DEPARTMENT OF HEALTH & HUMAN SERVICES **OFFICE OF INSPECTOR GENERAL**

Office of Audit Services, Region IV
61 Forsyth Street, SW, Suite 3T41
Atlanta, GA 30303

June 14, 2011

Report Number: A-04-07-00033

Mr. Steve Bishop
Accounting Director
CIGNA Government Services
Two Vantage Way
Nashville, TN 37228

Dear Mr. Bishop:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of CIGNA Government Services Durable Medical Equipment Regional Carrier Medicare Termination Cost Vouchers for the Period October 1, 2006, Through October 31, 2007*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at http://oig.hhs.gov.

If you have any questions or comments about this report, please do not hesitate to call me at (404) 562-7800, or contact Eric Bowen, Audit Manager, at (404) 562-7789 or through email at Eric.Bowen@oig.hhs.gov. Please refer to report number A-04-07-00033 in all correspondence.

Sincerely,

/John T. Drake, Sr./
Acting Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Deborah Taylor
Acting Director & Chief Financial Officer
Office of Financial Management (OFM)
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Baltimore, MD 21244-1850

Department of Health & Human Services

OFFICE OF
INSPECTOR GENERAL

REVIEW OF CIGNA GOVERNMENT SERVICES DURABLE MEDICAL EQUIPMENT REGIONAL CARRIER MEDICARE TERMINATION COST VOUCHERS FOR THE PERIOD OCTOBER 1, 2006, THROUGH OCTOBER 31, 2007

Daniel R. Levinson
Inspector General

June 2011
A-04-07-00033

Office of Inspector General

http://oig.hhs.gov

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

Title XVIII of the Social Security Act established the Health Insurance for the Aged and Disabled (Medicare) program, which provides for a hospital insurance program (Part A) and a related supplementary medical insurance program (Part B). The Part B program includes certain medical equipment and related services, including durable medical equipment and other medical services. The Centers for Medicare & Medicaid Services (CMS) administers the Medicare program by contracting with private organizations to process and pay claims for services provided to eligible beneficiaries.

CIGNA is a holding company for Connecticut General Life Insurance Company, the legal entity that holds the Medicare contracts. CIGNA HealthCare, one of CIGNA's operating divisions, administered various Medicare contracts via CIGNA Government Services, a wholly owned subsidiary of CIGNA. During the period October 1, 2003, through September 30, 2006, CMS contracted with CIGNA to serve as the Durable Medical Equipment Regional Carrier (DMERC) for Alaska, Arizona, California, Guam, Hawaii, Idaho, Iowa, Kansas, Missouri, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming, Northern Mariana Islands, and American Samoa. During this period, CMS also contracted with CIGNA to serve as the Medicare Part B carrier for the States of Tennessee, North Carolina, and Idaho.

CIGNA's DMERC contract with CMS provided for reimbursement of allowable administrative costs incurred and allowable termination costs if CMS terminated the contract. Such administrative costs included the direct costs of administering the contract as well as allocations of certain indirect costs of services or assets used by Medicare and other entities. CMS guidelines required contractors to file costs incurred prior to the contract termination as administrative costs through submission to CMS of a Final Administrative Cost Proposal and to file costs incurred subsequent to contract termination on a separate termination cost voucher.

In accordance with CMS guidelines, CIGNA claimed reimbursement of administrative costs through submission to CMS of annual Final Administrative Cost Proposals. For October 1, 2003, through September 30, 2006, CIGNA claimed approximately $75 million in reimbursement for direct and indirect administrative costs related to its DMERC contract. We reviewed these administrative costs incurred prior to the contract termination under a separate report (A-04-07-00032).

After CMS terminated CIGNA's DMERC contract effective September 30, 2006, CIGNA submitted termination cost vouchers on which it claimed DMERC termination costs totaling $2,289,864 for the period October 1, 2006, through October 31, 2007.

OBJECTIVE

Our objective was to determine whether the DMERC termination costs claimed by CIGNA were reasonable, allocable, and allowable for Medicare reimbursement.

