medicare & Medicaid Services (CMS).

In claiming postretirement benefit (PRB) costs, contractors must follow cost reimbursement principles contained in the Federal Acquisition Regulation and applicable Cost Accounting Standards (CAS), as required by the Medicare contracts. In addition, the Medicare contracts and the annual Budget and Performance Requirements mandate that any change in accounting practice for PRB costs be submitted to CMS in advance for approval.

NAS submitted a request to CMS to change its accounting practice for PRBs from the pay-as-you-go method to the segmented accrual accounting method effective October 1, 2003. CMS granted approval subject to the findings and recommendations of this review. Noridian Mutual Insurance Company, the parent company of NAS, also established a voluntary employee benefit association trust to fund annual accruals. NAS started claiming accrued PRB costs in FY 2004.

Following the close of each FY, NAS submitted a Final Administrative Cost Proposal (FACP) to CMS reporting the administrative costs of performing Medicare functions during the year. The accrued PRB cost is part of the administrative cost of performing Medicare functions and, as such, is claimed on each FY's FACP.

### **OBJECTIVE**

Our objective was to determine the allowability of the PRB costs NAS claimed for Medicare reimbursement on an accrual basis for FYs 2004 and 2005.

### **SUMMARY OF FINDING**

NAS claimed some unallowable Medicare PRB costs for FYs 2004 and 2005. NAS claimed accrued PRB costs of \$7,674,204 for Medicare reimbursement; however, based on CAS PRB costs for the Medicare segment and the Total Company, allowable costs were \$7,358,291. NAS claimed \$315,913 of accrued PRB costs for FYs 2004 and 2005 that were unallowable for Medicare reimbursement because it based its claim for Medicare reimbursement on improperly computed CAS PRB costs.

### **RECOMMENDATIONS**

We recommend that NAS revise its FACPs to refund to the Federal Government unallowable accrued PRB costs of \$315,913 for FYs 2004 and 2005. We also recommend that NAS claim future PRB costs in accordance with the Medicare contract.

## **AUDITEE COMMENTS**

In written comments, NAS disagreed with our draft report's recommendation to refund to the Federal Government unallowable accrued PRB costs of \$3,831 for FYs 2004 and 2005. NAS stated that its actuary ". . . worked with the OIG [Office of Inspector General] on a revised calculation," the result of which was that ". . . we will need to refund to the Federal Government unallowable PRB costs of \$315,913 for FYs 2004 and 2005." NAS did not address the recommendation to claim future PRB costs in accordance with the Medicare contract.

NAS's comments are included in their entirety as Appendix B.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

After reviewing NAS's comments, as well as additional information provided by NAS's actuary, we revised the calculations and related recommendation in this final report to reflect the dollar amount indicated in NAS's comments. We continue to support our second recommendation.

## **INTRODUCTION**

### **BACKGROUND**

#### **Noridian Administrative Services, LLC, and Medicare**

During our audit period (fiscal years (FY) 2004 and 2005), Noridian Administrative Services, LLC (NAS), administered Medicare Parts A and B operations under cost reimbursement contracts with the Centers for Medicare & Medicaid Services (CMS). In claiming postretirement benefit (PRB) costs, contractors must follow cost reimbursement principles contained in the Federal Acquisition Regulation (FAR) and applicable Cost Accounting Standards (CAS), as required by the Medicare contracts.

#### **Federal Requirements**

Medicare reimburses a portion of the funded accruals that contractors charge for their PRB plans. To be allowable for Medicare reimbursement, FAR 31.205-6(o) requires that PRB accrual costs be (1) determined in accordance with Statement of Financial Accounting Standards (SFAS) 106 and (2) funded into a dedicated trust fund, such as a voluntary employee benefit association (VEBA) trust.

Since 1993, the “Budget and Performance Requirements” instructions sent to Medicare contractors have included a reminder of the special provisions regarding costs of PRB plans. The instructions specify that any change in accounting practice for PRB costs must be submitted to CMS in advance for approval.

