

## Report in Brief

Date: January 2023

Report No. A-07-22-00620

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



### Why OIG Did This Audit

Medicare contractors are required to separately account for the Medicare segment pension plan assets based on the requirements of Cost Accounting Standards (CAS) 412 and 413.

Previous OIG audits found that Medicare contractors did not always correctly identify and update the segmented pension assets.

Our objectives were to determine whether National Government Services, Inc. (NGS), complied with Federal requirements and its established cost accounting practice when: (1) implementing the prior audit recommendation to increase the Plan A Medicare segment pension assets as of January 1, 2015, (2) updating the Plan A Medicare segment pension assets from January 1, 2015, to December 31, 2018, and (3) determining Medicare's share of the Plan A Medicare segment excess pension assets or liabilities as a result of NGS's benefit curtailment.

### How OIG Did This Audit

We reviewed NGS's implementation of the prior audit recommendation; its identification of the Plan A Medicare segment; its update of the Plan A Medicare segment pension assets from January 1, 2015, to December 31, 2018; and its calculation of Medicare's share of the Plan A Medicare segment's excess pension liabilities as of December 31, 2018, as a result of its benefit curtailment.

## National Government Services, Inc., Understated Its Plan A Medicare Segment Pension Assets and Overstated Medicare's Share of the Medicare Segment Excess Pension Liabilities as of December 31, 2018

### What OIG Found

NGS implemented our prior audit recommendation to increase the Plan A Medicare segment pension assets by \$21,152 as of January 1, 2015. For our second objective, NGS did not correctly update the Plan A Medicare segment pension assets from January 1, 2015, to December 31, 2018, in accordance with Federal regulations and its established cost accounting practice. NGS identified Plan A Medicare segment pension assets of \$8.3 million as of December 31, 2018; however, we determined that NGS understated those assets by \$7,036. NGS's policies and procedures did not always ensure that NGS calculated those assets in accordance with Federal regulations and its established cost accounting practice when updating the assets.

For our third objective, NGS calculated \$704,771 as Medicare's share of the Plan A Medicare segment excess pension liabilities as of December 31, 2018; however, we calculated that Medicare's share of those liabilities was \$657,263 as of that date. Therefore, NGS overstated Medicare's share of the Plan A Medicare segment excess pension liabilities by \$47,508.

### What OIG Recommends and Auditee Comments

We recommend that NGS increase the Plan A Medicare segment pension assets by \$7,036 and recognize \$8.3 million as the Plan A Medicare segment pension assets as of December 31, 2018; decrease Medicare's share of the Plan A Medicare segment excess pension liabilities as of December 31, 2018, by \$47,508 and recognize \$657,263 as Medicare's share of the pension liabilities as a result of the benefit curtailment; and develop quality assurance procedures, to include improved policies and procedures.

NGS concurred with our recommendations and said that it would adjust its plan assets accordingly. With respect to our second recommendation, NGS said that it would work with CMS on the settlement of Medicare's share of the Medicare segment excess pension liabilities as of December 31, 2018. With respect to our third recommendation, NGS said that it would evaluate its processes and adjust as appropriate.