CHAPTER 2

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0201 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures relating to the administrative fees paid by VA for employee participation in the Federal Flexible Spending Account (FSAFEDS) Program. FSAFEDS offers two flexible spending accounts (FSAs):

- Health Care FSA (HCFSA), (including Limited Expense (LEX) HCFSA)
- Dependent Care FSA (DCFSA).

An FSA is a tax-favored program offered by employers to allow employees to pay for eligible out-of-pocket health care and dependent care expenses with pre-tax dollars. By using these pre-tax dollars to pay for eligible health care and dependent care expenses, an FSA provides an immediate discount on these expenses equaling the taxes that would otherwise be paid on this money. For information regarding the current year maximum allotment and minimum annual election amounts, please see the Office of Personnel Management’s (OPM) website.

The FSAFEDS program administrator, Sykes Health Plan Services, Inc. (SHPS), a private contractor, sends out payment invoices twice a year. One invoice is for the contractor administrative fees, which are paid directly to SHPS and the other is for the reserve account fees, which are paid directly to OPM. Both the payable-to-OPM portion and the payable-to-SHPS portion will be in the invoice packages received by VA.

020101 REQUIREMENT FOR FSA ADMINISTRATIVE FEES. The National Defense Authorization Act (Public Law 108-136), Section 1127, mandates that VA pays the contractor administrative fees on behalf of its participating employees in FSAFEDS.

020102 PAYMENT OF FLEXIBLE SPENDING ACCOUNT ADMINISTRATIVE FEES. The contractor administrative fees, along with the reserve account fees, will be paid by VA’s Financial Services Center (FSC) in Austin, TX, which is responsible for processing, paying and reporting on both fees. Documentation requirements to support invoices are minimal with respect to the FSAFEDS program.

0202 POLICIES

020201 PROGRAM COVERAGE. VA will offer its employees the opportunity to participate in the FSAFEDS program. Eligible employees can choose to enroll in either or both of the FSAs during the annual open season.

020202 ELIGIBILITY CRITERIA. VA employees who are eligible for FEHB have the option of enrolling in the HCFSA and/or the DCFSA. Participation in the LEX HCFSA requires enrollment in a FEHB High Deductible Health Plan. Newly eligible employees will have 60 days after their eligibility date to enroll in the current tax year’s program. By law, retirees and survivor annuitants are not eligible.

020203 PAYMENT PROCESSING AND DOCUMENTATION.

A. VA will pay the FSAFEDS contractor administrative fees directly to SHPS electronically for its employee participants.

B. VA will pay the reserve account fees directly to OPM using the Intra-Governmental Payment and Collection (IPAC) system.

When VA receives its payment invoices from SHPS twice a year, VA must pay both portions pursuant to Public Law 108-136 in a timely manner, as required by the Prompt Payment Act (Public Law 97-177). Minimal documentation is required to support the invoices according to OPM guidance.

020204 ACCOUNTING AND REPORTING. VA will ensure that obligations are recorded consistently across VA through the use of standard obligation numbers, budget object codes (BOC) and accounting classification codes (ACC). Expenditure transfers will be used to ensure the proper cost accounting is achieved and recorded in the correct VA cost centers. VA facilities should receive an email from the Office of Information, Franchise Fund Program Support Office when billing charges are posted to monitor funds established on a standardized obligation.

0203 AUTHORITY AND REFERENCES


020302 5 C.F.R. Part 1315—Prompt Payment

020303 Office of Personnel Management, Benefits Administration Letters

020304 Services and Expenses Eligible for Reimbursement under the FSAFEDS Program

020305 Franchise Fund Program Support Office (NDS/FFPSO)
0204 ROLES AND RESPONSIBILITIES

020401 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department’s programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Specific responsibilities include the direction, management and provision of policy guidance and oversight of VA’s financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

020402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Finance Officers, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

020403 The Financial Services Center in Austin, TX, pays the FSA contractor and OPM after it has performed a comparative analysis of employees identified on the FSAFEDS vendor’s billing invoice with the employee deduction data file sent from VA’s payroll service provider. This comparison will confirm employee participants in FSAFEDS as either current VA employees or separated employees who had enrolled during the FSAFEDS open season enrollment. During the comparison review, the Austin Information Technology Center will determine the enrollee’s station number and cost center so that the administrative fees can be charged to the appropriate VA organization.