SUMMARY OF FINDINGS

Of the $2,289,864 in DMERC termination costs reviewed, $1,366,424 was allowable for Medicare reimbursement under the DMERC contract. The remaining $923,440 was not. Of this $923,440, we set aside $745,962 for CMS adjudication because it was otherwise allowable under CIGNA's Medicare Part B contract. The remaining $177,478 was unallowable for Medicare reimbursement. These unallowable termination costs occurred because CIGNA did not have adequate policies and procedures to ensure that these costs were adequately supported and allocated to the DMERC contract in compliance with applicable Federal regulations and CMS guidance.

RECOMMENDATIONS

We recommend that CIGNA:

- refund to CMS $177,478 related to unallowable costs claimed on CIGNA's termination cost vouchers,

- work with CMS to resolve $745,962 in costs allocable to CIGNA's Medicare Part B contract that were improperly claimed on CIGNA's termination cost vouchers, and

- strengthen its policies and procedures to ensure compliance with applicable Federal regulations and CMS guidance for claiming termination costs.

CIGNA COMMENTS

In comments on our draft report, CIGNA disagreed with our findings and considered all costs charged to the DMERC termination as allowable and allocable. CIGNA acknowledged that there were employees terminated as part of the contract termination who had been working primarily on the Part B contract. However, CIGNA maintained that the loss of the DMERC contract triggered the severance and staff reduction. Accordingly, CIGNA reviewed the entire employee population and retained the best employees regardless of the contract they were currently working.

With regard to the finding of reasonable severance beyond 26 weeks, CIGNA stated that these long term employees worked solely on government contracts throughout their careers, which spanned periods of time in excess of the DMERC contract. Further, CIGNA maintained that no severance expense would have been incurred without the DMERC contract termination and that these payments were made pursuant to a written plan submitted to CMS annually as part of the budget request process.

CIGNA disagreed with the $13,160 in moving, shipping, and office-closure costs deemed unsupported and, therefore, unallowable. CIGNA stated that it provided us with invoices and internal electronic documentation supporting some of these costs. CIGNA also stated that it can provide invoices to CMS to confirm the proper treatment of the remaining expenses that we deemed unsupported and unallowable.

CIGNA's comments are included in their entirety as the Appendix.

OFFICE OF INSPECTOR GENERAL RESPONSE

We maintain that the severance pay for employees working on the Part B contract was not reasonable, allocable, or allowable for Medicare reimbursement under the DMERC contract in accordance with FAR 31.201-2(d) (48 CFR § 31.201-2(d)) and FAR 31.201-4 (48 CFR § 31.201-4). Furthermore, we maintain that the severance pay for employees for more than 26 weeks, the length of time we considered reasonable under the contract, were not distributed to Medicare "in reasonable proportion to the benefits received…." as required by FAR 31.201-4 (b) (48 CFR § 31.201-4(b)).

With regard to the $13,160 in moving, shipping, and office-closure costs, CIGNA did not provide invoices or additional documentation supporting these expenses with its comments to the draft report. Therefore, we could not determine whether these expenses were allowable for allocation to the DMERC contract, and we maintain that these costs are not allocable to Medicare.

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INTRODUCTION

BACKGROUND

Medicare Program

Title XVIII of the Social Security Act established the Health Insurance for the Aged and Disabled (Medicare) program, which provides for a hospital insurance program (Part A) and a related supplementary medical insurance program (Part B). The Part B program includes certain medical equipment and related services, including durable medical equipment and other medical services. The Centers for Medicare & Medicaid Services (CMS) administers the Medicare program by contracting with private organizations to process and pay claims for services provided to eligible beneficiaries.

Connecticut General Life Insurance Company Medicare Contract

CIGNA is a holding company for Connecticut General Life Insurance Company, the legal entity that holds Medicare contracts. CIGNA HealthCare, one of CIGNA's operating divisions, administered various Medicare contracts via CIGNA Government Services, a wholly owned subsidiary of CIGNA. During the period October 1, 2003, through September 30, 2006, CMS contracted with CIGNA to serve as the Durable Medical Equipment Regional Carrier (DMERC) for Alaska, Arizona, California, Guam, Hawaii, Idaho, Iowa, Kansas, Missouri, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming, Northern Mariana Islands, and American Samoa. During this period, CMS also contracted with CIGNA to serve as the Medicare Part B carrier for the States of Tennessee, North Carolina, and Idaho.

