

OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

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| LOCAL COMMISSIONERS MEMORANDUM |  
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OTDA-4037EL (Rev. 11/98)

Transmittal No: 01 LCM-5

Date: April 17, 2001

Division: Finance

TO: Local District Commissioners

SUBJECT: EBT Fedwire Settlement Process

ATTACHMENTS: None

PURPOSE

The purpose of this directive is to advise local districts about the Fedwire Settlement Process currently in place for the Electronic Benefit Transfer (EBT) system.

BACKGROUND

EBT is mandated by the United States Department of Agriculture to deliver Food Stamps benefits electronically through the commercial financial infrastructure. New York State also delivers cash benefits electronically through EBT. The change in delivery systems from EBICS to EBT necessitated a change in banking procedures. Monies to be transferred from the local district's bank account to Citicorp take place via a fedwire transfer. Previously the Automated Clearing House (ACH) process was used for EBICS funds transfers.

PROGRAM IMPLICATIONS

Electronic Funds Transfer is an integral part of the New York Electronic Benefits Transfer system. Cash benefits distributed by merchants participating in the EBT program are reimbursed by completing an electronic funds transfer.

EBT cash assistance benefits are available from participating merchants throughout New York State. Transactions are processed electronically through Point of Sale (POS) terminals at merchant locations and Automated Teller Machine (ATM) locations. Eligible clients access benefits using their Common Benefit Identification Card (CBIC) with a Personal Identification Number (PIN).

In most cases, the EBT contractor initiates a process of crediting local merchants and debiting local district bank accounts. Some local districts initiate the fedwire.

Payment to merchants for Food Stamp benefits is conducted through a statewide letter of credit with USDA and has no Local district impact.

BANKING REQUIREMENTS

Each local district Department of Social Services (DSS) designated a single bank account to use to fund withdrawals from client accounts. The selected bank has the ability to transfer and receive funds through the federal wire process.

CITICORP SERVICES, INC. SETTLEMENT

The Federal Reserve wire process will request a charge to the local district's designated EBT settlement account. The funds will be remitted to the Citicorp Services, Inc. account identified below:

Bank: Citibank, Inc.  
399 Park Avenue  
New York, NY 10043

Account Title/Name: CSI - EBT NY Settlement  
Transit/ABA Number: 0210-0008-9  
DDA Account Number: 40758086

CHANGING BANK ACCOUNTS AFTER INITIAL ENROLLMENT

Local districts may choose to change bank accounts, with proper notification, at any time after the initial enrollment in the EBT program. To change the designated EBT PA funding account, local districts should

Date April 17, 2001

Trans. No. 01 LCM-05

Page No. 3

prepare a new authorization letter for EBT transaction settlement via fedwire. The authorization letter containing original authorized signatures must be sent to both of the following:

Office of Temporary and Disability Assistance  
Attn: Laurie Lane  
Bureau of Financial Services (BFS) - 14C  
40 N. Pearl Street  
Albany, NY 12243

And

Citicorp Services, Inc.  
Attention: Joseph Scharf  
Building F, 3rd Floor, Zone 1  
3800 Citibank Center  
Tampa, FL 33610

Local districts are responsible for ensuring that necessary arrangements/paperwork have been made with their new bank for fedwire processing. The effective date of the change must be confirmed by the BFS before the change occurs. OTDA BFS will fax a confirmation letter to the local district. This will prevent the possibility of funds being transferred from an account that is not adequately funded. Local districts are responsible for ensuring proper funding amounts in the old account through the last day that the account is used for EBT funding. Local districts must also ensure that the new account is properly funded beginning the effective date of the account change.

#### CASH FLOW MANAGEMENT

Each local district office is responsible for maintaining adequate funds in the bank account used for EBT funds transfers. The account must have sufficient funds to cover all cash benefits issued by merchants and ATMs each day. Local districts should have funds in place by 11 a.m. each business day.

Cash flows are more consistent with EBT because local district accounts are now only charged for the amount of the issuance withdrawn from the client's EBT cash account, rather than for the total amount of the cash benefit. Funds management with EBT is obtained from the Citicorp Administrative terminal and EBT Cash Activity Report (draw).

