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that if the household experiences a decrease in income or an increase in expenses or household size prior to that deadline, the household should apply for recertification.

§ 273.30 Transitional benefit alternative change reporting requirements.

If the household does report changes in its circumstances during the transitional period, the State agency may make the change effective the month following the last month of the transitional period or invite the household to reapply and be certified to receive benefits. However, in order to prevent duplicate participation, the State agency must act to change the household's transitional benefit when a household member moves out of the household and either reapplies as a new household or is reported as a new member of another household. Moreover, the State agency must remove any income, resources and deductible expenses clearly attributable to the departing member.

§ 273.31 Closing the transitional period.

In the final month of the transitional benefit period, the State agency must do one of the following:

(a) Issue the RFC specified in § 273.12(c)(3) and act on any information it has about the household's new circumstances in accordance with § 273.12(c)(3). The State agency may extend the household's certification period in accordance with § 273.10(f)(5) unless the household's certification period has already been extended past the maximum period specified in § 273.10(f) in accordance with § 273.27(a); or

(b) Recertify the household in accordance with § 273.14. If the household has not reached the maximum number of months in its certification period during the transitional period, the State agency may shorten the household's prior certification period in order to recertify the household. When shortening the household's certification period pursuant to this section, the State agency must send the household a notice of expiration in accordance with § 273.14(b).

§ 273.32 Households who return to TANF during the transitional period.

If a household receiving transitional benefits returns to TANF during the transitional period, the State agency shall end the household's transitional benefits and follow the procedures in § 273.31 to determine the household's continued eligibility and benefits for the Food Stamp Program. This includes processing the application within 30 days. However, for a household assigned a new certification period in accordance with § 273.27(c), the household must be recertified if it returns to TANF during its transitional period.

PART 274—ISSUANCE AND USE OF PROGRAM BENEFITS

Sec.

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AUTHORITY: 7 U.S.C. 2011–2036.

EDITORIAL NOTE: OMB control numbers relating to this part 274 are contained in § 271.8.

SOURCE: 75 FR 18381, Apr. 12, 2010, unless otherwise noted.

§ 274.1 Issuance system approval standards.

(a) *Basic issuance requirements*. State agencies shall establish issuance and accountability systems which ensure that only certified eligible households receive benefits; that Program benefits are timely distributed in the correct amounts; and that benefit issuance and reconciliation activities are properly conducted and accurately reported to FNS.

(b) *System classification*. State agencies may issue benefits to households through any of the following systems:

(1) An on-line Electronic Benefit Transfer (EBT) system in which Program benefits are stored in a central computer database and electronically accessed by households at the point of sale via reusable plastic cards.

(2) An off-line EBT system in which benefit allotments can be stored on a card or in a card access device and used to purchase authorized items at a point-of-sale (POS) terminal without real-time authorization from a central processor.

(c) *Alternative benefit issuance system.* (1) If the Secretary, in consultation with the Office of the Inspector General, determines that Program integrity would be improved by changing the issuance system of a State, the Secretary shall require the State agency to issue or deliver benefits using another method. The alternative method may be one of the methods described in paragraph (b) of this section. The determination of which alternative to use will be made by FNS after consultation with the State agency. The cost of conversion will be shared by the Department and the State agency in accordance with the cost accounting provision of part 277 of this chapter.

(2) The cost of documents or systems which may be required as a result of a permanent alternative issuance system pursuant to this section shall not be imposed upon retail food firms participating in the Program.

(d) *Contracting or delegating issuance responsibilities.* State agencies may assign to others such as banks, savings and loan associations, and other commercial businesses, the responsibility for the issuance of benefits. State agencies may permit contractors to subcontract assigned issuance responsibilities.

(1) Any assignment of issuance functions shall clearly delineate the responsibilities of both parties. The State agency remains responsible, regardless of any agreements to the contrary, for ensuring that assigned duties are carried out in accordance with these regulations. In addition, the State agency is strictly liable to FNS for all losses of benefits, even if those losses are the result of the performance of issuance, security, or accountability duties by another party.

(2) All issuance contracts shall follow procurement standards set forth in part 277 of this chapter.

(3) The State agency shall not assign the issuance of benefits to any retail food firm.