CIGNA's DMERC contract with CMS provided for reimbursement of allowable administrative costs incurred and allowable termination costs if CMS terminated the contract. Such administrative costs included the direct costs of administering the contract as well as allocations of certain indirect costs of services or assets used by Medicare and other entities. CMS guidelines required contractors to file costs incurred prior to the contract termination as administrative costs through submission to CMS of a Final Administrative Cost Proposal (FACP) and to file costs incurred subsequent to contract termination on a separate termination cost voucher.

In accordance with CMS guidelines, CIGNA claimed reimbursement of administrative costs through submission to CMS of annual Final Administrative Cost Proposals. For October 1, 2003, through September 30, 2006, CIGNA claimed approximately $75 million in reimbursement for direct and indirect administrative costs related to its DMERC contract.[1]

After CMS terminated CIGNA's DMERC contract effective September 30, 2006, CIGNA submitted termination cost vouchers on which it claimed DMERC termination costs totaling $2,289,864 for the period October 1, 2006, through October 31, 2007.

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[1] We reviewed these administrative costs incurred prior to contract termination under a separate report (A-04-07-00032).

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the DMERC termination costs claimed by CIGNA were reasonable, allocable, and allowable for Medicare reimbursement.

Scope

Our review was limited to $2,289,864 in DMERC termination costs claimed on CIGNA's termination cost vouchers from October 1, 2006, through October 31, 2007. This total included $1,785,229 for severance pay, $427,964 for fringe benefit costs related to severance pay, and $76,671 for other costs.

We limited our internal control review to controls related to the recording and reporting of DMERC termination costs claimed on CIGNA's termination cost vouchers. We accomplished our objective through substantive testing.

We conducted our fieldwork at CIGNA offices in Nashville, Tennessee.

Methodology

To accomplish our objective, we:

- reviewed applicable sections of the Federal Acquisition Regulations (FAR) and CIGNA's contract with CMS;
- reviewed CMS guidance;
- reviewed CIGNA's applicable severance pay and fringe benefit policies;
- reviewed personnel records;
- interviewed CIGNA officials to obtain an understanding of its claiming of termination costs;
- reviewed termination cost vouchers submitted by CIGNA to CMS for the period October 1, 2006, through October 31, 2007;
- reviewed DMERC termination severance pay and related fringe benefit costs for allowability, allocability, and reasonableness by ensuring that CIGNA paid severance only to eligible employees working under the DMERC contract and that CIGNA properly calculated severance pay and related benefits;

- recalculated severance pay and related fringe benefits in accordance with applicable Federal regulations and CMS guidance; and

- reviewed other DMERC termination costs for allowability, allocability, and reasonableness by ensuring costs were supported by invoices, were related to the DMERC contract, and were properly calculated.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS AND RECOMMENDATIONS

Of the $2,289,864 in DMERC termination costs reviewed, $1,366,424 was allowable for Medicare reimbursement under the DMERC contract. The remaining $923,440 was not. Of this $923,440, we set aside $745,962 for CMS adjudication because it was otherwise allowable under CIGNA's Medicare Part B contract. The remaining $177,478 was unallowable for Medicare reimbursement. These unallowable termination costs occurred because CIGNA did not have adequate policies and procedures to ensure that these costs were adequately supported and allocated to the DMERC contract in compliance with applicable Federal regulations and CMS guidance.

PROGRAM REQUIREMENTS

Federal Regulations

The contract between CMS and CIGNA sets forth principles of reimbursement for administrative costs. The contract cited the FAR, Title 48, Chapter 1 of the CFR, as regulatory principles to be followed for application to the Medicare contract and provided additional guidelines for specific cost areas.

Pursuant to FAR 31.201-2(a) (48 CFR § 31.201-2(a)):

(a) A cost is allowable only when the cost complies with all of the following requirements:

(1) Reasonableness.
(2) Allocability.
(3) Standards promulgated by the CAS Board, if applicable, otherwise, generally accepted accounting principles and practices appropriate to the circumstances.
(4) Terms of the contract.

Section 31.201-2(d) of the FAR (48 CFR § 31.201-2(d)) states that CIGNA is responsible for "... maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles ...."

