

EBT Reconciliation

Guidance for State Agencies



EBT Reconciliation Guidance

Background

The fiscal integrity of Electronic Benefit Transfer (EBT) is vital to the success of this innovative technology and, more generally, the Food Stamp Program (FSP). As EBT becomes the predominant issuance system for the delivery of FSP benefits, the Food and Nutrition Service (FNS) has recognized the need for more guidance to States on EBT fiscal oversight. The purpose of this document is to more explicitly define the EBT reconciliation requirements at 7 CFR 274.12(k)(1), and to provide States “best practices” for complying with the requirements.

The document is structured in accordance with the FNS regulation. Each section addresses one of five areas of reconciliation as follows:

- (i) Reconciliation of benefits posted to household accounts on the central computer against benefits on the Issuance Authorization File.
- (ii) Reconciliation of individual household account balances against account activities on a daily basis.
- (iii) Reconciliation of each individual retail store’s food stamp transactions per POS terminal and in total to deposits on a daily basis.
- (iv) Verification of retailer’s credits against deposit information entered into the ACH network.
- (v) Reconciliation of total funds entered into, exiting from, and remaining in the system each day.
- (vi) Maintenance of audit trails that document the full cycle of issuance from benefit allotment posting to the State issuance authorization file through posting to point-of-sale transactions at retailers through settlement of retailer credits.



While some of these reconciliations are implicit to EBT operations, a certain level of government oversight is needed to assure the system's accuracy. The minimum requirements are specified in each section for each regulation citation as part of the "Reconciliation Requirement." The "Reconciliation Procedures" serve as guidance on how a State may elect to meet the requirements; the step-by-step procedures should not be viewed as a mandated process for accomplishing the requirements. It should also be noted that while the "reconciliation procedures" are designed as generic "best practices," they may not be optimal for all States.

Settlement Framework

The EBT host logs transactions to retailer accounts maintained on the host by retailer number. With on-line systems, this logging is typically done as transactions are processed at the Point Of Sale (POS). In an off-line system, transactions are logged after the retailer uploads transaction activity for settlement.

Transactions are tracked on the EBT host by retailer number and terminal ID number. Note: Third Party Processors (TPPs) may only pass one terminal ID number per store even if the store uses more than one terminal. POS terminal reports, which provide clerk, terminal, and retailer activity totals, are available to each retailer. This enables retailers to compare the store's food stamp transactions by POS terminal and in total to deposits on a daily basis.

At the processor's daily cut-off time, the EBT system calculates a settlement amount due to each EBT-only retailer for the value of transactions (net credit and debit activity) performed during the retailer's business day that ended during the processor's



Automated Clearinghouse (ACH) day. If a retailer's cut-off time differs from the EBT processor's cut-off time, credit and debit activity will be held in suspense until such time that the EBT processor can settle to the store for an entire store business day. That is, those transactions occurring after retailer cut-off but before processor cut-off will be held in suspense until the next day's settlement (or two days later).

Note: Some States do not have retailer cut-offs, but rather retailers must initiate batch release. The same retailer suspense issues apply, depending on when the retailer chooses to release the batch.

For TPPs or EBT-only retailers that are connected to a switch or gateway, the processor settles to each TPP/gateway for all transactions performed during the processor's ACH day. The TPP/gateway, in turn, settles to individual retailers and banks according to the time frames specified in individual agreements.

The settlement totals due to each EBT-only retailer and TPP are written to one or more ACH files. The EBT processor transmits the ACH files to the concentrator bank for processing through the Federal Reserve system. The Federal Reserve processes credits to retailer and TPP bank accounts and debits the EBT processor's settlement account at the processor's bank which is designated to pay retailers.

Once the processor transmits the ACH files to the concentrator bank to initiate reimbursement to retailers, the processor (or the State agency) requests payment through the ASAP system to replenish the processor's settlement account for the amount paid to retailers.



Federal FSP Funding System

In general, the funds portion of the EBT Food Stamp Program (FSP) system operates as follows:

The processor feeds authorization data into the AMA (Account Management Agent) system, which is managed for FNS by a branch of the Richmond FRB (Federal Reserve Bank). AMA reviews, summarizes and posts this information into ASAP (Automated Standard Application for Payment) instantaneously. The processor/State makes payment requests in ASAP. ASAP then feeds the payment information back to AMA. The AMA system serves as the data link to issuance and redemption information for the Federal FNS accounting system and determines the Agency's outstanding Federal obligation for the EBT Food Stamp Program. Therefore, it is critical that the issuance/authorization information in the AMA/ASAP system should accurately reflect the data from the State's system.