#### FUNDING THE BANK ACCOUNT

Once each business day the EBT contractor initiates a fedwire transfer to the bank account that has been designated by the district (some local districts may initiate the fedwire). The amount of the draw is equal to the total of cash transactions for the previous day, plus or minus any adjustments and/or fedwire processing fees.

An inquiry capability is available on Citicorp Services, Inc.'s (CSI) administrative system to display the amount of each day's fedwire draw. This inquiry is available early each morning. A copy of the inquiry screen should be sent to the local district fiscal officer. BICS produces the EBT Cash

Date April 17, 2001

Trans. No. 01 LCM-05

Page No. 4

Activity Report that is used to confirm and document the draw total for each day's transactions.

The process is similar to the former Automated Clearing House (ACH) process utilized for the previous issuance system (EBICS), except that there is only one transaction for each day.

Accounts not adequately funded will be subject to the Emergency Reimbursement Plan. OTDA makes every reasonable effort to avert instituting the emergency procedure by contacting the local district to attempt to resolve the issue.

#### EMERGENCY REIMBURSEMENT PLAN

NYS OTDA coordinates emergency procedures with the Office of the State Comptroller (OSC) to safeguard the program flow of reimbursement funds to issuance agents under the EBT system. The Emergency Reimbursement Plan would direct any local district funds otherwise payable by the state to the county, including but not limited to advances for welfare related programs, to a specific account established by Citicorp to receive such funds. The intent of these procedures is to maintain program integrity in the event that a local district experiences an unexpected short-term problem in funding its program obligations. In this situation the Emergency Reimbursement Plan will provide a fail safe to debit monies owed to the EBT contractor.

Under the EBT contract between the State and Citicorp, the State warrants that adequate funds will be available for daily settlement. The State's contractual obligations to CSI under the Emergency Reimbursement Plan arise immediately and directly as a result of a local district's failure to fund its program obligations adequately and, therefore, represents a county debt to the State.

CSI will notify OTDA that it is unable to obtain reimbursement from a local district. OTDA will notify the local district of any shortfall and the local district will be expected to fund the shortfall either that day or the next day. In the event that the local district does not fund the shortfall, OTDA will notify OSC and request that OSC take immediate steps to intercept state aid payments due to that local district in the amount of the draw down and remit the same to CSI. OTDA sent letters to the local districts advising them of the EBT Emergency Reimbursement Plan and requested that an authorized county fiscal officer indicate their understanding of and agreement to such procedures by signing and returning the letter agreement to OTDA. All local districts returned the signed letter and are subject to the emergency reimbursement procedure. In the event that funds are not made available through the Emergency Reimbursement Plan, CSI may suspend benefit authorization until such time as the State transfers funds to CSI to cover such unfunded settlements. In the unlikely event that adequate funds are not available for settlement, any interest charges incurred by the State from Citicorp for insufficient funds will be passed on to the local districts.

#### TIMING OF FUNDS TRANSFER

At the end of each calendar day (by 6 p.m. Eastern Time) the settlement day

ends. The settlement amount is available in each respective local district via the CSI Administrative System. This is the amount that will be debited through the fedwire process from each individual local district's designated account.

Settlement Day 1

Citicorp Services, Inc. (CSI) Process and Control initiates settlement entries to each local district for cash benefit transactions processed. The settlement entry represents the net of all EBT cash activity for the local district for that day. If the debit is then processed successfully, no further action is necessary. Each local district must pre-fund settlement draw downs according to the following schedule:

Settlement Dates Effective October 11, 2000 to April 20, 2001

Weekday	Settlement for Activity of:
Monday	Friday
Tuesday	Saturday, Sunday and Monday
Wednesday	Tuesday
Thursday	Wednesday
Friday	Thursday

Updated Settlement Dates Effective April 21, 2001

Citicorp Services, Inc. will be changing the settlement schedule effective April 21, 2001, transactions that take place on Friday, Saturday and Sunday will be settled on Monday. This change will accelerate the settlement of weekend transactions to Monday of each week. This change applies to both Food Stamp benefit purchases and cash-based purchases and disbursements. The change will have no impact on the EBT cardholder population.

Weekday	Settlement for Activity of:
Monday	Friday, Saturday and Sunday
Tuesday	Monday
Wednesday	Tuesday
Thursday	Wednesday
Friday	Thursday

Settlement Day 2

In the event that a debit fails to process against the local DSS county account (overdraft, shortage, closed account, rejected fedwire), the Emergency Reimbursement Plan will be activated.

