

## Substantiating Flexible Spending Benefit Card Expenses

### Current Process

**Per IRS Ruling 2003-43**, all benefit card transactions must be substantiated to ensure only eligible expenses are paid for using the benefit card. Wherever possible, CONEXIS utilizes IRS-approved methods to automatically substantiate these transactions. In some circumstances, an expense cannot be automatically substantiated, and further documentation is necessary to avoid an overpayment of benefits. Currently, if participants are affected by payments for ineligible or unsubstantiated expenses, they receive notifications from CONEXIS requesting substantiation or repayment to the plan in the amount of the overpayment. However, subsequent non-benefit card (paper) claims are reimbursed despite the outstanding balance due. **If the balance due is not repaid prior to the end of the plan year, this amount is reclassified as taxable income and the adjusted amount is reflected on an employee's W-2.**

### New Process – “Offset Claims”

Effective November 1, 2008, CONEXIS will use any eligible, non-benefit card (paper) claims to offset your overpayment amount and repay the plan for the balance due. In other words, if you do not provide proper substantiation or repayment for the balance due within the allotted timeframe, CONEXIS will withhold the balance due from any reimbursements owed for eligible, non-benefit card claims. To ensure you remain informed and up-to-date regarding the status of your accounts, you will continue to receive notifications regarding ineligible or unsubstantiated expenses as well as additional notifications regarding any offset claims applied to your account. **If the balance due is not totally repaid prior to the end of the plan year, this amount is reclassified as taxable income and the adjusted amount is reflected on an employee's W-2.**