Reconciliation Overview

The AMA/ASAP system is ultimately designed to track the outstanding Federal EBT Food Stamp liability on a daily/monthly/fiscal year basis. On the issuance side, there are essentially three systems that must be reconciled to each other to ensure sound financial integrity: the State Certification System, the EBT System and the AMA/ASAP system. Note that these numbers should also track to the FNS-46 report. In addition, daily EBT system activity must also be reconciled to the AMA/ASAP system to verify that the end of day balance on the AMA/ASAP system reconciles to the net liability carried on the EBT system. In accordance with FSP regulations, State agencies must maintain all supporting documentation on file for a three year period following the applicable Federal fiscal year end. However, if any litigation, claim, or audit is started before the expiration of the three year period, the records shall be retained until these have been resolved. Source documentation must be traceable to the amounts recorded on the summary reconciliation worksheets and certified FNS-46 reports. These will generally include State reports of issuances and review, along with a second-level review of the reconciliation.



On the surface, EBT reconciliation may seem to be a fairly straight-forward exercise, however, such variables as system cut-off times and other State and/or processor specific design requirements affect the facility of this activity. The State should consider the following when setting up their oversight procedures:

- **State Business Day Report Suspense** – The timing of the ACH Day may or may not be in synch with the State business day. If the EBT system reports received by the State are not in synch with the ACH day, the State will need to account for the different “clocks” as part of reconciliation, and track the activity that occurred between the end of the ACH day and the end of the State business day.
- **Retailer Suspense** – Benefit transactions are settled with merchants based on the merchants’ specified cutoff times. Within each business day, there is a potential for three ACH days, depending upon the retailer’s selected cutoff time. This becomes a reconciliation issue when the State’s reports from the processor on the daily activity include transactions that were not settled on the current ACH day. If this is the case, the State is required to obtain details on the amount of transactions held in suspense, by the ACH date that the retailer will be paid, from their processor.
- **Report Information** – EBT system reporting can be confusing and definitions



of commonly-used terms can vary from report to report. For example, the term “pending” can represent very different concepts from processor to processor and even from report to report within the same processor system. It is critical to understand what is being represented in the system reports so that the State can be assured that it has all the information necessary to reconcile.

- **Source of EBT System Report Data** – It is important to recognize that State reports, including the on-line reports, can contain information drawn from a variety of sources within the processor’s internal system. Therefore, it is critical that the processor’s internal systems balance before the State proceeds with its daily reconciliation activities.
- **Issuance Update Procedures** – Each processor has different internal procedures for updating daily and monthly issuance information into AMA. It is critical that States understand their processor’s procedures since these procedures may have implications on system reconciliation. Examples include procedures which may result in time lags in posting benefits and procedures for the handling of mismatched benefit files.
- **Aged and Expunged Benefits** – EBT processor handling of these benefits can complicate reconciliation to the FNS-46 report. Identify any issues associated with your State aging/expungement procedures (i.e., whether benefits are removed from the EBT system and de-obligated in AMA in accordance with expungement or prior to expungement) so that they are accounted for in reconciliation. It is important to note that these issues may not be a factor in each State system and that there may be additional State-specific complications not addressed above that need to be taken into account as part of reconciliation.



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(i) Reconciliation of benefits posted to household accounts on the central computer against benefits on the Issuance Authorization File.

Reconciliation Requirement

The State system issuance authorization file value should equal the processor value on a daily/monthly basis. The State must institute reconciliation procedures to ensure that the State certification system and the EBT system are in synch. At a minimum, the State must monitor the issuance authorization files being sent to the processor and act on rejected records. In addition, the State must make sure all benefits are activated on the availability date. Because of the nature of this reconciliation, this responsibility may not be delegated to the State's EBT processor.

In some instances, certification system changes may be necessary to facilitate this reconciliation. For example, the State system should be able to identify the exact number and amount of benefits transmitted successfully to the processor, the date of transmission, and the date each benefit will become available to clients on the processor's EBT system; experience has shown that all State systems do not provide this information. It can be particularly complex to reconcile daily issuance files on the two systems if the availability date recorded on the State certification system does not match the availability date on the EBT system; this is due to the timing of how benefits



get posted on the EBT system. One way to address this is for a State to transmit all daily benefits via nightly batch with a next day availability date, instead of on-line or periodic batches with a current availability date. By using nightly batch, the benefits would become available to the client some time after end-of-day, and the certification system records availability date as the following day; thus the two systems remain in synch.

