

Fox Chapel Area School District – Flexible Spending Account Issues with Alternative Benefit Systems.

History

Alternative Benefit Systems (ABS) was the District's Flexible Spending Account (FSA) Third Party Provider from 7/1/2015 through the 2018-2019 plan year for both Medical and Dependent Care FSA Accounts. Fox Chapel Area School District (FCASD) partnered with ABS after they were recommended by the Allegheny County School Health Insurance Consortium (ACSHIC).

What is an FSA?

In the simplest of terms, an FSA account is an IRS regulated spending account that can only be used for specific purchases; medical and dependent care. Employees elect an annual amount which is payroll deducted and tax exempt. As the employee spends money on the applicable expenses, they get reimbursed from their account. At the end of the plan year any excess is considered revenue for the employer.

FCASD-ABS FSA Process

1. Payroll deductions withheld from employee's paycheck (based on their annual election). These funds stayed in the District's PNC bank account until the employee accessed their funds by:
 - a. Using their ABS issued credit card (medical only) and paying directly, OR
 - b. The employee paid the expense upfront and later submitted for a reimbursement check from ABS.
2. ABS managed the reimbursements to the employees and pulled funds from the FCASD PNC bank account via Automated Clearinghouse (ACH):
 - a. Nightly ACH pulls occurred for all "credit card" activity.
 - b. ACH pulls would also occur when ABS issued the reimbursement check to the employee.

The Problem with Alternative Benefit Systems

Starting in early 2019 the District and its employees began having issues with ABS. Employees were having issues with reimbursement requests. ABS would say they cut a check to the employee, but no checks were ever received by the employee. The District was failing to receive reports. Multiple employers and school districts who used ABS reported similar problems. The company is being investigated and there is a criminal complaint against the owner in Berk's County for theft. The District Attorneys in both Berks County and Allegheny County are looking into the issue.

Reimbursement Request

At the end of the plan year, there were 34 employees who submitted for reimbursements, on time, for eligible expenses, yet never received their reimbursement checks. There are records of submission to ABS as backup proof. FCEA is asking the board to authorize the District to be able to pay these reimbursements directly to each affected employee as the contributions were already withheld from their paychecks and the employee submitted their requests to ABS appropriately. Affected employees are represented from multiple employee groups, not just FCEA. Each affected employee had to sign an affidavit affirming that they did not receive the payment from ABS before a check will be cut. In the affidavit it is stated that if the employee later receives payment that they are to reimburse the district.

Based on available revenue related to the now closed ABS FSA program, this may add an additional expense of up to \$8,548.19 to the 2019-2020 fiscal year. The actual expense may be lower dependent upon how many employees turn in the affidavit.