



# **Burnt Hills – Ballston Lake Central School District**

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## **Employee Benefit Plan Forfeited Funds**

**2023M-88 | October 2023**

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# Report Highlights

## Burnt Hills – Ballston Lake Central School District

### Audit Objective

Determine whether Burnt Hills - Ballston Lake Central School District (District) officials ensured the third-party administrator (administrator) returned forfeited funds from the Health Flexible Spending Arrangement (FSA) and Dependent Care Assistance Program (DCAP) in a timely manner.

### Key Findings

District officials were not aware that the FSA and DCAP administrator did not return forfeited funds totaling \$25,701 to the District, as required. Because officials did not ensure the forfeited funds were returned, the funds were not available for the District's use. Officials did not:

- Ensure the administrator provided the year-end accounting of employees' FSA and DCAP accounts, as required by the written services agreement.
- Annually reconcile FSA and DCAP activity to calculate the amount of forfeited funds that should be returned to the District.
- Establish written procedures for monitoring employees' FSA and DCAP accounts and ensure the administrator returned all forfeited funds in a timely manner.

### Key Recommendations

- Establish written procedures to ensure the administrator returns all forfeited funds from the FSA and DCAP in a timely manner.
- Ensure the administrator returns all forfeited funds owed to the District.
- Consult with legal counsel to ensure the proper use of forfeited funds returned by the administrator.

District officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate, corrective action.

### Background

The District serves students in the Towns of Ballston, Charlton and Clifton Park in Saratoga County and the Town of Glenville in Schenectady County.

The District is governed by an elected seven-member Board of Education (Board) that is responsible for managing and controlling the District's financial and educational affairs. The Superintendent of Schools is the chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The Assistant Superintendent for Support Services oversees the District's business operations, with the School Business Administrator's assistance. The District contracts with a third-party to administer the FSA and DCAP.

#### Quick Facts

Employees	1,180
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#### Forfeited Funds 2017-18 through 2021-22 Plan Years

FSA	\$20,551
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DCAP	\$5,150
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#### Participating Employees Contributions 2021-22 Plan Year

FSA (125)	\$135,897
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DCAP (16)	\$58,096
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### Audit Period

July 1, 2017 – April 30, 2023

# FSA and DCAP Forfeited Funds

The District authorized a plan including an FSA and a DCAP component that allows enrolled employees to set aside pre-tax deductions from their wages to reimburse them for eligible costs. The plan documents developed for the FSA and DCAP establish the rules for participation, contributions, eligible expenses and forfeiture of funds. The District contracts with a third-party to administer the FSA and DCAP. The administrator’s responsibilities include, but are not limited to, designing and providing enrollment forms, maintaining participant accounts and processing reimbursements for eligible expenses incurred by participants (See Appendix A for additional information regarding the FSA and DCAP).

## How Should Officials Ensure the Administrator Returns Forfeited Funds From the FSA and DCAP in a Timely Manner?

Officials should design a system for ensuring the administrator returns forfeited funds from the FSA and DCAP in a timely manner. This includes assigning specific activities to employees to ensure they understand the overall objective and their role in the process. Officials should ensure the administrator provides a year-end accounting of the employees’ FSA and DCAP, including a summary of claims paid and account balances, as required by the written services agreement with the administrator.

In addition, officials should annually reconcile the FSA and DCAP contributions remitted to the administrator plus applicable carryover from the prior plan year for the FSA and corresponding reimbursements the administrator made. Officials should also provide adequate oversight to ensure that forfeited funds are returned as soon as possible after the administrator has processed all the reimbursements requested.

## Officials Did Not Ensure the Administrator Returned All Forfeited Funds From the FSA and DCAP in a Timely Manner

We reviewed the FSA and DCAP for the 2017-18 through 2021-22 plan years and determined that, as of April 30, 2023, the administrator had not returned \$25,701 in forfeited FSA and DCAP funds to the District (Figure 1).