Reconciliation Procedures

Specifics for authorization reconciliation are as follows:

1. Obtain State certification system report(s) which provide the value and availability date of benefits authorized by the State.
2. Validate batch file total - On a daily basis, the State should ensure that the totals of the file verification returned by the processor matches the authorization on the certification system. The processor should notify the State daily of rejected records and the reason for rejections. Daily EBT authorizations should equal the total amount of benefits authorized via the certification system minus any rejected records, plus any re-submitted corrected records.
3. Follow-up on rejected records - On a daily basis, the State should follow-up on all records that were rejected by the EBT system. Complete one of the following:
 - If there is an error in the record, make a correction to the rejected record and re-transmit to the processor via an administrative terminal or through the interface without duplicating the transaction on the State certification system; or
 - If it is determined that the transaction should be canceled, correct the State's certification system to reflect this.



Note: If the State system cannot be corrected, use the data to reconcile State and processor issuance numbers manually and document the reason for the discrepancy.

4. If unapplied benefits are placed in a pending file by the State's processor because they cannot be matched to an active client account (these records are not part of the rejected records file provided by the processor), the State should receive a Pending Report in order to reconcile to daily authorizations. Pending benefits must be added to benefits authorized by the processor in order to do the daily reconciliation to the certification system.



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***(ii) Reconciliation of individual household account
balances against account activities on a daily basis.***

Reconciliation Requirement

Correctly logging transactions to the appropriate retailer and recipient accounts is the fundamental requirement of an EBT system. This basic functionality is tested extensively as part of system acceptance and is considered to be an EBT *system* function once the system is operational. However, system testing occurs in a relatively controlled environment. Testers have only a limited ability to create “unexpected” scenarios as part of their “what-if” testing. In addition, an “open” EBT system brings many challenges related to system stress and capacity and to the complexity of third parties. Therefore, it can be expected that a certain amount of system errors will occur in an operational setting.

The intent of this regulation citation is that the EBT systems routinely perform this reconciliation. As an added control, the accuracy of transaction logging is verified annually as part of SAS70 audits. Therefore, FNS does not expect States to perform this reconciliation on a daily basis for individual recipients. This reconciliation is required at a summary level as part of the overall EBT system reconciliation (7 CFR 274.12 (k)(1)(v)). It is only on an exception basis in the course of dispute resolution or



in researching reconciliation discrepancies that the State would need to perform this detailed reconciliation. States may opt to delegate this error resolution responsibility to their processor, however, it may still be necessary for the State to intervene in some circumstances.

Reconciliation Procedures

On an exception basis, the EBT processor and/or the State must be able to identify the correct debit or credit transaction(s) that occurred on a specific client account for any given day.

1. Obtain client account activity from the EBT host system for the business day in question (purchases, refunds, voids, vouchers, adjustments, etc.) This data may be available on an individual client basis on an established EBT report and/or through the EBT administrative terminal. Determine if the EBT system data indicates that the client card balance equals the net of their credit and debit activity for the business day in question. Client input and retailer records may be needed at times. Research and resolve variances.
2. The State should require the EBT processor to make necessary adjustments in the client account and/or the EBT system and reports to correct variances. Any adjustments to client accounts must be done in accordance with established FNS policy. If necessary, the State should require the EBT processor to make retailer adjustments and the appropriate adjustments to STARS.



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(iii) Reconciliation of each individual retail store's food stamp transactions per POS terminal and in total to deposit on a daily basis.

Reconciliation Requirement

As stated in the previous section, the process of correctly logging transactions to the appropriate retailer and recipient accounts is the essence of an EBT system. As a result, the reconciliation of each individual retail store's food stamp transactions per POS terminal and in total to deposits on a daily basis is a function of the processor's EBT system.

The intent of this regulation citation is that the EBT *systems* routinely perform this reconciliation. As an added control, the accuracy of transaction logging is verified annually as part of SAS70 audits. Therefore, FNS does not expect States to perform this reconciliation on an individual retailer basis on a daily basis. This reconciliation is required on a summary basis as part of the overall EBT system reconciliation (7 CFR 274.12 (k)(1)(v)). It is only on an exception basis in the course of dispute resolution or in researching discrepancies that the State would need to perform this detailed reconciliation. States may opt to delegate this error resolution responsibility to their processor, however, it may still be necessary for the State to intervene in some circumstances.



