First Coast Service Options, Inc., Understated Its Allocable Pension Costs

What OIG Found
Neither the Medicare segment nor the Other segment pension costs that FCSO used to calculate the indirect cost rates in its ICPs complied with Federal requirements. Specifically, for CYs 2008 through 2010, FCSO used Medicare segment allocable pension costs of $12.7 million to calculate its indirect cost rates in its ICPs; however, we determined that the Medicare segment pension costs that should have been used to calculate the indirect cost rates were $12.8 million. Thus, FCSO understated the Medicare segment allocable pension costs used to calculate its indirect cost rates by $147,268.

In addition, FCSO used Other segment allocable pension costs of $123.2 million to calculate its indirect cost rates in its ICPs; however, we determined that the Other segment allocable pension costs that should have been used to calculate the indirect cost rates were $124.4 million. Thus, FCSO understated the Other segment allocable pension costs used to calculate its indirect cost rates by $1.2 million.

These understatements occurred primarily because FCSO used incorrect Cost Accounting Standards pension costs to calculate its indirect cost rates for CYs 2008 through 2010.

What OIG Recommends and Auditee Comments
We recommend that FCSO increase the Medicare segment allocable pension costs used to calculate its indirect cost rates for CYs 2008 through 2010 by $147,268, and increase the Other segment allocable pension costs used to calculate its indirect cost rates for CYs 2008 through 2010 by $1.2 million.

FCSO agreed with our recommendations and stated that it would work with CMS to address the findings.