#### **Noridian Administrative Services, LLC’s Request To Use Segmented Postretirement Benefit Accrual Accounting**

NAS submitted a request to CMS to change its accounting practice for PRBs from the pay-as-you-go method to the segmented accrual accounting method effective October 1, 2003. CMS granted approval subject to the findings and recommendations of this review. Noridian Mutual Insurance Company, the parent company of NAS, participates in a VEBA trust for the purpose of funding annual accruals. NAS started claiming accrued PRB costs in FY 2004.

Following the close of each FY, NAS submitted a Final Administrative Cost Proposal (FACP) to CMS reporting the administrative costs of performing Medicare functions during the year. The accrued PRB cost is part of the administrative cost of performing Medicare functions and, as such, is claimed on each FY’s FACP.

### **OBJECTIVE, SCOPE, AND METHODOLOGY**

#### **Objective**

Our objective was to determine the allowability of the PRB costs NAS claimed for Medicare reimbursement on an accrual basis for FYs 2004 and 2005.

## **Scope**

We reviewed accrued PRB costs that NAS claimed for Medicare reimbursement on its FACPs for FYs 2004 and 2005.

Achieving our objective did not require us to review NAS's overall internal control structure. We reviewed internal controls relating to the accrued PRB costs claimed for Medicare reimbursement to ensure that the PRB costs were allowable pursuant to the FAR.

We performed fieldwork at NAS's office in Fargo, North Dakota.

## **Methodology**

We reviewed the applicable Federal requirements. We also identified accrued PRB costs as claimed by NAS on its FACPs. We identified NAS's accrued PRB costs for the Total Company and for the Medicare segment. We also determined the extent to which NAS funded the PRB costs with contributions to the VEBA trust fund or with direct payment of benefits.

In performing this review, we used information provided by NAS's actuarial consulting firm, which included the VEBA assets, PRB obligations, service costs, contributions, claims paid, investment earnings, and administrative expenses. We reviewed NAS's accounting records, the PRB plan documents, Department of Labor/Internal Revenue Service Forms 5500, VEBA trust transaction documents, and PRB actuarial valuation reports, which included SFAS 106 information. The CMS Office of the Actuary used the information to develop PRB costs for NAS based on SFAS 106 methodology pursuant to the FAR. In turn, we reviewed and accepted the actuarial data and used it to calculate the accrued PRB costs that were allowable for Medicare reimbursement for FYs 2004 and 2005. Appendix A contains the details of the PRB costs and contributions.

We performed this review in conjunction with our audits of NAS's segmented PRB assets (A-07-08-00280) and of pension costs claimed for Medicare reimbursement (A-07-08-00259). We used the information obtained and reviewed during those audits in performing this review.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## **FINDING AND RECOMMENDATIONS**

NAS claimed some unallowable Medicare PRB costs for FYs 2004 and 2005. NAS claimed accrued PRB costs of \$7,674,204 for Medicare reimbursement; however, based on CAS PRB costs for the Medicare segment and the Total Company, allowable costs were \$7,358,291. NAS claimed \$315,913 of accrued PRB costs for FYs 2004 and 2005 that were unallowable for

Medicare reimbursement because it based its claim for Medicare reimbursement on improperly computed CAS PRB costs.

The FAR states that accrual accounting may be used to determine the allowable PRB costs if the cost is measured and assigned (actuarially determined) according to generally accepted accounting principles based on amortization of any transition obligation.<sup>1</sup> The FAR also states that allowable costs must be funded by the time set for filing the Federal income tax return or any extension thereof, and must comply with the applicable standards promulgated by the CAS Board.

We compared allowable accrued PRB costs with the accrued PRB costs claimed on NAS’s FACPs, as shown in the table below.

