



Ad Hoc Report on SNAP Skimming

Inspector General
Texas Health and Human Services



BACKGROUND

Purpose

The Supplemental Nutrition Assistance Program (SNAP), formerly known as food stamps, is a federal assistance program that provides nutrition benefits to supplement the food budget of families in need so they can purchase healthy food and move towards self-sufficiency.

History

The food stamp program originated in 1934 but was first codified by Congress with the passage of the Food Stamp Act of 1964. The program was revised by Congress numerous times in ensuing decades, including the name change to SNAP in 2008. Since its inception, the program has been overseen by the U.S. Department of Agriculture (USDA), with responsibilities split between the federal and state governments. Changes to the program have most frequently come in the Farm Bill, which is revisited every four years.

The Current SNAP Program

The current SNAP program was last reauthorized in the 2018 Farm Bill, which expires in 2023. The program still utilizes a federal-state partnership for funding and administration.

Congress grants statutory authority and appropriates SNAP funding. The program is administered by USDA-Food and Nutrition Services (FNS), which develops all program rules. Additionally, USDA-FNS is responsible for authorizing retailer participation.

USDA delegates funding to the states, which are then responsible for determining client eligibility and distributing funds to those participants. Texas Health and Human Services (HHS) Access and Eligibility Services Division (AES) is responsible for program administration in the State of Texas.

HHS provides the benefits through an Electronic Benefits Transfer (EBT) card, named the Lone Star Card. Benefits are loaded to the card each month, which can then be used at participating retailers like a debit card with a PIN.

Participating retailers are responsible for meeting all applicable USDA rules and maintaining the security of their point-of-sale devices, usually a credit card reader at the checkout aisle. SNAP participants are responsible for using the benefits correctly and in accordance with all state and federal laws and regulations. They are responsible for maintaining control of their EBT card.

SNAP in Texas

As of November 2022, there are more than 1.6 million SNAP households in Texas, which may comprise multiple individuals. The average household payment in November 2022 was \$388, which is shared between eligible individuals in the household. The dollar amount of benefits is determined by household income.

THE OIG

The Texas HHS Office of Inspector General (OIG) is responsible for maintaining the integrity of SNAP by identifying and preventing fraud, waste and abuse within the program. The OIG investigates alleged improprieties by both SNAP clients and SNAP retailers. Clients found to be in violation may be disqualified from the program, face criminal charges and be required to repay the amount misused or overpaid. Retailers found in violation are likely to face administrative civil monetary penalties, imposed by USDA-FNS.



SNAP BENEFIT SKIMMING

The Crime

Recently, criminals have started skimming data from the EBT cards used by SNAP clients. While credit card skimming, especially related to fuel purchases, has been around for some time, EBT card skimming is a relatively new phenomenon. The first incident of EBT card skimming in Texas was reported to the OIG in February 2022.

Perpetrators place skimming devices on the retailers’ credit card terminals. Individuals posing as legitimate patrons usually accomplish this during public store hours. The skimmed data is transmitted remotely and then placed on a cloned magnetic swipe card. The stolen information is used to purchase goods from other stores, often in another state. The purchased goods tend to be items that can be resold for cash.

The Impact

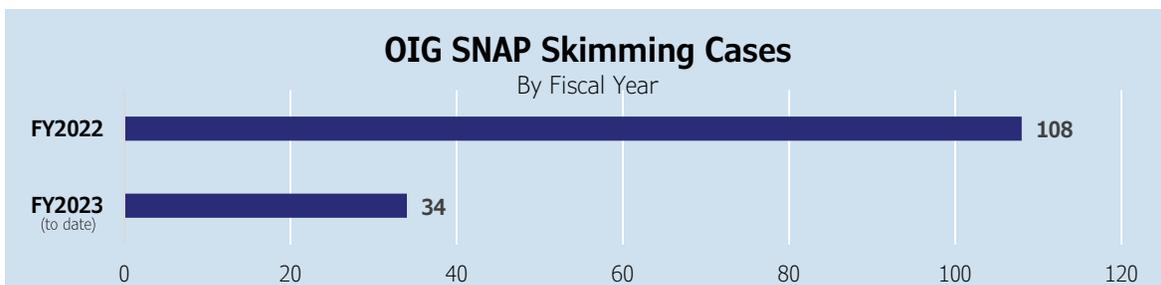
The amount skimmed usually represents most, if not all, of the victim’s monthly benefit amount. Though this amount is typically small the impact on the individual or household is tremendous. SNAP benefits often account for a large percentage of participants’ grocery budgets, leaving victims struggling to afford food for themselves and their families.

Victims must contact HHS Lone Star Card Help Desk to have their card canceled and replaced. Currently, there is no means to reimburse victims for the lost benefits, though such plans are in progress.

OIG Involvement

For the OIG to initiate an investigation, the victim must file a complaint via ReportTexasFraud.com or the OIG’s Fraud Hot Line.

In fiscal year 2022, the OIG initiated 108 EBT card skimming investigations. In fiscal year 2023, the OIG has initiated 34 card skimming investigations as of March 14, 2023.¹



In total, the SNAP skimming thefts reported to the OIG represent \$141,974 in benefits stolen from Texas taxpayers and hungry SNAP participants.