Reconciliation Procedures

On an exception basis the EBT processor and/or the State must be able to identify the correct credit (or debit) due to the retailer.

1. Obtain retailer activity (purchases, refunds, voids, vouchers, adjustments, etc.) and settlement data from the EBT host system for the business day in question. This data may be available on an individual retailer basis on an established EBT report and/or through the EBT administrative terminal. Determine if the EBT system data indicates that the retailer's settlement amount equals the net of retailer credit and debit activity for the ACH day in question. It is important to note that retailer suspense transactions will be included in a subsequent day's settlement amount. Research and resolve variances.
2. The State should require the EBT processor to make necessary adjustments in the EBT system and/or EBT system reports to correct variances. Processor should also make any necessary corrections to the Net Retailer Credit file, also known as STARS data, to accurately reflect individual retailer's daily business, meaning EBT net activity for that ACH day. Any adjustments to client accounts must be done in accordance with established FNS policy.



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(iv) Verification of retailer's credits against deposit information entered into the ACH network.

Reconciliation Requirement

This is largely a Federal responsibility; however, State intervention may be necessary for error resolution. States typically delegate this error resolution responsibility to their processor, however, it may be necessary for the State to intervene in some circumstances. The State should recognize that they will ultimately be held liable for any unsupported drawdown of Federal funds.

A reconciliation of total daily retailer credits reported to FNS by the processor against ASAP system draws is being performed by FNS' Account Management Agent (AMA), the Federal Reserve Bank (FRB) of Richmond. The EBT processor and/or the State must work with FRB and FNS to resolve any variances. Note that FRB cannot conduct this reconciliation for pre-issuance States that draw funds based on issuance rather than redemption activity. In these instances, the State must submit a daily reconciliation of daily retailer credits to funds provided to their processor on a monthly basis to FNS' Accounting Division. This reconciliation must identify the amount of funds on hand in the State treasury and whether the funds transferred to the processor by the State equals the amount of redemptions the processor reported to STARS at FNS' Benefit Redemption Systems Branch (BRSB), formerly know as the



Minneapolis Computer Support Center (MCSC).

In addition, inherent in this reconciliation is the comparison of daily net retailer activity to the ACH total/ASAP draw. States are required to conduct this reconciliation in accordance with 274.12(k)(1)(v). See “Procedures for Reconciling Funds Exiting the System” for more details.

Reconciliation Procedures

1. On a weekly basis EBT processors are required to submit a Net Retailer Credit file to FNS’ BRSB. This file includes net retailer credit information for each retailer on a daily basis.
2. BRSB forwards this data as a daily summary by State to the Federal Reserve Bank of Richmond. FRB staff use a manual process to compare the daily Net Retailer Credits to the ASAP draw; an auto-reconciliation process is currently in development at FRB. This reconciliation occurs 1-3 weeks after the ASAP draw depending upon when Net Retailer Credit information reaches FRB. States can view this comparison in the AMA system on the “Net Retailer Credit Summary Inquiry” screen.
3. FRB, acting on behalf of FNS, will contact the processor within five business days of receiving the net retailer credit data when a variance is discovered. FRB will provide a report to the processor via fax which will detail the variance and show a range of days around the time that the variance occurred.



4. EBT processors and/or States must research the variance to determine the cause and take action to correct the variance. FRB should be notified of the corrective action so that it can trace the correcting entry in the AMA system.
5. If after 30 days from the initial contact, the processor remains uncertain as to how to resolve the variance, FRB will refer the variance to FNS for intervention.
6. Once a variance is referred to FNS, the Agency will contact the processor and/or State agency to facilitate resolution of the variance.
7. When an adjustment to the ASAP payment request amount is necessary to address an outstanding variance, the processor (or the State if the State is making the ASAP draw) should correct this in a subsequent draw. If the variance was due to an error in the Net Retailer Credit file sent to BRSB the processor must submit an adjustment file for the day the variance occurred.



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(v) Reconciliation of total funds entered into, exiting from, and remaining in the system each day.