The failure to return forfeited funds occurred because officials did not establish procedures to ensure the administrator returned all forfeited funds from the FSA and DCAP in a timely manner. For example, officials did not ensure the administrator

**Figure 1: Forfeited Funds Not Returned as of April 30, 2023**

Plan Year	FSA	DCAP <sup>a</sup>	Totals
<b>2017-18</b>	\$2,514	\$1,007	\$3,521
<b>2018-19</b>	1,961	1,245	3,206
<b>2019-20</b>	5,221	2,079	7,300
<b>2020-21</b>	1,604	818	2,422
<b>2021-22</b>	9,252	0	9,252
<b>Totals</b>	<b>\$20,552</b>	<b>\$5,149</b>	<b>\$25,701</b>

a) There were no forfeited funds from the DCAP for the 2021-22 plan year.

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provided them with a year-end accounting of employees' FSA and DCAP accounts, including a summary of claims paid and account balances, as required by the written services agreement with the administrator. As a result, the administrator had not provided the District with a year-end accounting of employees' FSA and DCAP accounts for the 2017-18 through 2021-22 plan years as of April 30, 2023. In addition, officials did not annually reconcile the FSA and DCAP contributions remitted to the administrator plus any applicable carryover from the prior plan year for the FSA and corresponding reimbursements the administrator made to calculate the amount of forfeited funds that the administrator should return. As a result, the administrator carried over more than the District's authorized unused FSA balance of \$500 in the 2021-22 plan year. In addition, forfeited funds were not returned in a timely manner and available to the District on an annual basis to be used as required by the FSA and DCAP plan document.

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Officials did not ensure the administrator returned all forfeited funds. District officials were unaware that the administrator had not returned any forfeited funds until we notified them in April 2023. As a result, officials contacted the administrator and requested that they return any outstanding forfeited funds. While the administrator agreed to return any outstanding forfeited funds, they did not provide officials with a reasonable explanation as to why they had not returned forfeited funds in a timely manner. As a result, as of April 30, 2023, the administrator still owed the District the \$25,701 in outstanding forfeited funds from the 2017-18 through 2021-22 plan years. In addition to a lack of written procedures, officials stated that staff turnover contributed to forfeited funds not being monitored and returned.

## What Do We Recommend?

District officials should:

1. Establish written procedures to convey management's requirements for monitoring employees' FSA and DCAP accounts and ensure forfeited funds are returned to the District.
2. Ensure the administrator provides a year-end accounting of employees' FSA and DCAP accounts, including a summary of claims paid and account balances, as required by the written services agreement with the administrator.
3. Annually reconcile the FSA and DCAP contributions remitted to the administrator plus any applicable carryover from the prior plan year for the FSA and corresponding reimbursements the administrator made to calculate the amount of forfeited funds that the administrator should return.

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4. Ensure the administrator returns all remaining funds owed to the District as identified in this report.
  5. Consult with the District's legal counsel to ensure the proper use of forfeited funds that the administrator subsequently returns.

# Appendix A: Additional Information on the FSA and DCAP

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The FSA and DCAP plan years are for the 12-month period beginning July 1 through June 30. Participation in the FSA and DCAP is available to any employee who is working 21 or more hours per week and is eligible to participate in the District's health insurance plan. Contributions to the FSA and DCAP are solely funded by employees through payroll deductions based on the annual benefit amount elected by each employee. The contributions are remitted to the administrator and used to reimburse participating employees for eligible expenses incurred during the plan year based on the submission of claims. Eligible expenses for the FSA consist of medical care expenses (e.g., hospital services and dental cleanings) and DCAP consist of dependent care expenses (e.g., daycare).

FSA and DCAP balances that remain in the participant's account after all reimbursements have been made for the coverage period are forfeited. However, the District authorized a plan amendment in May 2014 to allow unused FSA balances up to \$500 that remain in the participant's account after all reimbursements have been made for the coverage period to be carried over and used to reimburse the participant's expenses incurred during the next plan year. Any remaining contributions left over from the employees' DCAP and amounts left over exceeding \$500 for the FSA are considered forfeited funds. The administrator should remit forfeited balances to the District annually.