Many cases are found to involve an interstate element, where benefits stolen in Texas are redeemed in other states. These cases are reported to USDA-FNS and referred to the FBI for further investigation, as required by law.

¹ Reports made to other federal, state or local law enforcement agencies may not be reflected in this total.



SOLUTIONS

As the investigatory and oversight agency for Texas HHS programs, the OIG has a responsibility to report on observations from its investigations and potential solutions. Because SNAP is authorized by Congress and overseen by USDA, many courses of action require federal action, either through program approval or appropriation of funding. States are limited in the unilateral actions they can take.

In progress

Card Security

Currently, the Lone Star Cards used to distribute SNAP benefits to Texas participants utilize only a magnetic data strip and PIN. They lack the chip, near-field communication (NFC), and real-time user-directed web administration technology currently used on credit and debit cards to deter theft and fraud.

- **Chips:** While magnetic strips retain static information, chips store a digital code that changes with every purchase. This one-time digital signature is harder to copy and makes it much more difficult to steal data from a chip card. The expense of upgrading and deploying this technology is an impediment to adoption. For example, the magnetic swipe card costs approximately \$0.25, compared to an estimated \$2 for those with chip technology. This is in addition to other deployment costs, such as distribution.

The Consolidated Appropriations Act of 2023 was passed by Congress and signed into law in December. Div. HH, Title IV, Sec. 501 contains provisions for EBT Benefits Fraud Prevention. Pursuant to §501(a)(1)(B) of the Act, FNS has begun gathering input from stakeholders to guide EBT chip card implementation.

- **User-directed card administration:** Many credit and debit cards allow cardholders to monitor and administer their cards in real-time through a website or mobile application. Users can, for instance, freeze their card when not in use to prevent unauthorized transactions. While extremely beneficial, this technology is best unitized in tandem with others, because it relies on prompt user action and the availability of mobile internet service. Criminals often exploit the stolen data in only hours, if not minutes, of it being skimmed.

HHSC recently released an updated version of the *Your Texas Benefits* mobile app that helps clients manage their benefits. Card holders can monitor card purchases, freeze and unfreeze their card, and change their PIN, providing important tools that will help cardholders protect themselves from thieves.

Public Awareness

The OIG recommends continued efforts on behalf of USDA-FNS, HHS, the OIG, and retailers to make SNAP participants aware of the current theft trend and educate consumers on ways to avoid becoming victims. HHSC and the OIG recently published webpages with resources for clients, retailers and stakeholders. Visit <https://oig.hhs.texas.gov/snap-skimming> for more information.

Benefit Replacement

The Consolidated Appropriations Act of 2023 also directs USDA-FNS, before December 1, 2023, to promulgate regulations (including an interim final rule) to require State agencies to implement procedures for the replacement of benefits. Funding is to come from that appropriated in the Food and Nutrition Act of 2008 (7 U.S.C. 2027). AES is currently in the process of submitting a plan to FNS in this regard.



Observations for further consideration

Near Field Communication (NFC)

NFC equipped cards have RFID technology that allows customers to “tap to pay.” NFC credit cards do not need to be inserted into a credit card reader, thus limiting potential contact with a skimming device. Cost is the largest impediment to adoption of NFC technology. In addition, many card readers are not capable of reading NFC cards, so it is best used in conjunction with a chip.

Based on evidence from OIG investigations, widespread adoption and use of NFC technology would disrupt the current method of operation used by criminals, and may be worth FNS consideration along with their other EBT modernization efforts.

Point-of-Sale Security

Retailers are the responsible entity for securing their point-of-sale devices. The OIG recommends that all retailers continually monitor and regularly inspect their point-of-sale devices for tampering.

USDA-FNS — the entity responsible for authorizing retailer participation — should give further consideration to requiring regular point-of-sale device inspections by retailers, with failure to do so constituting a program violation.





RESOURCES

In addition to investigating SNAP benefit fraud, the OIG is committed to increasing public awareness to combat the emerging crime. The OIG released a fraud alert in response to the growing trend in September 2022, and is working to raise further awareness. Resources are available below for community leaders, stakeholders, program clients and program retailers.

SNAP Skimming Web Page

<https://oig.hhs.texas.gov/snap-skimming>

Skimming Alert Poster



Download our printable poster to display at your store or community center.



Social Post - Retailers

Do you accept SNAP benefits at your store? If so, thieves may be targeting your point-of-sale devices.



Social Post - Spotting Skimmers

If you use SNAP benefits, thieves are targeting you! Check the card reader for added pieces, soft or spongy number keys, or cameras facing the pin pad.



Social Post - Clients

Card skimmers are becoming more advanced. Beware of added pieces, soft or spongy number keys, or cameras facing the pin pad. Report suspicious devices immediately!

REPORTING INFORMATION

HHS Office of Inspector General

800-436-6184

ReportTexasFraud.com

Report SNAP benefit skimming to the OIG for further investigation after canceling your card.