Reconciliation Requirement

The total funds entered into, exiting from, and remaining in the processor's EBT system each day accounts for the outstanding liability and must be reconciled to the AMA/ASAP system on a daily basis. This involves:

- confirming that the State's issuance authorization files were posted on the EBT system in accordance with 274.12(k)(1)(i) and on the AMA/ASAP system;
- balancing the EBT system internally (confirming that yesterday's ending database value plus and minus today's activity equals today's ending database value); and
- reconciling daily EBT system activity to AMA and ASAP system entries made by the processor or State, including verification that the end of day balance on the AMA/ASAP account reconcile to the net liability carried on the EBT system. The "fiscal year integrity" of the AMA system entries must be validated as part of this requirement. See the note on page 19 for more details.

This requirement is essential to ensure the overall fiscal accountability of EBT operations. For this reason, this responsibility cannot be delegated to the



State's EBT processor. Specific guidance on the reconciliation of total funds entering, exiting, and remaining in the EBT system each day is as follows.

Procedures for Reconciling Funds Entering the System

Funds “entering the system” are entries that change the liability carried on the processor’s system, are entered into the AMA system, and do not result in payments to retailers processed through the ASAP system and the processor’s bank. The change in liability on the processor’s system can be either positive or negative. Positive entries are: monthly authorizations; emergency/daily authorizations; and miscellaneous credit adjustments (non-settling). Negative entries are: canceled authorizations; expunged benefits; coupon conversion; claims payments; and miscellaneous debit adjustments (non-settling). Note, if EBT benefits are converted to cash, and the processor or State draws funds for reimbursement via ASAP, then there should be no negative entries for the conversions.

1. Refer to the guidance discussed previously on the reconciliation of the issuance authorization file [274.12(k)(1)(i)] to reconcile benefits posted to the EBT system.
2. Conduct daily ASAP and AMA inquiries for all transactions that have affected the EBT food benefit authorization amount.
 - ASAP provides the “Net Authorized Amounts”



- AMA provides an additional level of detail when the “Net Authorized Amount” is made up of several entries. The State’s EBT processor should be entering issuance data to AMA in accordance with the following categories:

IS = Issuance	The amount of benefits placed in recipient accounts
IO = Issuance Other	Reserved; to be used in the event FNS needs to separately identify a particular type of issuance
RC = Return Coupon	Amount removed from recipient EBT accounts when converting benefits to coupons
RE = Return Expungement	Amount removed from recipient accounts when expunged due to inactivity
RO = Return Other	Any other benefits removed from recipient accounts, such as voluntary claims repayment

Note: The AMA system records entries by “effective date” and “transaction date.” Positive (issuance) entries should reflect the *effective date* (availability date) of the authorized benefits. At a minimum, issuances should be input (made effective in AMA) in the correct Federal fiscal year [that is, the fiscal year in which the client can actually access the benefit amount] in order to ensure the “fiscal year integrity” of the issuance data recorded in AMA and, ultimately, the FNS accounting system. If the State identifies an entry that has been input in the wrong fiscal year, FNS will need to make the adjustment for this entry. The “transaction date” should reflect the date the entry is made in the AMA system.

3. Compare entries from item 2. to State certification system records for



the same day. The State should investigate with their processor the timing of authorization postings into AMA since there may be some lag between when benefits are transmitted to processor and when benefits are actually input into AMA/ASAP system. The State information for the comparison should reflect the exact amount of benefits successfully transmitted to and accepted by the processor on a given day rather than a reflection of benefits authorized in the State system because any rejected records would not be part of the total entered into AMA. The State must have procedures in place to follow-up on these rejections.

4. Research any authorization variances to determine whether State/processor records support differences.
5. Follow-up with processor for any unexplained differences, e.g., missed authorizations, transposed numbers, unsupported issuances etc.
6. Make necessary adjustments to State records and/or certification system.
7. Require processor to make necessary adjustments to processor records and/or EBT system.
8. Require processor to make all necessary adjustments to AMA/ASAP. If an error is found which crosses over fiscal years, contact the FNS regional office before making any adjustments. Special provisions must be made to ensure that corrections are made to the correct fiscal year, some of which require the coordination of manual adjustments to several Federal systems.

Procedures for Reconciling Funds Exiting the System

In the context of this reconciliation “funds exiting the system” means benefits removed from client accounts as a result of food stamp purchases; either POS or manual voucher transactions. Benefits exiting the processor’s system result in



ASAP requests for payments to retailers and the movement of funds through the processor's bank. States should pay particular attention to business day suspense and retailer suspense, as described on page 5, when performing this reconciliation.