(e) *Ownership rights and procurement requirements.* (1) The State agency shall comply with the software and automated data processing equipment ownership rights prescribed under §§ 277.13 and 277.18(1) of this chapter.

(2) The State agency shall comply with the procurement standards prescribed under § 277.18(c)(2)(iii) of this chapter. Under service agreements, the procurement of equipment and services which will be utilized in the SNAP EBT system shall be conducted in accordance with the provisions set forth under § 277.18(e) of this chapter.

(f) *Advance planning documentation.* State agencies must comply with the procurement requirements of part 277 of this chapter for the acquisition, design, development, or implementation of initial and subsequent EBT systems. With certain exceptions detailed in part 277, State agencies must receive prior approval for the design and acquisition of EBT systems through submission of advance planning documents (APDs).

(1) *Pilot project approval requirements.* To the extent the State is moving EBT to new technology or incorporating enhancements or upgrades that significantly change the architecture and interface requirements or functionality of issuing benefits electronically:

(i) The State agency shall comply with the two stage approval process for submitting an EBT system proposal to FNS for approval. The Planning APD shall contain the requirements specified under § 277.18(d)(1) of this chapter, including a brief letter of intent, planning budget, cost allocation plan, and schedule of activities and deliverables.

(ii) The State agency shall implement EBT systems in a pilot area prior to expansion statewide or to other project areas. The areas of pilot operation and full scale operation shall be identified in the planning APD when submitted to FNS for approval.

(A) *Pilot project site and expanded site descriptions.* At a minimum, the proposed pilot project site and expanded site descriptions shall include the geographical boundaries, average number and characteristics of Program participants and households, the number and type of authorized food retailers and authorized retailers bordering the pilot

and expanded areas, the SNAP redemption patterns of food retailers, the status of commercial POS deployment and the estimated number of checkout lanes that will require POS equipment; and

(B) *A description of major contacts*. A description of initial contacts the State agency has made in the proposed pilot area among food retailers, financial institutions and households or their representatives that may be affected by implementation of the EBT system. Written commitments from the retail grocer community (including supermarket chains, independent retailers, and convenience stores) and participating financial institutions in the pilot area shall be provided along with other documentation that demonstrates the willingness to support the proposed EBT system within the pilot area and expanded system area. The State agency shall submit evidence of contacts with recipient organizations and others.

(iii) *Pilot project reporting*. The State agency is required to report to FNS all issues that arise during the pilot period. Reports to FNS shall be provided as problems occur. In instances where the State agency must investigate the issue, FNS must receive the information no later than 1 month after completion of the pilot operations.

(iv) *Expansion requirements*. The pilot and expansion schedule must be delineated in the State agency's approved implementation plan. As part of the plan, the State agency must indicate a suitable pilot area to serve as the basis of the 3-month analysis and reporting, however, expansion can occur simultaneously with pilot operations. Submission of an Advanced Planning Document Update to request FNS approval to implement and operate the EBT system in areas beyond the pilot area is only required in instances where there are substantial changes to the implementation plan. However, if significant problems arise during the pilot period or expansion, the Department can require the roll-out be suspended until such problems are resolved.

(2) *EBT Implementation APD*. The EBT Implementation APD shall include the completed documents required under §277.18 of this chapter for implementation APDs, where appropriate. Also, the State agency shall commit to completing and submitting the following documents for FNS approval and obtaining such approval prior to issuance of benefits to eligible households in the project area:

(i) *Functional demonstration*. A functional demonstration of the functional requirements prescribed in §274.8 in combination with the system components described by the approved system design is recommended in order to identify and resolve any problems prior to acceptance testing. The Department reserves the right to participate in the functional demonstration if one is conducted. FNS may require that any or all of these tests be repeated in instances where significant modifications are made to the system after these tests are initially completed or if problems that surfaced during initial testing warrant a retest;

(ii) *An acceptance test plan*. The Acceptance Test Plan for the project shall describe the methodology to be utilized to verify that the EBT system complies with Program requirements and System Design specifications. At a minimum, the Acceptance Test Plan shall address:

(A) The types of testing to be performed;

(B) The organization of the test team and associated responsibilities, test database generation, test case development, test schedule, and the documentation of test results. Acceptance testing shall include functional requirements testing, error condition handling and destructive testing, security testing, recovery testing, controls testing, stress and throughput performance testing, and regression testing;

(C) A ''what-if'' component shall also be included to permit the opportunity for observers and participants to test possible scenarios in a free-form manner.