020404 VA’s FSAFEDS program coordinator will resolve any discrepancies identified. As part of this responsibility, the program coordinator will contest instances of SHPS billing VA for administrative fees for non-VA employees or for those employees who had their fees paid by previous employing agencies. The coordinator will receive a listing from the AITC of employee SSNs contained on the SHPS invoice that correctly matched those generated from employee FSA deduction data received from VA’s payroll service provider. The coordinator will certify payment for those employees who passed the system validation edits.

0205 PROCEDURES

020501 PROGRAM COVERAGE.

A. VA offers its employees the opportunity to participate in the FSAFEDS program. Eligible employees have a choice in their health care-related program, but there is only one program for dependent care. The following is an explanation of available coverage:

1. The HCFSA will provide for reimbursement of eligible health care expenses for the employee participant and any eligible tax dependents, who are not covered or reimbursed by the Federal Employees Health Benefits Program (FEHB), the Federal
Employees Dental and Vision Insurance Program (FEDVIP) or any other insurance coverage.

The HCFSA also includes the LEX HCFSA. Enrollment in LEX HCFSA is limited only to those enrolled in or covered by a High Deductible Health Plan with a Health Savings Account. The LEX HCFSA will provide reimbursement for only eligible dental and vision expenses which are not covered or reimbursed by FEHB, FEDVIP or any other insurance coverage.

2. The DCFSA will provide for reimbursement of eligible non-medical day care and elder care expenses. Dependents include the employees' children under age 13 and any dependents, incapable of self-care, as claimed on their Federal tax returns.

020502 ELIGIBILITY CRITERIA.

A. During the open season held each year at the same time as the Federal Employees' Health Benefits open season, employees can enroll directly in the FSAFEDS program via an OPM Web site. New and newly eligible employees have 60 days to enroll in the current tax year’s FSAFEDS program as long as it is before October 1. After October 1, employees are not eligible to enroll in an FSA until the next Federal Benefits Open Season.

B. Participating employees may decide between either of the two health care options and may participate, if desired, in the DCFSA program. Under any of the selected programs, employees can set aside pre-tax salary dollars to be used for designated types of expenses. For detailed information on the various types of eligible expenses to be reimbursed, refer to 020304 in the Authority and References Section.

020503 PAYMENT PROCESSING AND DOCUMENTATION.

A. VA will receive invoices from SHPS twice a year in two portions, one being the contractor administrative fee invoice and the other being the reserve account fee invoice. The former is paid directly to SHPS; the latter is split between SHPS and OPM. For the current year contractor administrative and reserve account fees, see OPM’s Benefits Administration letter2.

B. VA will receive the two invoices that relate to different FSAFEDS participants, as follows:

1. The first invoice package, sent in February, accounts for (as of the cut-off date for the invoice) employees who enrolled during Open Season and are actively participating in FSAFEDS.

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2. The second invoice package, sent in October, accounts for (as of the cut-off date for the invoice) new and newly eligible employees who enrolled subsequent to Open Season and are actively participating in FSAFEDS, as well as employees who enrolled with approved belated enrollments after Open Season and are actively participating in FSAFEDS.

C. VA will pay the contractor administrative fees, pursuant to the Prompt Payment Act (Public Law 97-177), through the VA Financial Services Center located in Austin, TX.

1. Payments will be made to SHPS electronically via wire transfer.

2. Interest will accrue if SHPS does not receive the billed amounts within 30 days of the date listed on the invoice.

D. VA will pay the reserve account fee invoice in accordance with the Prompt Payment Act. VA must transmit an Intra-Governmental Payment and Collection (IPAC) system transaction to OPM, using the following IPAC parameters:

   Office of Personnel Management

   - Agency Location Code: (ALC) 24-00-0002
   - Treasury Account Symbol: (TAS) 24X0800
   - Standard General Ledger: (SGL) Debit 1010 and Credit 5405
   - Business Event Type Code: COLL
   - Federal Account: (F)
   - Description: SHPS Invoice Number (insert the number printed on the invoice)
   - Point of Contact: Include the name and email address of the person familiar with paying the FSAFEDS fees.