1. Obtain EBT system reports to verify what amount is due to be settled to retailers. This includes POS debit and credit transactions, manual voucher clears, debit and credit adjustments, etc. Depending upon your State, this data may be available through different sources, including: processor-provided report(s), the administrative terminal, or State-generated report(s) through use of the "daily history extract" received from the processor.
2. Review the processor settlement report or clearing statement to verify that ACH amount equals the amount that was to be settled to retailers.
3. Complete daily ASAP inquiries for all transactions that have affected the State's EBT project Food Stamp account balance in ASAP/AMA.
 - ASAP entries include payment requests, or "Draws", to reimburse the processor for payments made to retailers and "Return Payments" which are used to reverse a previous payment request.



- ASAP draw information is also fed into the AMA system. FRB staff compare the ASAP draws to the net retailer credit amounts that the processor has submitted to FNS' BRSB in Minneapolis. However, since retailer credit amounts are only reported weekly to FNS, States will need to review a week's worth of ASAP draws each time AMA's "Net Retailer Credits Summary Inquiry" screen is updated. This data in AMA does, however, provide a useful tool for researching past ASAP draws and the corresponding net retailer credits.
4. Compare the ASAP draw to net retailer credits for the settlement day.
 5. Review the processor's clearing statement to verify that ACH amount was drawn from ASAP. If the processor has incurred non-federal liabilities, meaning transactions not eligible for Federal reimbursement, then the ASAP draw should be short by this amount. States may also receive daily bank statements which enable them to verify that the ASAP draw amount was deposited into the processor's bank.
 6. Research any variances to determine if State/processor records support the differences.
 7. Follow-up with processor on any unexplained differences.
 8. Require processor to make necessary adjustments to the processor's system, ASAP and/or STARS.



Procedures for Reconciling Funds Remaining in the System

There are two parts to this reconciliation. The first is determining if the processor's EBT system is in balance. The second is that the processor's ending balance is in agreement with the ASAP daily ending balance.

1. EBT System Balancing

Yesterday's Ending database value +/- today's activity = equals Today's Ending database value

Listed below is an example of the data elements included in the daily balancing of the EBT system. This is a generic example; it may vary between States depending upon the State's certification system and the processor's system.

Yesterday's Ending Database Value

+ Benefit Authorizations

- Benefit cancellations

- Food Stamp Purchases to be settled on current ACH day

- Pending (food stamp purchases to be settled on a subsequent ACH day)

- Coupon Conversions

- Voucher Holds (benefits put on hold, deducted from a client's available balance, but pending voucher clear transaction)

+ Voucher Holds that have expired

+ Voucher Hold adjustments (only applies if voucher clear amount is less than the amount put on hold)

- Client repayments (e.g., claims, re-presentation)

- Debit adjustments

+ Credit Adjustments

- Expungements

= Today's Ending Database Value (Depending upon how the State's processor runs its end of day reports, the total of transactions posted during the time period in which the end of day processing was performed may need to be added to this amount to arrive at the true ending balance.)

2. EBT System Database Value versus ASAP balance



- a. Once the State verifies that the EBT system balanced internally, the ending database value should be compared to the ending ASAP balance.
- b. States may need to factor in the value of retailer and business day suspense in order to balance the processor's database value to the ASAP account balance.
- c. This exercise needs to be ongoing, as the ASAP balance represents the amount of benefits that are available to clients. It is imperative that this amount be supported by State/processor records.
- d. FNS should be notified of any unresolved differences.



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- (vi) Maintenance of audit rails that document the full cycle of issuance from benefit allotment posting to the State issuance authorization file through posting to point-of-sale transactions at retailers through settlement of retailer credits.***

Reconciliation Requirement

This step is not a reconciliation item, but one of documentation! Each of the first five steps of this reconciliation procedure needs to include documentation that supports that each is being completed and the results of each reconciliation. Auditors will look for this documentation when completing a review of reconciliation procedures.



Glossary

Account Management Agent (AMA) - The system administered by the Federal Reserve Bank (FRB) of Richmond on behalf of FNS to manage EBT benefit funds. EBT processors enter information into AMA on the amount of benefits issued to recipients in each EBT project. This information is used as the basis for funding EBT accounts in ASAP. AMA data is also used to establish the funding obligation in FNS' accounting system.

Automated Clearinghouse Network (ACH) - A financial network that is part of the Federal Reserve banking system and is used to process electronic funds requests. The ACH network is typically used in a food stamp EBT system to transfer credits from the concentrator bank to financial institutions holding retailer accounts.

