

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



September 16, 2002

COUNTY FISCAL LETTER (CFL) No. 01/02-62

TO: COUNTY WELFARE DIRECTORS
COUNTY FISCAL OFFICERS
COUNTY AUDITOR CONTROLLERS
COUNTY TREASURER'S OFFICE

SUBJECT: ELECTRONIC BENEFIT TRANSFER (EBT) SETTLEMENT AND
RECONCILIATION REGULATIONS, STATEWIDE AUTOMATED
RECONCILIATION SYSTEM (SARS), AND TRAINING

REFERENCE: California Department of Social Services (CDSS), Manual of Policies and
Procedures (MPP), Sections 16-400 and 16-410, All County Letter (ACL) No. 02-38

The purpose of this letter is to provide a summary of the regulations (enclosed) relating to the Settlement and Reconciliation Sections, as well as an overview of SARS and SARS training. The EBT regulations package was sent to counties in ACL No 02-38 of May 22, 2002. Please refer to CDSS MPP Sections 16-400 and 16-410 for Settlement and Reconciliation activities. Summarized below are the highlights of the regulatory requirements in the area of Settlement and Reconciliation:

**COUNTY DAILY RESPONSIBILITIES FOR RECONCILING CASH AND FOOD
STAMP ISSUANCE REQUIREMENTS**

Effective May 1, 2002, Counties implementing statewide EBT shall be required to reconcile funds entering into, exiting, and remaining in the EBT system each day. The specific responsibilities are as follows:

- The County shall be required to verify that the EBT Contractor, Citibank Electronic Funds Services (CEFS), receives the County files.
- The batch record counts and dollar amounts must match against what was transmitted that day. The County shall track and manage reject records, benefit voids, and unlinked benefits.

The entire batch file or specific records within a file can be rejected by the EBT system if the file or record fails an edit. Rejects will be returned to the County with an error message.

The County may request a benefit void if the benefit availability date has not been reached. The entire benefit amount may be voided. Counties are responsible for tracking the void and reissuing the benefit, if appropriate.

Unlinked benefits occur when a benefit is sent to the EBT system and no corresponding client account is available to which the benefit may be posted. The benefit will be placed in a pending file until a corresponding account is established, physically through the transmission of a valid demographic record. If no corresponding account is established within 90 days, the benefit will be returned to the County.

- The County shall validate and reconcile issuances for the day from the eligibility system to the EBT system.
- The County shall track benefits by availability dates (i.e., when the benefit is made available to the recipient).
- The County shall validate and reconcile non-settling transactions (expungements, repayments, and coupon conversions for the day).
- Discrepancies with the EBT system (i.e., variances) shall be researched and corrected by the County, if applicable.
- If the County is unable to reconcile daily issuances, the County shall contact the EBT contractor to resolve the discrepancy.

COUNTY CASH SETTLEMENT PROCESS

- A settlement account must be established in a bank capable of processing a federal wire or Automated Clearinghouse (ACH) electronic debit transaction.
- The bank must be available to process transactions on every business day. The County shall ensure the EBT contractor has the ability to debit the County account on every business day. The EBT contractor defines business day as “all weekdays on which the Federal Reserve Bank of New York is open.”

IF THE COUNTY FAILS TO COVER CASH SETTLEMENT WITH THE EBT CONTRACTOR

- The EBT contractor will notify the State when the County fails to provide settlement.
- If the County refuses or is unable to fund settlement, the State may terminate the cash EBT services of the County.

- The County shall be required to reimburse the State for the County's settlement. Reimbursement shall be achieved by direct payment to the State or by State administrative offset of funds owed or payable to the County.

STATEWIDE AUTOMATED RECONCILIATION SYSTEMS (SARS)

As summarized above, a critical component for the success of the State's EBT project is for Counties to accurately and timely reconcile their eligibility systems to the EBT system. The Health and Human Services Data Center (HHSDC) EBT project team developed a State Settlement and Reconciliation Guide to standardize roles and processes for the reconciliation of EBT data. Despite this standardization there are a number of manual processes associated with the regular reconciliation of the County data and the EBT system data. To further standardize the reconciliation processes and improve reporting at the County and State levels, the SARS has been developed. The intent is to provide Counties with a tool to enable them to perform their daily reconciliation tasks in a uniform manner throughout the State.

The SARS solution is a browser-based centralized application that allows Counties to view various levels of data to reconcile their benefit issuance, benefits redeemed, and benefit obligations. The State will also have the capability of viewing statewide totals of the various levels of data as well as view individual county reconciliation data.

The SARS application is being piloted in Yolo and Alameda Counties and is used to reconcile their EBT data. The CDSS uses the SARS application to monitor reconciliation data and administer the system. The overall purpose of the SARS system is to compare actual County issuance and settlement data with the benefit draw and account activity data reported by the CEFS EBT system. The SARS works to automatically extract data from the County and Citicorp systems. It requires minimal key entry of County's bank data or Food and Nutrition Service's (FNS) financial data to operate.

SARS TRAINING

Training will be provided to the Counties prior to EBT implementation. The HHSDC EBT project team will coordinate the training schedule. Counties will receive three levels of training on EBT Settlement and Reconciliation processes.

The first level of training will be an overview of Settlement and Reconciliation from a Citicorp perspective. It will include a discussion of internal controls within the Citicorp system. This training will be suitable for County Welfare Department fiscal staff, Auditor Controller staff and Treasurer staff. This training level will be offered three to four times each year.

The second level of training will provide an overview of EBT reconciliation concepts from a county perspective and how to perform manual reconciliation for food stamps and cash

programs. The manual reconciliation training will assist counties to understand the automated functions that SARS performs. Federal reporting requirements will also be discussed. The training will be scheduled as close as possible to the third month of the readiness phase.

The third level of training, given approximately six weeks prior to a County going live on EBT, will cover the specifics of SARS, including how to use it as a tool. As part of the training, a SARS User's Manual will be provided to the Counties. The Manual is to serve both County and State users as a guide and reference to properly understand the navigation and processes required to perform EBT reconciliation, properly enter data, view detailed daily reports, and administer the system. The SARS User's Manual will be used for all user training as a training manual and will be provided to every user as a reference tool following the SARS training.

FEDERAL REPORTING

A separate CFL on EBT Federal Reporting requirements will be forthcoming.

If you have any questions regarding this letter, please contact Mr. James Cortes, of my staff at (916) 657-3131. Please contact Jan Robinson of HHSDC at (916) 263-4134 for any questions regarding county Settlement and Reconciliation training.

Sincerely,

***Original Document Signed by
MARGE DILLARD on 9/16/02***

MARGE DILLARD, Chief
Fiscal Systems and Accounting Branch

Attachments

c: CWDA
HHSDC
County Primary EBT Contacts