(D) The Department reserves the right to participate and conduct independent testing as necessary during the acceptance testing and appropriate events during system design, development, implementation and operation.

(iii) *An acceptance test report*. The State agency shall provide a separate

report after the completion of the acceptance test only in instances where FNS is not present at the testing or when serious problems are uncovered during the testing that remain unresolved by the end of the test session. The report shall summarize the activities, describe any discrepancies, describe the proposed solutions to discrepancies, and the timetable for their retesting and completion. In addition, the report shall contain the State agency's recommendations regarding implementation of the EBT system.

(iv) *A prototype food retailer agreement.* The State agency shall enter an agreement with each FNS authorized retailer that complies with the requirements under § 274.3.

(v) *An implementation plan.* The implementation plan shall include the following:

(A) A description of the tools, procedures, detailed schedules, and resources needed to implement the project;

(B) The equipment acquisition and installation requirements, ordering schedules, and system and component testing;

(C) A phase-in-strategy which permits a measured and orderly transition from one EBT system to another. In describing this strategy, the plan shall address schedules that avoid disruption of normal shopping patterns and operations of participating households and food retailers. Training of SNAP households, State agency personnel and retailers and/or their trainers shall be coordinated with the installation of equipment in retail stores;

(D) A description of on-going tasks associated with fine-tuning the system and making any corrective actions necessary to meet contractual requirements. The description shall also address those tasks associated with ongoing training, document updates, equipment maintenance, on-site support and system adjustments, as needed to meet Program requirements; and,

(E) A plan for orderly phase-out of the project and/or for continuing benefit issuance operations if it is demonstrated during the pilot project or conversion operations that the new system is not acceptable.

(vi) *A contingency plan.* The State agency shall submit a written contingency plan for FNS approval. The contingency plan shall contain information regarding the back-up issuance system that will be activated in the event of an emergency shut-down which results in short-term or extended system inaccessibility, or total discontinuation of EBT system operations. The contingency plan shall be incorporated into the State system security plan after FNS approval as prescribed at § 277.18(m) of this chapter.

(3) *EBT Implementation APD budget.* The Implementation APD budget shall be prepared and submitted for FNS approval in accordance with the requirements of paragraph (k) of this section and § 277.18(d)(2) of this chapter.

(g) *EBT system administration.* (1) The State agency shall be responsible for the coordination and management of the EBT system. The Secretary may suspend or terminate some or all EBT system funding or withdraw approval of the EBT system from the State agency upon a finding that the State agency or its contracted representative has failed to comply with the requirements of this section and/or § 277.18 of this chapter.

(2) All EBT systems within a State must follow a single EBT APD and system architecture submitted by the State agency. Multiple EBT designs will be acceptable only if such designs can be fully justified by the State agency; the system differences are transparent to participating households that move within the State; operating costs are the same or lower; and the different systems have the ability to readily communicate (transaction interchange) with one another.

(3) The State agency shall indicate how it plans to incorporate additional programs into the EBT system if it anticipates the addition of other public assistance programs concurrent with or after implementation of the SNAP EBT system. The State agency shall also consult with the State agency officials responsible for administering the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) prior to submitting the Planning APD for FNS approval.

(4) The State agency shall ensure that a sufficient number of authorized

food retailers have agreed to participate throughout the area in which the EBT system will operate to ensure that eligible SNAP households will not suffer a significant reduction in their choice of retail food stores and that a sufficient number of retail food stores serving minority language populations are participating.

(h) *Master issuance file.* (1) The State agency shall establish a master issuance file which is a composite of the issuance records of all certified SNAP households. The State agency shall establish the master issuance file in a manner compatible with its system used for maintaining case record information and shall separate the information on the master issuance file into active and inactive case file categories. The master issuance file shall contain all the information needed to identify certified households, issue household benefits, record the participation activity for each household and supply all information necessary to fulfill the reporting requirements prescribed in § 274.4.

(i) The master issuance file shall be kept current and accurate. It shall be updated and maintained through the use of documents such as notices of change and controls for expired certification periods.