ACH Day - The 24 hour period in which an EBT processor will settle to retailers and TPPs.

Automated Standard Application for Payments (ASAP) - A payment system developed by Treasury's Financial Management Service and the Federal Reserve Bank which provides a single point of contact for the request and delivery of Food Stamp funds. Each EBT State has an account set up in ASAP for the State or its EBT processor to request reimbursement for payments made to retailers for food stamp benefit redemptions. An EBT State's ASAP account is automatically updated when the EBT processor enters information on the amount of benefits issued to recipients into the AMA system.



Central Computer - The processor's EBT system, also referred to as the Host.

Concentrator Bank - A financial institution which receives retailer deposit (credit/debit) information from the EBT processor and initiates funds transfer requests through the Federal Reserve's ACH network.

Daily Files - The non-recurring issuance files sent by the State to the EBT processor to update recipient benefit accounts. Daily files may include first-month benefit issuances for newly certified recipients, supplemental benefits, expedited benefits, canceled authorizations, etc.

EBT-only Retailer - A retailer that has opted to receive government-provided POS equipment from the State's EBT contractor to accept EBT-only transactions (Government Cash, Food Stamps, or both).

Gateway - A connection between different data networks. It is a combination of hardware and software which allows transactions to be supported between and among a network switch, Third Party Processors, EBT processors, or retailers driving their own terminals.

Issuance Authorization File - The daily and monthly issuance files sent by the State to the EBT processor to update recipient benefit accounts.

Monthly Files - The recurring issuance files sent by the State to the EBT processor for ongoing food stamp cases.



Net Retailer Credits - The weekly file submitted by EBT processors to FNS' Benefit Redemption Systems Branch (BRSB) which includes the daily total credits paid to individual retailers.

Point-of-Sale (POS) Terminal or Device - Equipment that initiates the electronic debit of recipient accounts and credit to retailer accounts as a purchase is being made.

Retailer Business Day - The 24 hour period of time, based on the retailer's selected cut-off time. In systems where a retailer initiates settlement, this may or may not be a consistent, 24 hour period of time.

Retailer Suspense - The transactions which are held over for payment on a subsequent ACH day when a retailer selects a cut-off time that differs from the EBT processor's cut-off time.

State Business Day - The 24 hour period captured in the EBT reports a State receives from its processor. This period may or may not be the same as the ACH day.

State Business Day Suspense - The EBT system activity which occurs between the end of the ACH day and the reporting timeframe for State Business Day reports. This suspense activity will be captured on the EBT system reports, but will not be included in the ACH totals for the current day. In order to reconcile the EBT reports to the ACH totals the State Business Day Suspense activity must be broken out on the reports.