The Emergency Reimbursement Plan process begins when a debit is attempted and rejected on settlement day #2. CSI will receive the rejection showing the problem debit and notify by 9 a.m. via phone and fax, the NYS OTDA EBT Project Office and the NYS OTDA Bureau of Financial Services (BFS). This notification will initiate various activities concurrently.

1. CSI will automatically re-submit the debit for a second presentation in that day's files submission.
2. BFS will contact the County Department of Social Services by phone and fax.

3. County Department of Social Services Finance Office will notify the County Comptroller (Fiscal Officer) who should immediately make arrangements to cover the shortfall and verify that sufficient money is in place to cover the current day's activity.
4. Should the resubmission fail to reimburse Citicorp, the NYS OTDA Bureau of Financial Services (BFS) will initiate the emergency voucher process that will allow a payment, normally sent to the County, to be wired by OSC to a CSI designated account. CSI will provide OTDA/BFS with the following data:
  - a. Dollar Amount
  - b. Date of Redemption
  - c. Date of Presentation
  - d. Name of District (and code)
  - e. Reason for the return
5. In the event that OTDA does not have a local district reimbursement claim or payment voucher pending, then OSC/BSE will be notified of the local district's deficiency that will be "offset" against any other state aid payment to the local district.

#### County Procedure for Returned Fedwires

If there are insufficient funds in the EBT account, the county fiscal officer must take immediate action to ensure adequate funding for subsequent fedwire withdrawals. Any fedwire debit that can not be processed due to insufficient funds will be resubmitted to the local district bank within 48 hours of the initial debit. Appropriate action must be taken to ensure that adequate funds are available for the second debit attempt. If funds are not available the second time, the debit will not be resubmitted and the Emergency Reimbursement Plan will be followed.

Local districts should make arrangements with their bank to notify the appropriate county officials if a fedwire debit is ever returned for insufficient funds. The notification should occur the day the debit is returned to ensure that the account is properly funded for all subsequent debits.

#### Settlement Day 3

On settlement day #3 the debit advance for day 1 is again made available to the County's bank. If the transaction is successfully processed, CSI will notify OTDA by 9 a.m. via phone and fax of the successful transaction. OSC/BSE will be notified by OTDA by 10 a.m. that the emergency reimbursement plan is canceled. If CSI receives a second rejection, CSI will notify OTDA/BFS by 9 a.m. via phone and fax.

OTDA/BFS will notify OSC/BSE that CSI has confirmed a second rejection and that the emergency transaction must be fedwired to the CSI designated account.

Date April 17, 2001

Trans. No. 01 LCM-05

Page No. 7

For OSC/BSE to complete the process, OTDA/BFS must advise OSC/BSE by 10 a.m. on the day that the wire transfer is to be processed. Any notification after this time may result in the wire transfer being completed on the next banking day.

The original fedwire amount is wired to the CSI designated account.

Any cost incurred by the State as a result of a county's failure to fund its program obligations, including the late payment interest, is a county charge, which could be recovered by offset.

#### FEDWIRE PROCESSING FEE REIMBURSEMENT

CSI will reimburse local districts the fedwire fee processing charges. To receive reimbursement, the local district must send a letter, on county letterhead, to CSI EBT Services at:

Citicorp Services, Inc.  
Attention: Susan Ridler  
3 Marcus Boulevard, Suite 201  
Albany, NY 12205

Each request must include the following:

1. Itemized listing with settlement entry date and associated fee for each day within the month.
2. Total amount of reimbursement requested.
3. Name of local district contact and address where to send the payment.
4. Copies of the bank's fedwire processing charges should be retained locally for 6 months for audit purposes.
5. CSI will pay local districts via check monthly.

This information should be shared with LDSS Finance Officers, Accounting Supervisors and County Comptrollers (Fiscal Officers).

If you have any questions of a fiscal nature, please contact Roland Levie (Regions I through IV) at 1-800-343-8859, extension 4-7549 or directly at 518-474-7549 (user ID# fms001), or Marvin Gold (Region V) at 212-383-1733 (user ID# OFM270).

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Philip Maher  
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Office of Finance