(ii) Before entering a household's data on the master issuance file, the State agency shall review the master issuance file to ensure that the household is not currently participating in, or disqualified from, the Program. If benefits are issued under the expedited service requirements of §§ 273.2(i) of this chapter and 274.2(b), the State agency shall complete as much of the master issuance file review as possible prior to issuing the benefits. Any uncompleted reviews shall be completed after issuance and appropriate corrective action shall be taken to recover overissuance.

(2) State agencies should divide issuance responsibilities between at least two persons to prevent any single individual from having complete control over the authorization of issuances and the issuances themselves. Responsibilities to be divided include maintenance of inventory records, the posting of benefits to an EBT account and preparation of EBT cards and PINs for mailing. If issuance functions in an office are handled by one person, a second-party review shall be made to verify card inventory, the reconciliation of the mail log, and the number of mailings prepared.

(3) State agencies shall establish controls to prevent a household from concurrently receiving benefits through expedited and normal issuance services.

(4) State agencies shall clearly identify issuances in their accountability systems as initial, supplemental, replacement, or restored benefits.

(i) *State monitoring, examinations, and audits.* (1) The State agency's accountability system shall include procedures for monitoring benefit issuers to assure that the day-to-day operations of all benefit issuers comply with these regulations, to identify and correct deficiencies, and to report violations of the Act or regulations to FNS.

(2) The State agency must obtain an examination by an independent auditor of the transaction processing of the State EBT service provider regarding the issuance, redemption, and settlement of Program benefits. The examination must be done at least annually and the report must be completed ninety days after the examination period ends. Subsequent examinations must cover the entire period since the previous examination. Examinations must follow the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 70, Service Organizations (SAS No. 70), requirements for reports on controls placed in operation and tests of the operating effectiveness of the controls.

(i) The examination report must include a list of all States whose systems operate under the same control environment. Auditors conducting the examination must follow EBT guidance contained in the Office of Management and Budget (OMB) Circular A–133 Compliance Supplement to the extent the guidelines refer to SNAP benefits. (For availability of OMB Circulars referenced in this section, *see* 5 CFR 1310.3.)

(ii) The State agency must retain a copy of the SAS No. 70 examination report.

(iii) The State agency shall respond to written requests from the Food and Nutrition Service (FNS), USDA Office of the Inspector General (OIG), or the General Accountability Office (GAO) for completed SAS No. 70 examination reports by providing the report within thirty days of receipt of the written request.

(iv) The State agency shall respond to written requests from FNS, OIG, or GAO to view auditor's workpapers from SAS No. 70 reports by arranging to have workpapers made available within thirty days of receipt of the written request.

(v) FNS and the USDA OIG shall rely on SAS No. 70 reports on EBT transaction processing services provided by contractors to the State. FNS and USDA OIG reserve the right to conduct other reviews or audits if necessary.

(vi) EBT services provided directly by the State are not subject to SAS No. 70 examination requirements of this section but remain subject to the single audit requirements at 7 CFR 277.7 and OMB Circular A–133.

(j) *Compliance Investigations.* State agencies shall provide on-line read-only access to State EBT systems for compliance investigations.

(1) The State agency is required to provide software and telecommunications capability as necessary to FNS Retailer Investigation Branch Area offices, Regional offices and Field offices so that FNS compliance investigators, other appropriate FNS personnel and USDA OIG investigators have access to the system in order to conduct investigations of program abuse and alleged violations;

(2) The State agency must ensure that FNS compliance investigators and USDA OIG investigators have access to EBT cards and accounts that are updated as necessary to conduct SNAP investigations.

(k) *Federal financial participation.* (1) The cost of administering statewide benefit issuance after implementation of the EBT system shall be funded at the regular Federal financial participation rate.

(2) The State agency shall comply with the provisions set forth under § 277.18 of this chapter and OMB Circular A–87 (available on OMB's Web site at *http://www.whitehouse.gov/omb/circulars_default/*) in determining and claiming allowable costs for the EBT system.

(3) Access to system documentation, including cost records of contractors or subcontractors shall be made available and incorporated into contractual agreements in accordance with § 277.18(k) of this chapter.