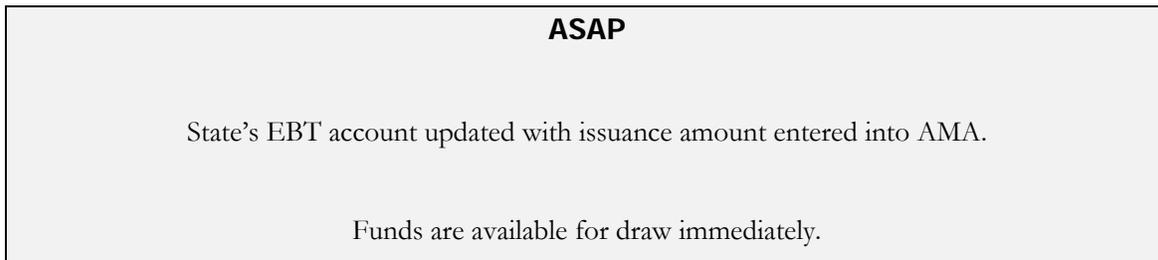
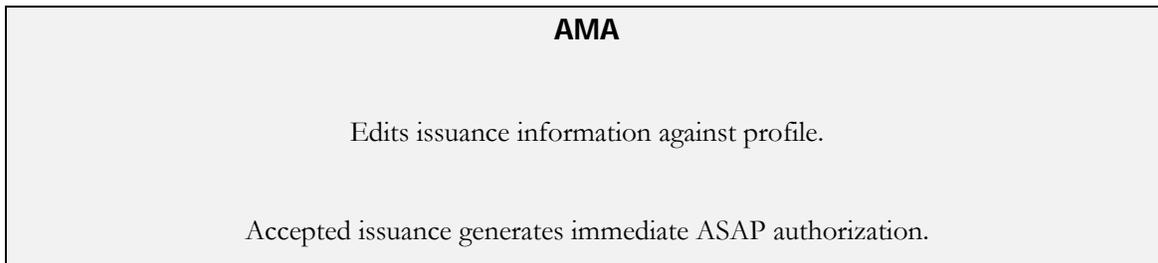
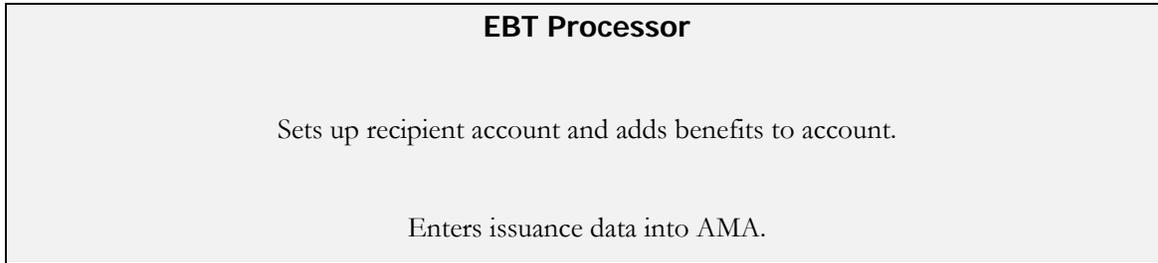
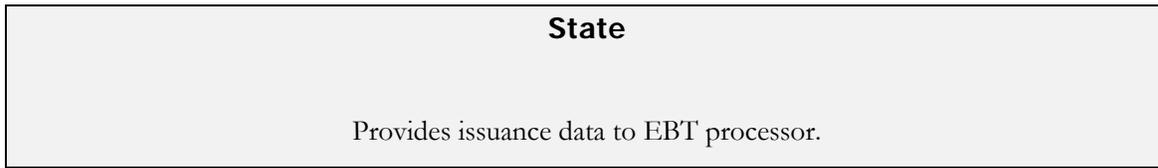


Store Tracking and Redemption Subsystem (STARS) - The FNS system used to manage and monitor retailer participation in the Food Stamp Program. The Net Retailer Credits file submitted by EBT processors is used to update retailer redemption activity in STARS. This system is managed by FNS' Benefit Redemption Systems Branch (BRSB), formerly known as the Minneapolis Computer Support Center (MCSC).

Third Party Processor (TPP) - A company that drives and maintains retailer POS terminals, authorizes and processes transactions, and settles retailer accounts for both EBT (Government Cash, Food Stamps or both) and commercial transactions.



AMA/ASAP Data Flow



EBT Processor (or State)

Enters draw request in ASAP to fund benefit redemption.



ASAP

Edits draw request against available funds.

Approved draw request recorded.

Requested funds are transferred via ACH or Fedwire.

AMA immediately notified of approved draw request.



AMA

Via interface records draw request in FNS' accounting system.



EBT Processor

Receives requested funds.

Pays EBT retailers.

Notifies BRSB of retailer payments.



BRSB

Provides AMA with retailer Net Credits File.



AMA

FRB staff reconciles retailer Net Credits File with ASAP draws upon receipt of file from BRSB.

Contacts EBT processors to correct variances.



TITLE 7--AGRICULTURE

CHAPTER II--FOOD AND NUTRITION SERVICE, DEPARTMENT OF AGRICULTURE

PART 274_ISSUANCE AND USE OF COUPONS

Sec. 274.12 Electronic Benefit Transfer issuance system approval standards.

(k) Reconciliation, management reporting, examinations and audits.

The EBT system shall provide reports and documentation pertaining to the following:

(1) Reconciliation. Reconciliation shall be conducted and records kept as follows:

(i) Reconciliation of benefits posted to household accounts on the central computer against benefits on the Issuance Authorization File;

(ii) Reconciliation of individual household account balances against account activities on a daily basis;

(iii) Reconciliation of each individual retail store's food stamp transactions per POS terminal and in total to deposits on a daily basis;

(iv) Verification of retailer's credits against deposit information entered into the ACH network;

(v) Reconciliation of total funds entered into, exiting from, and remaining in the system each day;

(vi) Maintenance of audit trails that document the full cycle of issuance from benefit allotment posting to the State issuance authorization file through posting to point-of-sale transactions at retailers through settlement of retailer credits.

[Revised as of January 1, 2006]