<b>Accrued PRB Costs Claimed Variance</b>			
<b>Fiscal Year</b>	<b>Per OIG</b>	<b>Per NAS</b>	<b>Difference</b>
2004	3,908,217	4,113,605	(205,388)
2005	3,450,074	3,560,599	(110,525)
<b>Total</b>	<b>\$7,358,291</b>	<b>\$7,674,204</b>	<b>(\$315,913)</b>

NAS based its claim for Medicare reimbursement on CAS PRB costs for the Medicare segment and the Total Company. However, those CAS PRB costs were different from the CAS PRB costs that we determined during our audit. Thus, NAS claimed \$315,913 of unallowable accrued PRB costs.

## **RECOMMENDATIONS**

We recommend that NAS revise its FACPs to refund to the Federal Government unallowable accrued PRB costs of \$315,913 for FYs 2004 and 2005. We also recommend that NAS claim future PRB costs in accordance with the Medicare contract.

## **AUDITEE COMMENTS**

In written comments, NAS disagreed with our draft report’s recommendation to refund to the Federal Government unallowable accrued PRB costs of \$3,831 for FYs 2004 and 2005. NAS stated that its actuary “. . . worked with the OIG [Office of Inspector General] on a revised calculation,” the result of which was that “. . . we will need to refund to the Federal Government unallowable PRB costs of \$315,913 for FYs 2004 and 2005.” NAS did not address the recommendation to claim future PRB costs in accordance with the Medicare contract.

NAS’s comments are included in their entirety as Appendix B.

---

<sup>1</sup>Costs attributable to past service (transition obligation) must be assigned under the delayed recognition methodology described in paragraphs 112 and 113 of SFAS 106.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

After reviewing NAS's comments, as well as additional information provided by NAS's actuary, we revised the calculations and related recommendation in this final report to reflect the dollar amount indicated in NAS's comments. We continue to support our second recommendation.

# **APPENDIXES**

**NORIDIAN ADMINISTRATIVE SERVICES, LLC,  
STATEMENT OF ALLOWABLE ACCRUED  
POSTRETIREMENT BENEFIT COSTS  
FOR FISCAL YEARS 2004 AND 2005**

**APPENDIX A  
Page 1 of 4**

Date	Description	Total Company	Other Segment	Medicare Segment
2003	Contributions	<u>1/</u> \$7,100,000	\$6,156,363	\$943,637
5.50%	Discount for Interest	<u>2/</u> (369,143)	(320,081)	(49,062)
1/1/03	Present Value Of Contributions	<u>3/</u> 6,730,857	5,836,282	894,575
	Prepayment Credit Applied	<u>4/</u> 0	0	0
	Present Value Of Funding	<u>5/</u> 6,730,857	5,836,282	894,575
1/1/03	Current Period Funding Requirement	<u>6/</u> 1,734,962	840,387	894,575
	Percentage Funded	<u>7/</u>	100.00%	100.00%
	Funded PRB Cost	<u>8/</u>	840,387	894,575
	Allowable Interest	<u>9/</u>	32,740	34,851
	Allocable PRB Cost	<u>10/</u>	<u>873,127</u>	<u>929,426</u>

2004	Contributions	\$4,100,000	\$3,177,822	\$922,178
5.50%	Discount for Interest	(200,855)	(155,678)	(45,177)
1/1/04	Present Value Of Contributions	3,899,145	3,022,144	877,001
	Prepayment Credit Applied	5,270,669	2,655,192	2,615,477
	Present Value Of Funding	9,169,814	5,677,336	3,492,478
1/1/04	Current Period Funding Requirement	7,037,988	3,545,510	3,492,478
	Percentage Funded		100.00%	100.00%
	Funded PRB Cost		3,545,510	3,492,478
	Allowable Interest		34,685	34,166
	Allocable PRB Cost		3,580,195	3,526,644
	Fiscal Year PRB Cost	<u>11/</u>	3,558,273	3,574,409
	Medicare LOB* Percentage	<u>12/</u>	13.55%	95.85%
2004	Allowable PRB Cost	<u>13/</u> <u>\$3,908,217</u>	<u>\$482,146</u>	<u>\$3,426,071</u>

