

## Report in Brief

Date: September 2019  
Report No. A-07-19-00572

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



### Why OIG Did This Review

The Centers for Medicare & Medicaid Services (CMS) reimburses a portion of its contractors' nonqualified plan costs.

At CMS's request, the HHS, OIG, Office of Audit Services, Region VII pension audit team reviews the cost elements related to qualified defined-benefit, nonqualified defined-benefit, postretirement benefit, and any other pension-related cost elements claimed by Medicare contractors through Incurred Cost Proposals (ICPs).

Previous OIG reviews found that Medicare contractors did not always correctly identify and claim nonqualified costs.

Our objective was to determine whether the calendar years (CYs) 2007 through 2014 nonqualified costs that National Government Services, Inc. (NGS), claimed for Medicare reimbursement and reported on its ICPs were allowable and correctly claimed.

### How OIG Did This Review

We reviewed \$1,047,241 of Medicare nonqualified costs that NGS claimed for Medicare reimbursement on its ICPs for CYs 2007 through 2014.

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

### What OIG Found

NGS claimed nonqualified costs of \$1,047,241 for Medicare reimbursement for CYs 2007 through 2014; however, we determined that the allowable nonqualified costs during this period were \$75,421. The difference, \$971,820, constituted unallowable Medicare nonqualified costs that NGS claimed on its ICPs for CYs 2007 through 2014. NGS claimed these unallowable Medicare nonqualified costs because it did not calculate those costs in accordance with Federal regulations and the Medicare contracts' requirements.

### 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 nonqualified costs of \$971,820 for CYs 2007 through 2014.

NGS did not specifically agree or disagree with our finding and recommendation. NGS did not dispute our classification of its Empire Plan as a deferred compensation plan, but it asked us to reconsider our approach to Federal fiscal years (FYs) 2000 through 2006 costs associated with an entity (Empire) that was subsequently consolidated into NGS. NGS referred to other audits of those costs and stated that an adjustment had been proposed to CMS to change the historical treatment of the Empire costs to be consistent with NGS's practice for its other pension plans. In addition, NGS did not agree with our methodology in incorporating adjustments from other ICP audits.

We revised some of our calculations of the nonqualified costs for this final report. The audits that reviewed Empire's costs for FYs 2000 through 2006, most of which were performed by independent accounting firms, did not properly identify the plan type before making their determinations. Also, the FYs 2000 through 2006 timeframe was outside our audit period.

NGS did not give us a CMS-approved copy of the proposal to change the cost accounting methodology. Even if NGS had done so, we are required to audit to the criteria relevant to the plan we are reviewing. Because Empire cannot be considered a pension plan, those criteria are Cost Accounting Standards 415. In addition, we incorporated the ICP audit adjustments because the ICP audit report from independent accounting firms has been issued in final. We incorporated those adjustments into our own findings. Therefore, we maintain that our finding and recommendation, as revised, are valid.