The plan document for the FSA and DCAP established that forfeited funds returned to the District must be used, in the following order, to:

- Offset any losses experienced during the plan year because of reimbursements made in excess of the contributions.<sup>1</sup>
- Reduce the cost of administering the FSA and DCAP during the plan year or the subsequent plan year, and
- Provide increased benefits or compensation to participants in subsequent years in a weighted uniform fashion that the plan administrator deems appropriate, consistent with appropriate regulations.

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<sup>1</sup> The plan document for the FSA allows employees to be reimbursed for eligible expenses up to their annual election even if the contributions have not been made yet. As a result, there is a chance an employee is reimbursed for eligible expenses in excess of their current contributions and then leaves employment prior to their annual elections of contributions being made.

# Appendix B: Response From District Officials



## Burnt Hills-Ballston Lake Central Schools

Patrick McGrath, Jr., Ph.D., Superintendent of Schools

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October 3, 2023

Office of the New York State Comptroller  
Division of Local Government and School Accountability  
110 State Street – 12<sup>th</sup> Floor  
Albany, NY 12236

To the Office of the New York State Comptroller,

We would like to offer a brief response to the findings of the audit related to the forfeited funds associated with the Employee Benefit program at Burnt Hills-Ballston Lake CSD. In the interest of clarity, to reinforce what is currently identified in this audit report, the district would like to highlight that these unrecovered funds are related to voluntary payroll deductions from employees. Such funds would have been paid to district employees as salary had they not elected to have such voluntary deductions taken from their paychecks. With that understanding, the district acknowledges that in each year of this audit there were salary deductions made to this benefit program for flexible spending arrangements (FSA) and dependent care assistance programs (DCAP) that were not utilized by district employees by the applicable deadline. Further, the district acknowledges that the vendor under contract to provide this service to the district did not fulfill its responsibility to appropriately return those funds to the district in the manner identified by contract. After being informed by representatives from the New York State Comptroller's Office that this was occurring, district officials have taken the following steps:

- The district has contacted the vendor and requested that such funds be paid to the district with the utmost haste. The vendor has acknowledged that such funds are due to the district and has returned the forfeited funds.
- The district will implement written year-end accounting procedures to reconcile FSA and DCAP activity to appropriately calculate the funds that are owed to the district. The district will utilize these calculations to ensure that the contractor remits such funds to the district on an annual basis.
- The district will consult with legal counsel to be sure that once these funds are received that they are utilized in a manner consistent with all applicable laws, regulations, and Board of Education policy.

Burnt Hills-Ballston Lake Central School District remains committed to providing our employees with these voluntary benefit programs, and is thankful to the Office of the State Comptroller for reviewing this particular aspect of the programs and services we have in place to support and assist our faculty/staff members. We appreciate the professionalism of the staff from the comptroller's office during the course of this audit, as well as their cooperation with district staff members involved with obtaining this data for their review.

Sincerely,

Patrick McGrath Jr., Ph.D.  
Superintendent of Schools

ds

cc: Christopher Abdo  
Brenda Kane



## Appendix C: Audit Methodology and Standards

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We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and an administrator employee, and reviewed records and reports to gain an understanding of the District's FSA and DCAP and procedures related to ensuring the administrator returns forfeited funds from the FSA and DCAP in a timely manner.
- We compared the contributions remitted to the administrator for the FSA and DCAP plus any applicable carryover from the prior plan year for the FSA and corresponding reimbursements made by the administrator for the 2017-18 through 2021-22 plan years to calculate the amount of forfeited funds that the administrator should have returned to the District.
- We reviewed the forfeited funds from the FSA and DCAP for the 2017-18 through 2021-22 plan years that the administrator had returned to the District as of April 30, 2023, to determine whether the administrator returned all forfeited funds to the District in a timely manner.
- We calculated the amount of forfeited funds from the FSA and DCAP for the 2017-18 through 2021-22 plan years that the administrator had not returned to the District as of April 30, 2023.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The CAP should be posted on the District's website for public review.

## Appendix D: Resources and Services

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## Contact

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