**NORIDIAN ADMINISTRATIVE SERVICES, LLC,  
STATEMENT OF ALLOWABLE ACCRUED  
POSTRETIREMENT BENEFIT COSTS  
FOR FISCAL YEARS 2004 AND 2005**

**APPENDIX A  
Page 2 of 4**

Date	Description	Total Company	Other Segment	Medicare Segment
2005	Contributions	\$5,500,000	\$3,498,903	\$2,001,097
5.50%	Discount for Interest	(163,280)	(103,846)	(59,434)
1/1/05	Present Value Of Contributions	5,336,720	3,395,057	1,941,663
	Prepayment Credit Applied	2,249,076	1,080,588	1,168,488
	Present Value Of Funding	7,585,796	4,475,645	3,110,151
1/1/05	Current Period Funding Requirement	5,988,072	2,877,021	3,111,051
	Percentage Funded		100.00%	100.00%
	Funded PRB Cost		2,877,021	3,111,051
	Allowable Interest		54,963	59,434
	Allocable PRB Cost		2,931,984	3,170,485
	Fiscal Year PRB Cost		3,094,037	3,259,525
	Medicare LOB Percentage		13.08%	93.43%
2005	Allowable PRB Cost	<u>\$3,450,074</u>	<u>\$404,700</u>	<u>\$3,045,374</u>

\* Line of business.

**FOOTNOTES**

1/ We obtained Total Company contribution amounts from the postretirement benefits (PRB) actuarial valuation reports and trust transaction documentation that included the dates of deposits. The Total Company represents Noridian Mutual Insurance Company (Noridian), the parent company of Noridian Administrative Services, LLC (NAS). The "Other" segment represents the difference between the Total Company and NAS, the Medicare segment. Total contributions to the trust fund are the deposits made to the voluntary employee benefit association (VEBA) trust fund. Such contributions can be used to satisfy the funding requirements of Federal Acquisition Regulation (FAR) 31.205-6(o)(2)(iii) and Cost Accounting Standards (CAS) 416-50(a)(1)(v)(A). The contributions included deposits made during the plan year and the discounted value of accrued contributions, if any, deposited after the end of the plan year but within the time allowed for filing tax returns.

2/ We subtracted the interest that is included in the contributions deposited after the beginning of each plan year to discount the contributions back to their beginning-of-the-year value. For purposes of this Appendix, we computed the interest as the difference between the present value of contributions at the valuation interest rate and actual contribution amounts. Interest is determined using the Statement of Financial Accounting Standards 106 expected long-term rate of return assumption.

**NORIDIAN ADMINISTRATIVE SERVICES, LLC,  
STATEMENT OF ALLOWABLE ACCRUED  
POSTRETIREMENT BENEFIT COSTS  
FOR FISCAL YEARS 2004 AND 2005**

**APPENDIX A  
Page 3 of 4**

- 3/ The present value of contributions is the value of the contributions discounted from the date of deposit back to the first day of the plan year.
- 4/ A prepayment credit represents the accumulated value of premature funding from the previous year(s). A prepayment credit is created when contributions, plus interest, exceed the end-of year Current Period Funding Requirement. A prepayment credit may be carried forward, with interest, to the first of each subsequent plan year until needed to fund future PRB costs. The accumulated value of prepayment credits is available as of the first day of the plan year and is applied as of the first day of the plan year to cover the cost assigned to the period.
- 5/ The present value of funding represents the present value of contributions plus applied prepayment credits. This is the amount of funding that is available to cover the Current Period Funding Requirement measured at the first day of each plan year.
- 6/ The Current Period Funding Requirement is based upon the assignable CAS PRB costs computed during our review. The Current Period Funding Requirement must be funded by accumulated prepayment credits or current year contributions to satisfy the funding requirement of the FAR. Using NAS's reimbursement methodology, the Medicare segment's cost was based on an allocation of the Total Company CAS PRB cost. During our review, we noted that NAS used a separately computed Medicare segment CAS PRB cost beginning in 2006.
- 7/ The percentage of costs funded is a measure of the portion of the Current Period Funding Requirement that was funded during the plan year. Since any funding in excess of the Current Period Funding Requirement is premature funding of future period costs, the funded ratio may not exceed 100 percent. We computed the percentage funded as the present value of funding divided by the Current Period Funding Requirement. For purposes of this calculation, the percentage of funding has been rounded to four decimals.
- 8/ We computed the funded PRB cost as the Current Period Funding Requirement multiplied by the percent funded.
- 9/ We assumed that interest on the funded PRB cost, less the applied prepayment credit, accrues in the same proportion that the interest on contributions bears to the present value of contributions. However, we limited the interest in accordance with FAR 31.205-6(o)(4), which provides that interest costs are unallowable if caused by a delay in funding beyond 30 days after the end of the each quarter to which they are assignable.
- 10/ The allocable PRB cost is the amount of PRB cost that may be allocated for contract costing purposes. The allocable PRB cost for 2003 represents a quarter year cost.

