Palmetto Government Benefits Administrator, LLC, Understated Its Medicare Segment Allocable Pension Costs

What OIG Found
The Medicare segment allocable pension costs that Palmetto used to calculate the indirect cost rates in its ICPs did not comply with Federal requirements. Specifically, for CYs 2006 through 2012, Palmetto used Medicare segment pension costs of $39.7 million to calculate its indirect cost rates; however, we determined that the Medicare segment pension costs that Palmetto should have used to calculate the indirect cost rates were $39.8 million. Thus, Palmetto understated the Medicare segment pension costs used to calculate its indirect cost rates by $143,000. This understatement occurred primarily because Palmetto used incorrect Cost Accounting Standards pension costs to calculate its indirect cost rates for CYs 2006 through 2012.

What OIG Recommends and Palmetto Comments
We recommend that Palmetto increase the Medicare segment pension costs used to calculate its indirect cost rates by $143,000 for CYs 2006 through 2012.

Palmetto concurred with our recommendation.