

**DEPARTMENT OF SOCIAL SERVICES**

744 P Street, Sacramento, CA 95814



November 15, 2002

Regulation Package #0602-13

CDSS MANUAL LETTER NO. EBT-02-02

TO: HOLDERS OF THE ELECTRONIC BENEFIT TRANSFER SYSTEM MANUAL, DIVISION 16

**Regulation Package # 0602-13****Effective 8/1/02****Section 16-705**

This manual letter has been posted on the Office of Regulations Development website at [http://www.dss.cahwnet.gov/ord/Electronic\\_676.htm](http://www.dss.cahwnet.gov/ord/Electronic_676.htm).

Welfare and Institutions Code Sections 18900 through 18919 authorize California to participate in the federal Food Stamp Program that is administered at the national level by the United States Department of Agriculture (USDA), Food and Nutrition Service (FNS). CDSS oversees the program that is administered at the local level by the county welfare departments. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 (Public Law 104-193) mandates states to implement an EBT system for food stamp benefit issuance no later than October 1, 2002 (California Approved Waiver Request #2010191 and FNS approval letter dated October 12, 2001). Federal regulation 7 CFR 274.12 provides implementation requirements for an EBT issuance system for food stamp benefits as an alternative to issuing food stamp coupons. State legislation, Assembly Bill 1542 (Chapter 270, Statutes of 1997), establishes the authority for a statewide EBT system to issue food stamp benefits and, at county option, the issuance of cash benefits. An on-line EBT system is an issuance system in which benefits are stored in a central computer database and electronically accessed by cardholders at a point-of-sale (POS) terminal, automated teller machine (ATM), and other electronic fund transfer device utilizing a reusable plastic card. EBT is an extension of debit card access to benefit funds from POS terminals (or ATMs) via electronic fund transfer networks. EBT is a proven technology and is operating in a majority of states.

Current state regulations do not provide the authority for EBT benefit adjustments. These regulations implement requirements in the Welfare and Institutions Code applicable to EBT benefit adjustments.

These regulations were adopted on an emergency basis effective August 1, 2002 and were considered at the Department's public hearing held on September 25, 2002.

**FILING INSTRUCTIONS**

**Revisions to all manuals are shown in graphic screen.** The attached pages are to be entered in your copy of the Manual of Policies and Procedures. The latest prior manual letter containing EBT changes was EBT-02-01.

Page(s)Replace(s)2 and 3  
44.1 through 44.4Pages 2 and 3  
Insert after page 44

Attachments

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**HANDBOOK BEGINS HERE**

- .1 Benefit adjustment for EBT system errors is the process whereby a debit or credit is applied to an EBT account to correct a system error that is identified in the settlement process.
  - .11 A system error is an auditable processing failure resulting in an improper crediting or debiting of an account, or in the failure to credit or debit an account.
  - .12 A system error can affect either a cash benefit account or a food stamp benefit account.
- .2 The EBT Contractor will correct (adjust) out-of-balance conditions which occur during the benefit redemption or settlement process as a result of a system error.
  - .21 The adjustment amount will be equal to the amount of the original error transaction, and may result in either a credit or a debit to the recipient's account.

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**HANDBOOK ENDS HERE**

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- .3 Recipient-Initiated Food Stamp Adjustment
  - .31 A recipient-initiated food stamp adjustment must be requested within 90 calendar days of the original error transaction.

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**HANDBOOK BEGINS HERE**

- .311 Within 15 calendar days of the date of the adjustment request, the EBT Contractor must investigate the request, render a decision, and, if warranted, move funds into the recipient's account.
- .312 If the recipient's request is determined to be valid, their account is credited within 15 calendar days.

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**HANDBOOK ENDS HERE**

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**16-705** **BENEFIT ADJUSTMENTS FOR EBT SYSTEM ERRORS** (Continued) **16-705**

- .32 If the recipient's food stamp adjustment request is denied, the CWD shall send a Notice of Action to the recipient with notification of the denial and information regarding the right to apply for a fair hearing within 90 calendar days of the date of the notice. No aid paid pending is provided.
- .4 Recipient-Initiated Cash Adjustment
  - .41 Recipient-initiated cash adjustments must be requested within 90 calendar days of the original error transaction.

