

# HOW IS PAYMENT CARD FRAUD IMPACTING GOVERNMENT AGENCIES?

Look no further than current news headlines to see how payment card fraud remains a persistent problem for businesses and organizations worldwide. Government programs are no exception. To get a clearer picture of how government agencies can mitigate the risk to their programs and the beneficiaries who rely on them, we discussed the issue with FIS' Ann Ray who has been working with government agencies for over 15 years.



**Ann Ray**  
Senior Solutions Specialist  
Government Solutions - EBT  
FIS

**Q:** How concerning is payment card fraud for government agencies?

**A:** It's a big concern. Payment card fraud not only degrades the efficiency of government programs, but also chips away at the public's trust in those programs. It's also costly. For example, every \$1 lost to fraud in Supplemental Nutrition Assistance Program (SNAP) services, costs agencies \$3.72 in labor and administrative tasks.<sup>1</sup> Fraudulent activity is wide-ranging and constantly evolving and government agencies often have limited resources to dedicate to fraud prevention and mitigation.

**Q:** What government programs are experiencing a surge in fraudulent activity?

**A:** While no government agency is immune to criminal schemes, we have seen a significant uptick in fraudulent activity in programs that utilize Electronic Benefits Transfer (EBT) cards. With EMV (Europay, Mastercard and Visa) chip technology now the primary security standard for commercial credit, debit and prepaid cards, criminals have shifted their focus to cards that still rely on magnetic stripe technology – and EBT cards fall into that category. Card skimming is a common criminal activity targeting magstripe cards. The stolen data can be used to make unauthorized purchases or create counterfeit cards, putting cardholders at risk of financial loss and identity theft.

**Q: How prevalent are EBT card skimming scams?**

**A:** Government agencies across the nation that use EBT cards to distribute benefits are experiencing card skimming scams. Here are some recent headlines: Northeast state reports an increase in skimming scams, with more than 22,000 claims of SNAP skimming totaling \$17 million; Western state reports public benefits theft now costs an average of \$10 million a month.

**Q: Aside from the financial risks, why do EBT card programs need fraud protection?**

**A:** Fraud protection is as important for government agencies as it is for businesses. Fraud, targeting EBT cards, disrupts the disbursement of essential financial assistance to families and individuals. In addition, this type of fraud undermines the integrity and efficiency of program administrators. In short, fraud is costly to issuing agencies, the businesses accepting EBT cards and beneficiaries.

**Q: How can government agencies reduce the threat of EBT fraud?**

**A:** One step government agencies can take to reduce the threat of EBT card-present fraud is transition to contactless EMV chip cards. Consumers and businesses are familiar with EMV chip cards – they are proven to reduce fraud and are widely used around the world.<sup>2</sup> Point-of-sale (POS) EMV chip acceptance in the U.S. has become commonplace due to the Visa and Mastercard liability shift in 2015, which incentivized both merchants and commercial card issuers to migrate to the EMV standard to combat card fraud losses.

**Q: What are the benefits of EMV chip cards?**

**A:** With EMV chip cards, beneficiaries can access their benefits faster, more conveniently and with less risk. EMV chip cards also give users flexibility and accessibility through enhanced payment options, including online and phone. This can be especially helpful for individuals with limited mobility or disabilities.

For states, EMV chip cards offer enhanced program integrity and reduce EBT card fraud or misuse, enabling more streamlined distribution of benefits and reduced administrative costs.





**Q: How are state agencies responding to the push to EMV-enabled cards for their EBT card programs?**

**A:** Several states that have experienced EBT card fraud over the past couple of years are coordinating with the Food and Nutrition Service (FNS) along with stakeholders at the state, provider and retailer level to identify options to further enhance the security of EBT cards. FNS is providing technical support to state agencies exploring and implementing chip-enabled cards and has said that it will work with any state that wants to switch its EBT debit cards from strip to chip technology.

**With the increase in EBT fraud, more benefit recipients, industry experts and government officials are calling for a switch to more robust, secure chip technology. FIS® provides EBT processing services across the U.S., with more than 4,000 clients in the government, financial, retail and healthcare sectors relying on our EMV chip card expertise.**



**Visit us at [FISglobal.com](https://www.fisglobal.com) to learn more**

**Sources**

1. LexisNexis | True Cost of Fraud Study for SNAP
2. EMVCo.com | Why EMV®

**Additional Resources:**

- USDA.gov | Snap Replacement of Stolen Benefits Dashboard
- USDA.gov | 2023 Budget Explanatory Notes

 [www.fisglobal.com/contact-us](https://www.fisglobal.com/contact-us)

 [twitter.com/fisglobal](https://twitter.com/fisglobal)

 [linkedin.com/company/fis](https://linkedin.com/company/fis)