



## Audit Guarantee

FlexSystem realizes that the success of a Section 125 Cafeteria Plan requires that the Plan be maintained in compliance with the Internal Revenue Code and Department of Labor. FlexSystem stands behind the Plan by providing an Audit Guarantee to all enrolled employers and participants. FlexSystem employers and Participants can be assured, by enrolling in our Plan and adhering to proper Plan procedures, that their Plan meets all the requirements of the Internal Revenue Code, Internal Revenue Regulations, and Department of Labor Regulations issued as a result of Employee Retirement Income Security Act (ERISA).

Our guarantee is as follows:

FlexSystem will support and assist any enrolled employers or participants who have their Section 125 Cafeteria Plan challenged by the Internal Revenue Service and have adhered to our Plan procedures and parameters. We will provide:

- Plan Documentation
- Plan Communications
- Claim and Account Information
- Information on Form 5500 Filing
- All other relative necessary information regarding FlexSystem or other filing requirements related to the Plan.

Additionally, if all procedures are adhered to, FlexSystem will assume financial responsibility for any penalty and/or interest charged as a result of an audit requiring the payment of federal, state, social security or medicare tax as it pertains to FlexSystem. FlexSystem will also assume financial responsibility for any penalty issued by the Internal Revenue Service or Department of Labor for untimely reporting or lack of reporting as it pertains to FlexSystem.

# FlexSystem Audit Guarantee Guidelines

## Parameters

The TASC Audit Guarantee applies to all Plan parameters specified by TASC in writing. These parameters consist of specific requirements that have no options (i.e. maximum election for daycare flexible spending accounts and IRS deferrals, reimbursement directly to the employee and not to a third party, account management for claims payable-cash or available funds, etc.). TASC's Audit Guarantee also applies to all Plan parameters specified by TASC with options to choose from (i.e. plan maximum set for medical reimbursement flexible spending account, options offered in the election of COBRA by an employee, or an employer of closing an account, etc.). Specific parameters set by TASC and covered by the Audit Guarantee with options or lack of options must be in writing.

## Exclusions

The TASC Audit Guarantee does not apply to an employer's election of a Plan parameter outside the scope of that specified by TASC. This reflects the fact that the employer acts as the Plan Administrator, while TASC is the acting Administrating Agent of the Plan; in addition, the employer may make Plan operation decisions independent of TASC guidance or written documentation. In these instances TASC will not be at fault for the decisions or relative operations under the Audit Guarantee. Examples of decisions that meet the above criteria include, but are not limited to; classing of employees; eligibility that is not set forth in the TASC Plan Application or Plan Election Form; participation of a highly compensated person in the Plan above the limits TASC has set forth through the performance of the highly compensated test; distribution of funds forfeited by the employees or by the employer back to the employees via any method that is not defined by TASC; establishment of a period of coverage that is prior to the date of adopting the plan, etc. All of these parameters would be considered unwritten and as such are the sole responsibility of the employer who made the decision(s) independent of TASC and its representatives.

TASC will not cover in the FlexSystem Audit Guarantee services that are not completed by TASC at the discretion of the employer. For example, the preparation of Form 5500, or the performance of the highly compensated test.

## Payroll Deductions

TASC will not be held accountable for payroll deductions that do not occur as scheduled, for the untimely submission of payroll deductions to TASC for flexible spending account monies, or for the untimely submission of other qualifying benefits (i.e. health insurance) to the provider of those benefits.

## General Coverage

The Audit Guarantee covers the company, and its officers. Stockholders and independent contractors are not covered under the guarantee. TASC's Service and Responsibility for services are specified in TASC's Service Level Agreement with company and the terms of that Agreement apply.

## Claims

The Audit Guarantee does not cover a claim made by an employee for the reduction of social security, retirement or disability benefits, workers compensation benefits or state disability benefits, if applicable and based on the reduced wage.

## Taxes

The Audit Guarantee does not cover any tax deemed due to an individual or company as a result of an adjustment relating to an eligible expense. This tax would have been due by the individual or company previous to the Plan services of TASC making a determination of the expenses deductibility under the plan.

## Legal Costs

TASC legal costs and other service costs related to TASC's defense of the Plan with the Internal Revenue Service or the Department of Labor are covered under the Audit Guarantee as long as all parameters are in line with TASC's written policy. Employers' cost in securing legal or other services beyond that provided by TASC and TASC's legal representatives is the full responsibility of the employer. TASC resumes the right to limit its assistance or support without limiting its responsibility for any penalty and or interest charged as a result of an audit.

## Reporting

TASC is not responsible for the preparation and reporting of wages or benefits on the W-2, W-3 or any other employee income reporting document to the Internal Revenue Service, Department of Labor, or any other entity regardless of the relationship to the Plan.

## Guarantee Coverage Period

The guarantee only covers the period the employer was subscribed to TASC's services in relation to the TASC Plan parameters and actions. The Audit Guarantee does not cover non-compliance due to the actions of the employer, administrator, or administering agent apart from TASC occurring before, during or after the TASC period of services to the employer.