E. VA will only need the cover sheet of the contract OPM executed with SHPS to administer FSAFEDS and section 1127, as the supporting documentation for paying FSAFEDS invoices. Interagency agreements and purchase orders are not needed and cannot be required for payment in accordance with OPM guidance. Copies of the contract cover sheet can be obtained by emailing OPM at Finance@opm.gov using “SHPS contract cover sheet” as the subject.

F. VA may choose to receive its invoice packages in the following formats:

   - PDF Summary (without participant detail);
   - PDF Detail (with participant detail, including name, last four digits of their social security numbers, type of account and amount of annual elections); and
   - Spreadsheet Detail (Microsoft Excel format, containing the same data elements as the PDF Detail Format).
ACCOUNTING AND REPORTING.

A. The process for establishing obligations to pay FSAFEDS administrative fees for stations, using VA's Financial Management System (FMS), may vary by VA organization, but the use of standard obligation numbers, BOCs and ACCs to record the obligations should bring about consistency across VA. The vendor code for SHPS in FMS is 611169763. The vendor code for OPM in FMS is 521136517. The standard obligation numbers, BOCs and ACCs for VA stations using FMS are as follows:

1. Standard Obligation Numbers. The numbers used to record the HCFSA and DCFSA administrative fees are HCXXXX and DCXXXX, respectively, where the first “X” is the fiscal year (e.g., FY 09 is HC9XXX and DC9XXX) and the second through the fourth “Xs” represent the offices and cost centers.

2. BOC. The BOC for the DCFSA administrative fees in SHPS is 1215, Flexible Spending Account (FSA) Program for Dependent Care Administration Costs and the BOC for the HCFSA administrative fees in OPM is 1217, Flexible Spending Account (FSA) Program for Health Care Administration Fees.

3. ACC. The ACC for the DCFSA administrative fees is 9900999DC and for the HCFSA administrative fees, 9900999HC. For station 101, the ACCs are 990099DC9 and 990099HC9. Using data received from VA's payroll service provider, the ACC will provide employee data by station number to the FSC, so the standard obligations can be offset.

B. VHA facilities and the non-VHA organizations listed below will also receive detailed employee data to assist them in preparing any necessary expenditure transfers.

1. Veterans Affairs Medical & Regional Office Centers (VAMROC). Each VAMROC will establish two standardized obligations--one for DCFSA administrative fees and the other for HCFSA administrative fees.

2. Veterans Health Administration (VHA). Each VHA station (except for VHA VACO employees) will establish two standardized obligations--one for DCFSA administrative fees and the other for HCFSA administrative fees. Both of these obligations will be recorded in the appropriate medical appropriation.

a. VHA fiscal officers will record adjustments to expenditures in order to transfer the appropriate costs for those station FSAFEDS participants associated with the various VHA appropriations.

b. VHA fiscal officers stationed at a VAMROC will only include the VHA participants located at that VAMROC in the standardized obligations established for the VAMROC. The fiscal officers will record adjustments to expenditures to transfer the appropriate costs for those VHA VAMROC FSAFEDS participants associated with the various VHA appropriations.
3. Veterans Benefits Administration (VBA). VBA’s budget office will establish two standardized obligations, one for each type of FSAFEDS administrative fee, to cover all VBA employees, including those associated with station 101 and those associated with VAMROCs. VBA employees are journalized to the 3000 cost center series and their respective administrative fees will be excluded.

4. National Cemetery Administration (NCA). NCA’s Budget and Finance Service will establish two standardized obligations, one for each type of FSAFEDS administrative fee, to cover all NCA employees, including those associated with station 101.

5. Franchise Fund. The Franchise Fund’s Enterprise Office will establish two standardized obligations, one for each type of FSAFEDS administrative fee, to cover all Franchise Fund employees, including the Enterprise Centers and those associated with station 101.

6. Supply Fund. The Supply Fund’s Chief Financial Officer will establish two standardized obligations, one for each type of FSAFEDS administrative fee, if appropriate. This will cover all Supply Fund employees, including those associated with station 101.

7. Veterans Canteen Service (VCS). The FSC will process an Intra-Governmental Payment and Collection (IPAC) transaction for the FSAFEDS administrative fees associated with all VCS employees, including those associated with station 101.