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**HANDBOOK BEGINS HERE**

- .411 The EBT Contractor will respond to the adjustment request in accordance with the time lines expressed in the Quest Operating Rules.
- .412 If the recipient's request is determined to be valid, their account is credited within 15 calenday days.

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**HANDBOOK ENDS HERE**

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- .42 If the recipient's cash adjustment request is determined to be invalid, the CWD shall send a Notice of Action to the recipient with notification of the denial and information regarding the right to apply for a fair hearing within 90 calendar days of the date of the notice. No aid paid pending is provided prior to the hearing.

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**HANDBOOK BEGINS HERE**

- .5 Retailer- or Commercial Institution-Initiated Food Stamp or Cash Benefit Adjustment
  - .51 Retailer- or commercial institution-initiated food stamp or cash benefit adjustment requests shall be addressed by the EBT Contractor no later than 15 calendar days from the date of the original error transaction. Notification requirements are described in and the actual account adjustment shall be performed in accordance with Section 16-705.6.

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**HANDBOOK ENDS HERE**

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- .6 For retailer- or commercial institution-initiated food stamp or cash benefit adjustments, the EBT Contractor will provide a claim activity report to the CWD. Subsequently, the CWD shall send a notice to the recipient within two days of receipt of the claim activity report.

**16-705** **BENEFIT ADJUSTMENTS FOR EBT SYSTEM ERRORS** (Continued) **16-705**

- .61 The notice shall specify:
  - .611 That a retailer or commercial institution has requested a debit adjustment from the recipient's account;
  - .612 The full amount and type (debit) of the adjustment, including the date, time, and location of the erroneous transaction;
  - .613 That the adjustment amount may be debited from the current balance or from the next future month's benefits;
  - .614 Where the recipient may call to dispute the adjustment and request a fair hearing; and
  - .615 That the recipient has the right to postpone the adjustment debit pending the outcome of a fair hearing, provided that the hearing is requested within 15 calendar days from the date of the notice.
- .62 The recipient shall have 90 calendar days from the date of the notice of adjustment to request a fair hearing.

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**HANDBOOK BEGINS HERE**

- .63 If the recipient disputes the adjustment and requests a fair hearing within 15 calendar days from the date of the notice, no further action by the EBT Contractor shall be taken to adjust (debit) the recipient's account until the fair hearing decision is rendered.
  - .631 If the fair hearing decision is rendered in the recipient's favor, no notice is required.
  - .632 If the adjustment is upheld by the fair hearing decision, the EBT Contractor shall debit the recipient's account immediately for the total amount of the adjustment.
- .64 If the recipient does not request a fair hearing within 15 calendar days from the date of the notice, the EBT Contractor shall debit the recipient's account for the total amount of the adjustment.

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**HANDBOOK CONTINUES**

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**HANDBOOK CONTINUES**

- .65 If the recipient requests a fair hearing after the 15<sup>th</sup> calendar day but within 90 calendar days from the date of the notice, the fair hearing request shall be granted but the adjustment process will continue resulting in a debit against the recipient's account.
  
- .66 Subsequent transaction to complete the adjustment does not require additional notification to the recipient.
  
- .67 No notice to the recipient is required if an adjustment initiated by a retailer or commercial institution results in a credit to the recipient's account.
  
- .7 For a retailer- or commercial institution-initiated food stamp or cash benefit adjustment, if at the time that the first debit attempt is made, the recipient's account does not contain sufficient benefits to cover the total debit amount of the adjustment, the EBT Contractor will attempt daily to make the adjustment until the end of the next calendar month. If the adjustment cannot be completed by that time, the adjustment shall be cancelled. No debit adjustment will occur unless the account contains sufficient balance for the total amount of the adjustment.
  
- .71 All adjustments must remain within their specific program account. A food stamp adjustment can only be transacted against a food stamp account and a cash adjustment transaction can only be transacted against a cash account.
  
- .8 If a certified food stamp retailer refuses to fund a legitimate adjustment or is out of business, the State is ultimately responsible for the crediting of a recipient account.

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**HANDBOOK ENDS HERE**

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NOTE: Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code. Reference: Section 10072(i), Welfare and Institutions Code; 7 CFR 274.12(g)(4)(ii); and California Approved Waiver Request #2010167 for 7 CFR 274.12(f)(4)(ii)(B) [subsequently renumbered to 7 CFR 274.12(g)(4)(ii)(B)].