(4) State agencies may receive one hundred percent Federal funding for the costs they incur for switching and settling all SNAP interstate transactions. For purposes of this section, the term ''switching'' means the routing of an interstate transaction that consists of transmitting the details of a transaction electronically recorded through the use of an EBT card in one State to the issuer of the card that is in another State; and the term ''settling'' means movement, and reporting such movement, of funds from an EBT card issuer located in one State to a retail food store, or wholesale food concern, that is located in another State, to accomplish an interstate transaction. The total amount of one hundred percent funding available annually is limited to $500,000 nationwide. Once the $500,000 limitation is exceeded, Federal financial participation reverts to the standard fifty percent program reimbursement rate and procedure. To qualify for this funding, the State agency must:

(i) Meet standards of interoperability and portability under § 274.8;

(ii) Sign and submit, in each fiscal year for which the State agency requests enhanced funding, an Interoperability Funding Agreement to comply with the administrative procedures established by the Department. The State agency must submit the signed agreement to the Department before the end of the fiscal year in which costs are incurred in order to qualify for payment for that fiscal year, and

(iii) Submit requests for payment on a quarterly basis after the end of the quarter in which interoperability costs are incurred, in accordance with the Department's administrative procedures. Requests for payments shall be due February 15 (for the period October through December), May 15 (January through March), August 15 (April

through June), and November 15 (July through September). Requests for payment submitted after the required date for a quarter shall not be considered until the following quarter, when such requests for payments are scheduled to be processed.

[75 FR 18381, Apr. 12, 2010, as amended at 79 FR 10, Jan. 2, 2014]

§ 274.2 Providing benefits to participants.

(a) *General.* Each State agency is responsible for the timely and accurate issuance of benefits to certified eligible households, including EBT system compliance with the expedited service benefit delivery standard and the normal application processing standards, as prescribed by these regulations. Those households located in rural areas or comprised of elderly or disabled members who have difficulty reaching issuance offices, and households which do not reside in a permanent dwelling or of a fixed mailing address shall be given assistance in obtaining an EBT card. State agencies shall assist these households by arranging for the mailing of EBT cards to them, by assisting them in finding authorized representatives who can act on their behalf, or by using other appropriate means.

(b) *Availability of benefits.* All newly certified households, except those that are given expedited service, shall be given an opportunity to participate no later than 30 calendar days following the date the application was filed. An opportunity to participate consists of providing households with an active EBT card and PIN, and benefits that have been posted to the household's EBT account and are available for spending. State agencies, utilizing a centralized mailing system, must mail EBT cards and PINs, if applicable, in time to assure that the benefits can be spent after they are received but before the 30-day standard expires. A household has not been provided an opportunity to participate within the 30-day standard if the EBT card or PIN is mailed on the 29th or 30th day. For households entitled to expedited service, the State agency shall make benefits available to the household not later than the seventh calendar day following the date of application.

(c) *Combined allotments.* For those households which are to receive a combined allotment, the State agency shall provide the benefits for both months as an aggregate (combined) allotment, or as two separate allotments, made available at the same time, in accordance with the timeframes specified in § 273.2 of this chapter.

(d) *Ongoing households.* State agencies shall establish an availability date for household access to their benefits and inform households of this date. All households shall be placed on an issuance schedule so that they receive their benefits on or about the same date each month. The date upon which a household receives its initial allotment after certification need not be the date that the household must receive its subsequent allotments.

(1) State agencies may stagger issuance throughout the month, or for a shorter period. When staggering benefit delivery, however, State agencies shall not allow more than 40 days to elapse between the issuance of any two allotments provided to a household participating longer than two consecutive, complete months. Regardless of the issuance schedule used, the State agency shall adhere to the reporting requirements specified in § 274.4.

(2) Upon the request of the Tribal organization that exercises governmental jurisdiction over a reservation, the State agency shall stagger the issuance of benefits for eligible households located on reservations for at least 15 days each month.

(3) When a participating household is transferred from one issuance system or procedure to another issuance system or procedure, the State agency shall not permit more than 40 days to elapse between the last issuance under the previous system or procedure, and the first issuance under the new system or procedure. The 40-day requirement does not apply to instances in which actions by recipients, such as failure to submit a monthly report, disrupt benefits. Transfers include, but are not limited to, households being moved into or out of a staggered issuance procedure and households on a fluctuating schedule within a staggered system. If the State agency determines