Pursuant to FAR 31.201-4 (48 CFR § 31.201-4), which establishes guidelines for determining allocability of contract costs, a cost "is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a Government contract if it … (b) Benefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received …."

Section 31.202(a) of the FAR (48 CFR § 31.202(a)) states, "All costs specifically identified with other final cost objectives of the contractor are direct costs of those cost objectives and are not to be charged to the contract directly or indirectly."

Pursuant to FAR 31.204(a) (48 CFR § 31.204(a)), "[c]osts are allowable to the extent they are reasonable, allocable, and determined to be allowable ...."

Section 31.205-6(a) of the FAR (48 CFR § 31.205-6(a)) states, "Compensation for personal services includes all remuneration paid currently or accrued, in whatever form and whether paid immediately or deferred, for services rendered by employees to the contractor during the period of contract performance ... it includes, but not limited to, salaries; wages ... fringe benefits ...."

Centers for Medicare & Medicaid Services Guidance

A November 15, 2000, CMS Memorandum states, "Severance pay shall only be paid to employees of cost centers whose function is directly servicing the Medicare contract at the time of the non-renewal or termination notice if such cost center is eliminated or its staffing level is decreased due to the non-renewal or termination." This guidance is reiterated in Section 5-2 of the DMERC Workload Closeout Handbook dated January 4, 2006.

Section 8-4 of the DMERC *Workload Closeout Handbook*, dated January 4, 2006, states:

> … Termination costs are not to be included in the FACP; only vouchers may be used to claim reimbursement of termination costs .... These vouchers … must provide sufficient detail to demonstrate that the costs have been incurred and paid. CMS will review the vouchers and make payments as appropriate.[2]

TERMINATION COSTS NOT SUPPORTED AS REASONABLE, ALLOCABLE, OR ALLOWABLE

Of the $2,289,864 in DMERC termination costs reviewed, $1,366,424 was allowable for Medicare reimbursement under the DMERC contract. The remaining $923,440 was not

[2] This report refers to vouchers used to claim reimbursement of termination cost as "termination cost vouchers."

considered reimbursable under the DMERC contract. Of the $923,440, we set aside $745,962 for CMS adjudication, since it was otherwise allowable under CIGNA's Medicare Part B contract. The remaining $177,478 was unallowable for Medicare reimbursement. CIGNA did not have adequate policies and procedures to ensure that these costs were adequately supported and allocated to the DMERC contract in compliance with applicable Federal regulations and CMS guidance.

Severance Pay

CIGNA claimed $692,817 for severance pay that was not reasonable, allocable, or allowable for Medicare reimbursement, as required by FAR 31.201-2(d) (48 CFR § 31.201-2(d)) and FAR 31.201-4 (48 CFR § 31.201-4). Specifically, CIGNA claimed $559,900 for 40 employees who were employed under a Part B expense center. Because these were not DMERC employees, the severance costs were not allocable to the DMERC contract. However, since these costs were otherwise allowable under the Medicare Part B contract, we are setting them aside for CMS adjudication.

Furthermore, CIGNA claimed $131,849 for 13 employees who received severance pay for more than 26 weeks, the length of time we considered reasonable under the contract. CIGNA's DMERC contract lasted 13 years from January 1, 1993, through September 30, 2006. In accordance with its severance pay plan, CIGNA calculated severance for eligible employees at 2 weeks of severance pay at the base salary rate for each completed year of service with CIGNA. In some cases, CIGNA's severance calculation included years of service in excess of the DMERC contract period. Therefore, we considered the allowable maximum number of weeks for severance pay allocable to the DMERC contract to be 26 weeks. Accordingly, we considered severance pay claimed in excess of 26 weeks not to be allocable to the DMERC contract. Severance costs exceeding 26 weeks were not distributed to Medicare "in reasonable proportion to the benefits received …." as required by FAR 31.201-4 (b) (48 CFR § 31.201-4(b)).

Finally, CIGNA claimed $1,068 for 3 employees who received excess severance pay based on erroneous calculations. This excessive pay was contrary to FAR 31.204(a) (48 CFR § 31.204(a)) which states that "[c]osts are allowable to the extent they are reasonable ...."

