National Government Services, Inc., Claimed Some Unallowable Medicare Pension Costs Through Its Incurred Cost Proposals

What OIG Found
NGS claimed pension costs of $17.3 million for Medicare reimbursement, through its ICPs, for CYs 2007 through 2014; however, we determined that the allowable CAS-based pension costs during this period were $15.5 million. The difference, $1.8 million, represented unallowable Medicare pension costs that NGS claimed on its ICPs for CYs 2007 through 2014. NGS claimed these unallowable Medicare pension costs primarily because it (1) did not allocate the correct pension costs and (2) used incorrect indirect cost rates when claiming pension costs for Medicare reimbursement.

What OIG Recommends and Auditee Comments
We recommend that NGS work with CMS to ensure that its final settlement of contract costs reflects a decrease in Medicare pension costs of $1.8 million for CYs 2007 through 2014.

NGS did not specifically agree or disagree with our finding and recommendation but stated that it did not agree with the approach we took to calculate the unallowable pension costs. NGS did not agree with our methodology in incorporating adjustments from other ICP audits conducted by independent accounting firms, including the previous pension audit costs for CYs 2007 through 2009, as those adjustments, according to NGS, had not been negotiated with CMS.

We revised some of our calculations of the Medicare segment pension costs for this final report. We incorporated the ICP audit adjustments because the ICP audit report from the independent accounting firms has been issued in final. The ICP auditors incorporated our pension adjustments from our prior audit for the period of 2007 through 2009. We followed the ICP auditors’ methodology and incorporated the pension adjustments from the ICP audit findings into our own calculations. Therefore, we maintain that our finding and recommendation, as revised, are valid.