

Report in Brief

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



Why OIG Did This Review

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

The HHS, OIG, Office of Audit Services, Region VII pension audit team reviews the Medicare segment pension assets to ensure compliance with Federal regulations.

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

Our objectives were to determine whether First Coast Service Options, Inc. (FCSO), complied with Federal requirements, the Medicare contracts' pension segmentation requirements, and its established cost accounting practices when (1) implementing our prior audit recommendation, and (2) updating the Medicare segment pension assets from January 1, 2008, through December 31, 2010.

How OIG Did This Review

We reviewed FCSO's implementation of the prior audit recommendation; identification of its Medicare segment; and its update of the Medicare segment's pension assets from January 1, 2008, through December 31, 2010.

First Coast Service Options, Inc., Understated Its Medicare Segment Pension Assets

What OIG Found

FCSO implemented the prior audit recommendation; however, FCSO did not correctly update the Medicare segment pension assets in accordance with Federal regulations and the Medicare contracts' pension segmentation requirements. Specifically, FCSO identified Medicare segment pension assets of \$33.6 million as of December 31, 2010; however, we determined that the Medicare segment pension assets were \$34.6 million as of that date. Therefore, FCSO understated the Medicare segment pension assets by \$1.0 million. This understatement occurred primarily because FCSO incorrectly identified its participant transfers.

What OIG Recommends and Auditee Comments

We recommend that FCSO increase its Medicare segment pension assets by \$1.0 million and recognize \$34.6 million as the Medicare segment pension assets as of December 31, 2010, and establish policies and procedures to ensure compliance with Federal regulations and the pension segmentation language of the Medicare contracts.

In written comments on our draft report, FCSO agreed with our first recommendation and stated that it would increase Medicare segment assets. FCSO added that due to its pension curtailment triggered by the pension freeze effective December 31, 2010, our second recommendation, regarding the establishment of policies and procedures, is moot as no further billing or allocation of pension cost has been calculated or recorded.

We maintain that our recommendations are valid as stated. While it is true that FCSO froze its pension plan effective December 31, 2010, we believe that FCSO should continue to update its pension plan assets and calculate and claim any CAS pension costs that it incurred subsequent to that date. Establishment and implementation of policies and procedures would, in our view, go a long way toward ensuring that FCSO correctly claims pension costs.