error transaction. The State agency has 10 business days from the date the household notifies it of the error to investigate and reach a decision on an adjustment and move funds into the client account. This timeframe also applies if the State agency or entity other than the household discovers a system error that requires a credit adjustment to the household. Business days are defined as calendar days other than Saturdays, Sundays, and Federal holidays.

(ii) Retailer-initiated adjustments. The State agency must act upon all adjustments to debit a household’s account no later than 10 business days from the date the error occurred, by placing a hold on the adjustment balance in the household’s account. If there are insufficient benefits to cover the entire adjustment, a hold shall be placed on any remaining balance that exists, with the difference being subject to availability only in the next future month. The household shall be given, at a minimum, adequate notice in accordance with §273.13 of this chapter. The notice must be sent at the time the initial hold is attempted on the household’s current month’s remaining balance, clearly state the full adjustment amount, and advise the household that any amount still owed is subject to collection from the household’s next future month’s benefits.

(A) The household shall have 90 days from the date of the notice to request a fair hearing.

(B) Should the household dispute the adjustment and request a hearing within 10 days of the notice, a provisional credit must be made to the household’s account by releasing the hold on the adjustment balance within 48 hours of the request by the household, pending resolution of the fair hearing. If no request for a hearing is made within 10 days of the notice, the hold is released on the adjustment balance, and this amount is credited to the retailer’s account.

(i) Retailers who do not have immediate access to telephones at the time of authorization shall be accommodated by an alternative system (e.g., manual vouchers with preliminary or

§ 274.3 Retailer management.

(a) Retailer participation. (1) All authorized retailers must be afforded the opportunity to participate in the EBT system. An authorized food retailer shall not be required to participate in an EBT system.

(i) Retailers who do not have immediate access to telephones at the time of authorization shall be accommodated by an alternative system (e.g., manual vouchers with preliminary or
delayed telephone verification) for re-
deeming Program benefits from eligi-
ble SNAP customers. These retailers
include stationary food stores which
opt to make home deliveries to SNAP
households, house-to-house trade
routes which operate on standing or-
ders from customers, e.g. milk and
bread delivery routes, food buying co-
operatives authorized to participate as
well as other food retailers authorized
under §278.1 of this chapter. Prior to
delivery or upon returning to the store,
the retailer shall telephone the EBT
central computer or hotline number to
log the transaction and obtain an au-
thorization number. If authorization
cannot be obtained before or at the
time of purchase, the retailer assumes
the risk for sufficient benefits being
available in the household’s account.
Any alternate method cannot be bur-
densome on either the household or the
retailer, and it must include acceptable
privacy and security features. Such
systems shall only be available to re-
tailers that cannot be equipped with a
POS terminal at the time of authoriza-
tion.

(ii) Newly authorized retailers shall
have access to the EBT system within
2 weeks after the receipt of the FNS
authorization notice. However, when-
ever a retailer chooses to employ a
third party processor to drive its ter-
minals or elects to drive its own termi-

(i) Cost for the replacement of lost,
stolen or damaged equipment;
(ii) The cost of materials and supplies
for POS terminals not provided by the
State agency;
(iii) Telecommunication costs for all
non-EBT use by retailers when lines
are provided by the State agency. In
addition, State agencies may remove
phone lines from retailers in instances
where there is significant misuse of the
lines.

(3) The State agency shall ensure
that the EBT system provides credits
to the financial institution holding the
accounts for retailers or third party
processors within two business days of
the daily cut-over period for retailer
settlement. The cut-over period is the
time of day established by the system
to define the end of a transaction day
for settlement and reconciliation.

(b) POS deployment. POS terminals
shall be deployed as follows:
(1) For an FNS authorized retailer
with Program benefit redemption
amounting to 15 percent or more of
total food sales, all checkout lanes
shall be equipped;

(2) For an FNS authorized retailer
with Program benefit redemptions rep-
resenting less than 15 percent of total
food sales, superstores and super-
markets shall, at a minimum, receive
one terminal for every $11,000 in
monthly redemption activity up to the
number of lanes per store. All other
food retailers shall receive one ter-
minal for every $8,000 in monthly re-
demption activity up to the number of
lanes per store. However, a State agen-
cy may utilize an alternative deploy-
ment formula that permits equipment
deployment at higher levels than re-
quired by this paragraph up to the
number of lanes in each store. The
State agency shall review terminal de-
ployment on a yearly basis and shall be
authorized to remove excess terminals
if actual redemption activity warrants
a reduction.

(3) For newly authorized retailers,
the State agency and retailer shall ne-
gotiate a mutually agreed level of ter-
minal deployment up to the number of
lanes per store. The State agency may
consult with the appropriate FNS field
office in order to determine the pre-
vious SNAP redemption activity that
could be utilized in determining the initial number of terminals to deploy in newly authorized retailer firms. State agencies will also need to make accommodations for border stores that are deemed necessary for client access. To do so, State agencies must ensure that procedures are in place to process manual vouchers in instances when the system is down or for those retailers that do not have POS equipment. Redemption information shall remain confidential. Unauthorized release of redemption information is subject to penalties defined in Section 15 of the Food and Nutrition Act of 2008 (7 U.S.C. 2024).