8. Inspector General. The Inspector General’s (IG) budget office will establish two standardized obligations, one for each type of FSAFEDS administrative fee, to cover all IG employees, including those associated with station 101.

9. Office of Information & Technology (OI&T). The OI&T budget office will establish three standardized obligations, one for each type of FSAFEDS administrative fee and another for the OPM Reserve Account Fee, to cover all OI&T employees.

10. All other VACO organizations and VHA VACO Employees. Each organization will establish two standardized obligations via a hard-copy VA Form 1358, Estimated Miscellaneous Obligation or Change in Obligation, one for each type of FSAFEDS administrative fee. These obligations will charge all costs for the staff offices to the General Operating Expenses (GOE) appropriation. These obligations will charge all costs for VHA VACO employees to the appropriate medical appropriation.

C. VA will report the Reserve Account Fee, submitted by an IPAC remittance, as an intra-Governmental elimination transaction.
0206 DEFINITIONS

020601 Accounting Classification Codes (ACC). A standardized scheme or structure designed to code and categorize financial transactions to bring about consistency in accounting and reporting across Federal agencies.

020602 Adjustments to Expenditures. Adjustments made to post expenditures to the proper appropriations due to incorrect initial postings or are related to the reimbursing of expenditures allowed under 31 U.S.C. 1534.

020603 Contractor Administrative Fee. A fee, associated with each VA employee who participates in the FSA Program, that is owed to the vendor SHPS for administering the program.

020604 BENEFEDS. The systems and business structures necessary to administer the enrollment and premium administration functions associated with multiple voluntary Federal benefits, including the FEDVIP. The systems include an enrollment and account management Web site, a premium administration system and a customer service system. The BENEFEDS.com Web site includes FEDVIP enrollment and other general account management functionality.

020605 Budget Object Codes (BOC). Categories in a classification system that present obligations by the items or services purchased by the Federal Government.

020606 Dependent Care Flexible Spending Account (DCFSA). Reimburses eligible non-medical day care and elder care expenses. Dependents include children under age 13 and any dependents on Federal tax returns who are incapable of self-care.

020607 Expenditure Transfer. Represents the shifting of funds between appropriations and involves an outlay. The shifting of funds applies equally to (1) transfers of expenditures from one Federal agency to another, (2) transfers from one appropriation to another within the same agency and (3) transfers to an inter-agency or intra-agency working fund. All transfers between Federal funds (general, special and non-trust revolving funds) and trust funds are also treated as expenditure transfers.

020608 Flexible Spending Account. A tax-favored program that allows employees to pay for eligible out-of-pocket health care and dependent care expenses with pre-tax dollars.

020609 FSAFEDS. An account where you contribute money from your salary before taxes are withheld, then get reimbursed for your eligible out-of-pocket health care and dependent care expenses.
020610 General Operating Expenses (GOE) appropriation. An annual Congressional appropriation that finances the cost of operations for two VA activities: VBA and General Administration.

020611 Health Care Flexible Spending Account (HCFSA). Reimburses eligible health care expenses for a participant and his or her tax dependents who are NOT covered or reimbursed by FEHB, FEDVIP or any other insurance coverage.

020612 Intra-Governmental Payment and Collection (IPAC). IPAC is one of the major components of the Government On-Line Accounting Link System II (GOALS II). The IPAC application's primary purpose is to provide a standardized interagency fund transfer mechanism for Federal Program Agencies (FPAs). IPAC facilitates the intra-Governmental transfer of funds, with descriptive data, from one FPA to another.

020613 Limited Expense HCFSA (LEX HCFSA). Enrollment limited only for those enrolled in or covered by a High Deductible Health Plan with a Health Savings Account; reimburses only eligible dental and vision expenses which are NOT covered or reimbursed by FEHB, FEDVIP or any other insurance coverage.

020614 Reserve Account Fee. An amount placed in reserve to help cover the risk of any health care FSA overpayments and to pay BENEFEDS for the payroll processing functions associated with FSAFEDS.

020615 SHPS. The third party administrator for FSAFEDS.

0207 RESCISSIONS

020701 OF Bulletin 04GA1.02, Flexible Spending Accounts’ Administrative Fees

0208 QUESTIONS

Questions concerning these financial policies and procedures should be directed as shown below:

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<td>VHA</td>
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