Fringe Benefit Costs

CIGNA claimed $167,971 for fringe benefit costs related to the unallowable severance pay discussed in the previous section. Because the severance pay was not allocable to the DMERC contract, the related fringe benefit costs are likewise unallowable under the DMERC contract. Specifically, CIGNA claimed $136,570 for fringe benefit costs related to severance pay for the 40 employees who were employed under a Part B expense center. However, because these costs were otherwise allowable under the Part B contract, we are setting them aside for CMS adjudication.

Furthermore, CIGNA claimed $31,137 for fringe benefit costs related to the unallowable severance pay for the 13 employees receiving severance pay in excess of 26 weeks.

Finally, CIGNA claimed $264 for fringe benefit costs related to the severance pay for the 3 employees who received excess severance pay based on erroneous calculations.

Other Costs

CIGNA claimed $49,492 for repair/maintenance costs in caption account # 1428. This caption account was accumulated within expense center # 7G75, which was allocable to the Part B contract. Therefore, like the unallowable severance pay ($559,900) and fringe benefit costs ($136,570), these Part B costs were not allocable to the DMERC contract. However, because these costs were otherwise allowable under the Medicare Part B contract, we are setting them aside for CMS adjudication.[3]

In addition, CIGNA claimed $13,160 for moving, shipping, and office-closure costs. However, CIGNA was unable to provide any documentation to support the allowability of these costs. Section 31.201-2(d) of the FAR (48 CFR § 31.201-2(d)) states that CIGNA is responsible for "... maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles ...."

INADEQUATE POLICIES AND PROCEDURES

CIGNA did not have adequate policies and procedures to ensure that costs were adequately supported and allocated to the DMERC contract in compliance with applicable Federal regulations and CMS guidance.

As a result CIGNA claimed $923,440 in unallowable DMERC termination costs.

RECOMMENDATIONS

We recommend that CIGNA:

- refund to CMS $177,478 related to unallowable costs claimed on CIGNA's termination cost vouchers,
- work with CMS to resolve $745,962 in costs allocable to CIGNA's Medicare Part B contract that were improperly claimed on CIGNA's termination cost vouchers, and
- strengthen its policies and procedures to ensure compliance with applicable Federal regulations and CMS guidance for claiming termination costs.

CIGNA COMMENTS

In comments on our draft report, CIGNA disagreed with our findings and considered all costs charged to the DMERC termination as allowable and allocable. CIGNA acknowledged that

[3] In the aggregate, we set aside $745,962 for CMS adjudication, because it was otherwise allowable under CIGNA's Part B Medicare contract.

there were employees terminated as part of the contract termination who had been working primarily on the Part B contract. However, CIGNA maintained that the loss of the DMERC contract triggered the severance and staff reduction. Accordingly, CIGNA reviewed the entire employee population and retained the best employees regardless of the contract they were currently working.

With regard to the finding of reasonable severance beyond 26 weeks, CIGNA stated that these long term employees worked solely on government contracts throughout their careers, which spanned periods of time in excess of the DMERC contract. Further, CIGNA maintained that no severance expense would have been incurred without the DMERC contract termination and that these payments were made pursuant to a written plan submitted to CMS annually as part of the budget request process.

CIGNA disagreed with the $13,160 in moving, shipping, and office-closure costs deemed unsupported and, therefore, unallowable. CIGNA stated that it provided us with invoices and internal electronic documentation supporting some of these costs. CIGNA also stated that it can provide invoices to CMS to confirm the proper treatment of the remaining expenses that we deemed unsupported and unallowable.

CIGNA's comments are included in their entirety as the Appendix.

OFFICE OF INSPECTOR GENERAL RESPONSE

We maintain that the severance pay for employees working on the Part B contract was not reasonable, allocable, or allowable for Medicare reimbursement under the DMERC contract in accordance with FAR 31.201-2(d) (48 CFR § 31.201-2(d)) and FAR 31.201-4 (48 CFR § 31.201-4). Furthermore, we maintain that the severance pay for employees for more than 26 weeks, the length of time we considered reasonable under the contract, were not distributed to Medicare "in reasonable proportion to the benefits received…." as required by FAR 31.201-4 (b) (48 CFR § 31.201-4(b)).