**NORIDIAN ADMINISTRATIVE SERVICES, LLC,  
STATEMENT OF ALLOWABLE ACCRUED  
POSTRETIREMENT BENEFIT COSTS  
FOR FISCAL YEARS 2004 AND 2005**

**APPENDIX A  
Page 4 of 4**

- 11/ We converted the plan year allocable PRB costs to a Federal fiscal year (FY) basis (October 1 through September 30). We calculated the FY PRB costs as 1/4 of the prior year's allocable costs plus 3/4 of the current year's costs. FY 2004 PRB costs equal the 2003 allocable cost plus 3/4 of the calendar year 2004 costs. Costs charged to the Medicare contract should consist of the Medicare segment's direct PRB costs plus PRB costs attributable to indirect Medicare operations.
- 12/ We calculated allowable PRB costs of the Medicare and "Other" segments based on the Medicare line of business (LOB) percentage of each segment. We obtained the percentages from information provided by Noridian.
- 13/ We computed the allowable Medicare PRB cost as the FY PRB cost multiplied by the Medicare LOB percentage.



May 13, 2009

Mr. Patrick J. Cogley  
Regional Inspector General for Audit Services  
Department of Health & Human Services  
601 East 12<sup>th</sup> Street  
Room 0429  
Kansas City, MO 64106

RE: Report Number A-07-08-00280 and A-07-08-00281

Dear Mr. Cogley:

We have reviewed your draft reports entitled "Review of Medicare Segment Postretirement Benefit Assets at Noridian Administrative Services, LLC for October 1, 2003, to January 1, 2006" and "Review of Postretirement Benefit Costs Claimed for Medicare Reimbursement by Noridian Administrative Services, LLC, for Fiscal Years 2004 and 2005" and offer the following comments:

Recommendations - "Review of Medicare Segment Postretirement Benefit Assets"

- **Increase Medicare segment assets by \$2,677,457 as of January 1, 2006**
  - After reviewing the calculations in the draft report, our actuary, Patrick Ward with JP Morgan Compensation and Benefit Strategies, worked with the OIG on a revised calculation, which was agreed upon between both parties. Based on those calculations, Medicare segment assets need to be increased by \$2,384,465 as of January 1, 2006.
- **Make adjustments for participant transfers in future updates.**
  - We concur with this recommendation and will ensure that participant transfers are monitored and updated.

Page 2

Recommendations – “Review of Postretirement Benefit Costs Claimed”

- **Revise the Final Administrative Cost Proposals to refund to the Federal Government unallowable accrued PRB costs of \$3,831 for FYs 2004 and 2005 and claim future PRB costs in accordance with the Medicare contract.**
  - After reviewing the calculations in the draft report, our actuary worked with the OIG on a revised calculation, which was agreed upon between both parties. Based on those calculations, we will need to refund to the Federal Government unallowable PRB costs of \$315,913 for FYs 2004 and 2005.

Sincerely,



David Breuer  
Senior Vice President of Finance and CFO