



## 2016 Year End Payroll/Contribution Reconciliation Frequently Asked Questions

### Why should I monitor my employer sub-account balance?

Employers should monitor the employer sub-account balance to ensure all funds are successfully posted to employee accounts. When there is a balance in the account, it indicates either (1) a file has not successfully processed and/or (2) one or more transactions did not successfully post to employee accounts.

### Why would a file not successfully process?

A payroll file will not successfully process if it was not received, if the record count was incorrect or the format was corrupted.

### Why would transactions not successfully post to an employee account?

Transactions cannot post for several reasons including instances when an account has been closed or when a transaction is submitted using a Payroll ID that is not on our system. If all of your employees opened their accounts promptly and you only funded open accounts, your sub-account balance will usually remain at or near a zero balance. However, even if you are following these best practices, there are still a few instances where an employee's account might not have received the funds submitted through the payroll process.

### How is it possible for W2 forms to differ from the BNY Mellon tax forms if we are populating the W2 forms with the same data provided to BNY Mellon on our contribution files?

- The W2 form is reporting payroll and employer contributions you submitted as payroll transactions to post to the HSA. The form 5498SA is reporting funds that actually posted to the account. When a payroll transaction does not post, this contributes to a discrepancy, as does an employee's personal contribution. There are other reasons why the contribution transactions submitted to BenefitWallet may not have posted into some of the employees' accounts, for example, An employee might have their account closed by BNY Mellon – for non-compliance with documentation requested to comply with the USA PATRIOT Act, or
- An employee may have elected to close their account, or
- An employee made a post-tax contribution outside of payroll which is not reflected in the W2 form, or
- The annual contributions for an individual employee's account reached the statutory maximum contribution (\$7,750 for 2016) in which case the transaction would be immediately rejected and the funds returned to the employers sub-account.

## How/where can I verify the payroll contributions have posted to the employee accounts?

There are numerous reports available to confirm the successful posting of payroll transactions. These reports are housed online under the Reports Tab.

**Member Profile** – this report provides a year to date (YTD) summary of employee and employer transactions that posted to the individual accounts. From this details of each transaction are available.

**File Status** – this report details the transactions submitted for each file. It specifies the accepted transactions as well as failed transactions. It is these failed transactions that contribute to a balance in the employer sub-account and to discrepancies between W2 form and HSA reporting.

**Pending Transactions Report** – when transactions are submitted via payroll file, they may be submitted for accounts not yet in open status. These transactions will pend and attempt to resubmit for 60 days. After this time they are failed and the funds revert to the employer account, contributing to the balance.

**Payroll Reconciliation Compare** – provides online support to verify consistency of payroll records to year to date posted payroll contributions for the current or prior year. In addition, the payroll reconciliation compare will identify discrepancies for further review

## Why does it matter if the W2 forms my employer generates do not match with the tax forms sent out by BNY Mellon – as long as the W2 forms match up with our payroll records?

Since employers are held accountable for the information provided on W2 forms, inaccurate reporting could result in penalties to the employer and the employee – and since the two will differ if contributions submitted are never deposited, it is important to review your sub-account to identify any discrepancies prior to year end.

## Since HSAs are individually owned accounts, isn't it up to my employees to monitor their accounts?

Even though HSAs are individual accounts and it is up to your employees to monitor their accounts, employers have responsibility to accurately report pre-tax HSA contributions on their W2 forms.

## If employees have until April 17<sup>th</sup> of 2017 to receive 2016 contributions, why should I perform a year end review?

Employees do have until April 15<sup>th</sup> (or the tax filing deadline) of the following year to contribute. However, we have found a year end review can alleviate payroll issues and increase satisfaction with the HSA. In particular, reviewing YTD postings for employees who have terminated provides an opportunity to “payout” any unposted funds within the same tax year. In addition, there is opportunity for those who did not open their accounts, or those who have closed accounts to open them and post funds within the same year.

## Using your Web Reports to Reconcile Employees' HSAs

**File Status Report** – this report allows you to see any transactions that rejected after your file was submitted the very next day – and if you click on the underlined information you can see not only which transactions rejected, but why.

## Most Common Rejection Reasons

**Invalid Account** – this means that either the enrollment was not processed prior to receipt of this file or the Payroll ID/SSN# on the file submitted does not match with the Payroll ID/SSN# on file at BenefitWallet.

**Closed Account** – indicates the transaction was submitted for a closed account. You can either reach out to the employee and let them know that because their account is closed they are not receiving their contributions; OR you can choose to return the employees contributions through your payroll and deduct normal taxes.

It is up to you as the employer to decide whether or not employees with closed accounts will forfeit any employer contributions – if you choose this route it is always a good idea to inform employees of this decision up front and include it in your plan summary documents.

**Over-contribution** – BNY Mellon is required to reject any contributions that would bring the annual contributions for a particular tax year over the statutory maximum for that year (\$7,750 for 2016). This includes all contributions to the account applicable to that tax year. Such contributions are rejected in total. Once this limit is met, any additional funds will be rejected and returned to your employers sub-account.

If you view the file status report each time you send a file, you will be able to identify and correct these rejections immediately and manage the employer sub-account balance.

**Pending Transactions Report** – if you choose to submit contributions for employees who have not yet opened their accounts (e.g. accounts are in “frozen” status”), these contributions will attempt to process for 60 business days. The Pending Transactions Report displays which contributions are pending and how many days they have been pending. Your goal should be to ensure that your employees open their accounts before the 60 days arrives – at which time the funds will be returned to your employers sub-account. Also, keep in mind that this is a rolling 60 days so if, for example, you submit weekly files, the 60 day clock starts from the beginning for each contribution submitted.

This report will also confirm those accounts that have opened received pending funds to within the 60 day window.

**Member Profile Report** – This report displays total contributions deposited into each employee’s account. This is ideal for a periodic review of accounts. Download the report into excel and compare each employee’s total contributions to the total contributions submitted through payroll. \*These amounts should match. Identify the individual accounts with a variance. Typically you will identify:

1. Accounts that were opened after the 60 day period and therefore are missing a portion but not all contributions;
2. Accounts that were never opened (e.g. frozen); or
3. Accounts that have been closed (e.g. they were opened but subsequently closed either by the employee or by the bank).

Note all transactions submitted for a closed account after the close date fail and the funds are in the employer sub-account.

Any time a contribution is returned to your employer sub-account, it must be resubmitted using one of our web payroll processing tools in order to for it to be deposited into the employee’s account. If you have 150 or fewer

accounts you can use *Payroll on the Web!* or, regardless of how many accounts you have, you can use the Ad Hoc Quick Payroll Processing Tool – both located under the Payroll Processing Tab.

**Payroll Reconciliation Compare** – provides online support to verify consistency of payroll records to year to date posted payroll contributions for the current or prior year. In addition, the payroll reconciliation compare will identify discrepancies for further review. To use the application, you will need the current or prior year payroll HSA contributions and SSN/Payroll ID for each employee. Use a payroll report from your payroll system to populate the SSNs (only use Payroll ID if the account profile report also reflects a unique Payroll ID in the Employee ID column) and the HSA contribution amount. The application is designed to accept the payroll contribution record either combined or broken out by employee and employer. Upload the file and a report of discrepancies will result and can be downloaded for further review.

\*When using Individual ACH contributions to the employee accounts, only transactions submitted with the designating “951” or “952” prefix are reported in the Member Profile Report.