With regard to the $13,160 in moving, shipping, and office-closure costs, CIGNA did not provide invoices or additional documentation supporting these expenses with its comments to the draft report. Therefore, we could not determine whether these expenses were allowable for allocation to the DMERC contract, and we maintain that these costs are not allocable to Medicare.

APPENDIX

Steve Bishop
Accounting Director

APPENDIX: CIGNA COMMENTS

A Government Services

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May 17, 2011

Peter J. Barbera
Regional Inspector General for Audit Services
Office of Audit Services, Region IV
61 Forsyth Street, SW, Suite 3T1
Atlanta, GA 30303

Re: Audit Report No. A-04-07-00033

Dear Mr. Barbera:

This letter is in response to Audit Report No. A-04-07-00033, which noted unallowable termination costs of $177,478 and $745,962 of costs improperly charged to the DMERC termination.

CGS disagrees with the findings associated with the termination costs and considers all costs charged to the DMERC termination as allowable and allocable. As noted in the OIG report, there were employees terminated as part of this contract termination that had been working primarily on the Part B contract. However, as part of this contract termination, CGS reviewed the entire employee population to determine those that would be severed with the goal of retaining the best employees regardless of the contract they were currently working. The trigger for this severance and staff reduction was the loss of the DMERC contract and thus all costs should be considered allowable and allocable to the DMERC termination.

Regarding the finding of reasonable severance beyond the 26 weeks, CGS disagrees with the OIG. Similar to the comments above, the trigger for the severance was the loss of the DMERC termination contract. These long term employees have worked solely on government contracts throughout their career, which spans a period of time in excess of the DMERC contract. However, this does not mean the severance should not be regarded as allowable. No severance expense would have been incurred at all without the termination of the contract. Further, the payments have been made pursuant to a written plan that has been submitted to CMS annually as a part of our budget request process. Thus, CGS believes these costs should be regarded as allowable and allocable to the DMERC termination.

The OIG also notes $13,160 in moving, shipping and office closure costs as unsupported and therefore unallowable. The table below summarizes the items comprising the $13,160 and states CGS response to each item.

Type of Cost	Total Cost included in Finding	CGS Response
Federal Express shipping expense	$4,655.63	There are 48 Fed Ex invoices that comprise the $4,655.63 which the OIG has deemed unsupported and unallowable. CGS can provide these 48 invoices to CMS as part of the final settlement to confirm the proper treatment of these expenses as allowable and allocable to the DMERC termination contract.
Alexander's Mobility Services	$3,255.00	The expense in question is for project management related to the physical move of furniture and equipment from the Boise, ID office. CGS provided the OIG with a copy of the invoice supporting this expense. CGS believes that this cost is allowable and allocable to the DMERC termination.
CIGNA Project Costs	$966.00	This expense is a pass-through project charge from CIGNA Corporate for services related to the dismantling of the DMERC phone system. CGS provided the OIG with a spreadsheet from CIGNA Corporate detailing all of the pass-through project costs for November 2006. CGS believes that this cost is allowable and allocable to the DMERC termination.
CIGNA Project Costs	$4,144.00	This expense is a pass-through project charge from CIGNA Corporate for services related to the closure of the Boise, ID office. CGS provided the OIG with a spreadsheet from CIGNA Corporate detailing all of the pass-through project costs for November 2006. CGS believes that this cost is allowable and allocable to the DMERC

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		termination.
Tax on Siemen's IT Support Services	$139.00	In an e-mail dated 5/15/2008 from [redacted] CGS, to [redacted], OIG Auditor, [redacted] explained that the detail supporting spreadsheets that CGS receives from CIGNA Corporate in support of the expense charged for services provided by Siemen's staff do not include tax on the services. However, the tax is charged through the actual expense received via the CIGNA Expense System download which is fed into CGS's ledger. The $139 item disallowed represents the tax on these services and CGS believes that this cost is allowable and allocable to the DMERC termination.
Total	**$13,159.63**	

Please free to contact Mike Logan at 615.782.4595 or myself at 615.782.4616 if you have questions regarding this response.

Sincerely,

/Steve Bishop/

Steve Bishop

Cc: Eric Bowen, OIG
Joseph Turner, OIG
Mike Logan, CGS

Office of Inspector General Note - The deleted text has been redacted because it is personally identifiable information.