(4) Any FNS authorized retailer shall be able to submit further evidence that it warrants additional terminals after the initial POS terminals are deployed. SNAP households may also submit evidence to the State agency that additional POS terminals are needed. State agencies may provide retailers with additional terminals above the minimum number required by this paragraph at customer service booths or other locations if appropriate.

(c) **Retailer agreements.** The State agency shall enter into an agreement with each authorized retailer. The retailer agreement shall describe the terms and conditions of participation in the SNAP EBT system. At a minimum, the agreement shall:

1. Describe all terms and conditions with respect to equipment ownership, lease arrangements, handling and maintenance for which the State agency and merchant are liable;
2. Describe the agreed upon procedures and policies for participation and withdrawal from the EBT system;
3. Comply with all Program regulations with respect to retailer participation in the Program and treatment of SNAP households. This shall include specific requirements with respect to the deployment of terminals and the identification of checkout lanes for SNAP customers;
4. Delineate the liabilities during system downtime and the associated responsibilities of each party with respect to the use of off-line and/or manually entered data, paper vouchers, and re-presented vouchers.

(d) Third party processors are financial institutions, cardholder authorization processors other than the party with which the State agency has contracted for EBT services, and food retailers driving their own terminals that are capable of relaying electronic transactions to a central database computer for authorization. The State agency shall afford retailers the opportunity to use third party processors and shall provide interface specifications and certification standards in order for the third party processor to participate in the EBT system.

1. In order to participate in a SNAP EBT system, a third party processor must be able to meet all third party interface specifications and certification standards associated with §274.8. The State agency shall make available to third party processors the third party interface specifications prior to implementation of the EBT system to enable third party processors to access the database. Third party processors shall undergo functional and acceptance tests as specified by the State agency;
2. Third party processors shall be liable for transactions until the transaction has been electronically accepted by the contracted vendor or an intermediate processing facility;
3. The State agency shall ensure that third party processors and food retailers driving their own terminals comply with this section and all applicable Program regulations.

(e) **Managing retailer participation.** The State agency shall:

1. Convey retailer authorization information provided by FNS to the system operator using the Retailer EBT Data Exchange (REDE) system. The State agency must access the REDE files to ensure that the FNS retailer files used to authorize valid EBT SNAP transactions are updated on a daily basis.
2. Follow-up on actions taken regarding any disqualification or withdrawal of an authorized retailer from the Program must occur within two business days after receipt;
3. Add newly authorized retailers or third party processors to the EBT system as prescribed under paragraph (a)(1)(ii) of this section.
(4) Ensure that only currently authorized retailers can access the system;
(5) Monitor retailers to ensure that equipment deployment complies with paragraph (b) of this section;
(6) Ensure that equipment and supplies are maintained in working order for retail stores equipped by the State agency or its contractor. Equipment shall be replaced or repaired within 48 hours;
(7) Ensure that retail store employees are trained in system operation prior to redeeming benefits. Retailer training shall be offered by the State agency and include the provision of appropriate written and program specific materials. Retailers have the option to waive instruction by the State agency if they desire. State agencies shall direct retailers to confirm in writing that they are waiving their option to training;
(8) Conduct adjustments as prescribed under §274.2(g) of this chapter;

§ 274.4 Reconciliation and reporting.
(a) Reconciliation. State agencies shall account for all issuance through a reconciliation process. The EBT system shall provide reports and documentation pertaining to the following:
(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 SNAP 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 automated clearinghouse (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 POS transactions at retailers through settlement of retailer credits.
(b) Management reports. The State agency shall require the EBT system to provide reports that enable the State agency to manage the system. The reports shall be available to the State agency or FNS as requested on a timely basis and consist of:
(1) Information on how the system operates relative to its performance standards, the incidence, type and cause of system problems, and utilization patterns.
(2) Retailer transaction data submitted to FNS on a monthly basis. This data must be submitted in the specified format in accordance with the required schedule.
(3) Data detailing by specified category the amount of Program benefits issued or returned through the EBT system shall be provided in a format and mechanism specified by FNS to the FNS Account Management Agent as the benefits become available to recipients. This data will be used to increase or decrease the SNAP EBT benefit funding authorization for the State’s Automated Standard Application for Payment (ASAP) account.
(c) Required reports. The State agency shall review and submit the following reports to FNS on a monthly basis:
(1) Form FNS–46, Issuance Reconciliation Report, shall be submitted by each State agency operating an issuance system. The report shall be prepared at the level of the State agency where the actual reconciliation of posted benefits and the master issuance file occurs.
(i) The State agency shall identify and report the number and value of all issuances which do not reconcile with the master issuance file. All unreconciled issuances shall be identified as specified on this reporting document.
(ii) The report shall be received by FNS no later than 90 days following the end of the report month.
(2) Form FNS–388, State Issuance and Participation Estimates. (i) State agencies shall telephone or transmit by computer the Form FNS–388 data and mail the reports to the FNS regional office no later than the 19th day of each month. When the 19th falls on a