

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, California 95814



October 29, 2002

ALL COUNTY LETTER NO. 02-82

TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: ELECTRONIC BENEFIT TRANSFER

REFERENCE: Manual Sections (M.S.) 16-705, Handbook Sections 16-705.1 through .21, M.S. 16-705.3 and .31, Handbook Sections 16-705.311 and .312, M.S. 16-705.32, .4 and .41, Handbook Sections 16-705.411 and .412, M.S. 16-705.42, Handbook Sections 16-705.5 and .51, M.S. 16-705.6 through .62, and Handbook Sections 16-705.63 through .8.

The purpose of this letter is to notify counties of proposed regulations for benefit adjustment in the Electronic Benefit Transfer System. The regulations are being adopted on an emergency basis and are effective August 1, 2002. The proposed regulations are posted on the Department's website at

http://www.dss.cahwnet.gov/ord/Electronic_680.htm. A Public Hearing was held on September 25, 2002 and the regulations are subject to further revision. You will be notified of any subsequent revisions, if necessary, via All County Letter.

If you have any questions, please contact Stan Cagle at (916) 654-1529 or David Badal of the Program Technology Bureau at (916) 654-1405.

Sincerely,

*Original Document
Signed By*

BRUCE WAGSTAFF
Deputy Director
Welfare To Work Division

REASON FOR THIS TRANSMITTAL

- | | |
|-------|---|
| [X] | State Law Change |
| [X] | Federal Law or Regulation Change |
| [] | Court Order or Settlement Agreement |
| [] | Clarification Requested by One or More Counties |
| [X] | Initiated by CDSS |

REGULATION CHANGES

M.S. 16-705 is being adopted to provide the section title “Benefit Adjustments for EBT System Errors.”

M.S. 16-705.1 (Handbook) is being adopted to provide a definition of benefit adjustment resulting from an EBT system error.

M.S. 16-705.11 (Handbook) is being adopted to provide a definition of the term “system error.”

M.S. 16-705.12 (Handbook) is being adopted to specify that an EBT system error can affect both food stamp and cash program benefit accounts.

M.S. 16-705.2 (Handbook) is being adopted to specify that the EBT Contractor is responsible for correcting out-of-balance conditions which occur during the redemption or settlement process as the result of a system error.

M.S. 16-705.21 (Handbook) is being adopted to specify that an adjustment amount must be equal to the amount of the original error transaction and may result in either a debit or a credit to an account.

M.S. 16-705.3 and .31 and M.S. 16-705.311 and .312 (Handbook) are being adopted to establish the time frame for recipients to request food stamp adjustments and the time frame for the EBT Contractor to investigate and render a decision and if warranted, move funds into the recipient’s account.

M.S. 16-705.32 is being adopted to provide recipient rights regarding an adverse action on their account due to a denied food stamp adjustment request.

M.S. 16-705.4 and .41 are being adopted to specify the time frame for recipients to request cash program adjustments to their account.

M.S. 16-705.411 and .412 (Handbook) are being adopted to specify the time frames for the EBT Contractor to respond to the recipient’s claim for such a cash program adjustment.

M.S. 16-705.42 is being adopted to establish that if a recipient-initiated cash benefit adjustment is denied, a notice of action must be sent to the recipient informing them of the denial and their right to file for a fair hearing.

M.S. 16-705.5 and .51 (Handbook) are being adopted to specify that retail or commercial institution-initiated adjustment requests will be addressed by the EBT Contractor no later than 15 calendar days from the date of the original error transaction.

M.S. 16-705.6 is being adopted to specify that a recipient must be notified in a timely manner if a retailer or commercial institution has requested a debit adjustment.

M.S. 16-705.61 through .615 are being adopted to establish the information that must be contained in the notice of action referenced in M.S. 16-705.6.

M.S. 16-705.62 is being adopted to establish the time frame for a recipient to request a fair hearing in response to receiving a notice of action as referenced in M.S. 16-705.6 through .615.

M.S. 16-705.63 (Handbook) is being adopted to explain that if a recipient requests a fair hearing within 15 calendar days from the date of the notice referenced in M.S. 16-705.6 through .615, no further action may be taken until a fair hearing decision is rendered.

M.S. 16-705.631 is being adopted to establish that if the fair hearing referenced in M.S. 16-705.63 is decided in the recipient's favor, no further notice is required.

M.S. 16-705.632 (Handbook) is being adopted to provide the process if the fair hearing referenced in M.S. 16-705.63 is decided in favor of the retailer or commercial institution.

M.S. 16-705.64 (Handbook) is being adopted to explain that if no fair hearing is requested within 15 calendar days of receipt of the notice of action referenced in M.S. 16-705.63, the EBT Contractor shall debit the recipient's account for the total amount of the adjustment.

M.S. 16-705.65 (Handbook) is being adopted to specify the actions to be taken if the recipient requests a fair hearing subsequent to 15 calendar days from receipt of the notice of action referenced in M.S. 16-705.63 but prior to 90 calendar days from receipt of the notice.

M.S. 16-705.66 and .67 (Handbook) are being adopted to describe the notice of action requirements for a subsequent transaction and that no notice is required if the recipient's account is credited.

M.S. 16-705.7 (Handbook) is being adopted to explain the process by which the EBT Contractor will attempt to debit an account.

M.S. 16-705.71 (Handbook) is being adopted to clarify that an adjustment can only affect the specific benefit program in which the original error transaction occurred.

M.S. 16-705.8 is being adopted to explain that if a certified food stamp retailer refuses to fund a legitimate adjustment or is out of business, the State is responsible for the crediting of a recipient account.

Adopt new Section 16-705 to read:

16-705 Benefit Adjustments for EBT System Errors 16-705

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.

HANDBOOK ENDS HERE

.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.

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.

HANDBOOK ENDS HERE

- .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.

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 calendar days.

HANDBOOK ENDS HERE

.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.

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.

HANDBOOK ENDS HERE

.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.

.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.

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.
- .65 If the recipient requests a fair hearing after the 15th 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.

HANDBOOK ENDS HERE

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)].