

MOTION BY SUPERVISORS HILDA L. SOLIS

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AND JANICE HAHN

Additional Safeguards to Protect Los Angeles County Residents from the Negative Consequences of EBT Card Skimming

The use of illegal electronic “skimming” devices to clone Electronic Benefits Transfer (EBT) cards and thereafter deplete Department of Public Social Services (DPSS) customer accounts continues to surge, rendering the most vulnerable of our Los Angeles County (County) residents economically devastated without the resources they so greatly rely on to survive. Skimming theft resulted in \$21.1 million in EBT benefits being stolen in 2022, a more than 20-fold increase from 2021, when the County lost less than \$1 million. In 2023, EBT skimming thefts continue to increase exponentially, with over \$25 million in benefits stolen as of June 2023 in Los Angeles County.

Skimmers attached to card readers at Automated Teller Machines (ATMs), Point-of-Sale (POS) terminals, and gas pumps enable criminals to capture data from a card’s magnetic strip to create fake debit, credit, or EBT cards that can be used to make purchases or steal cash benefits. Fortunately, most debit and credit cards are protected

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from this method of theft, since they employ more secure chip or tap (chip/tap) technology that does not necessitate swiping the card to make a purchase or withdraw cash. However, our currently outdated EBT cards do not afford the same protections, as they do not employ this more secure chip/tap technology and require customers to swipe their EBT card every time they want to access their benefits.

The most effective known way to mitigate skimming lies in updating EBT cards to utilize the far more secure chip/tap technology. And, while the State of California (State) has recognized the importance of upgrades by allocating over \$76 million over the next three years to pursue technology enhancements and security features for EBT cards to safeguard customers' benefits, until these chip/tap enabled EBT cards are deployed, skimming will continue to harm our most vulnerable residents.

To make matters worse, while the Federal Government, the State, and the County have taken steps to ensure that benefits are eventually restored, restoration is not automatic, nor is it immediate. To begin the process of recovering stolen benefits, DPSS customers are required to notice that their benefits have been stolen, affirmatively engage with social services agencies within strict timeframes, complete a claim form, and identify illegal transactions. After all those steps have been undertaken by the skimming victim, replacement of stolen benefits should occur within 10 days. However, the rising number of skimming incidents has burdened State social services agencies and has resulted in some customers waiting weeks for their restored benefits. The gap in time between benefits being stolen and reimbursed leaves our most vulnerable residents without the essential assistance they rely on for food, clothing, rental assistance, and life's necessities. Skimming exacerbates economic instability for already vulnerable families, leading to

potentially catastrophic results, such as increased food insecurity, homelessness, and declines in physical and mental health.

Recognizing the severity of this problem, the County mobilized its various departments to take action to combat EBT skimming. DPSS has been working in partnership with counties across California, along with the California Department of Social Services, to develop strategies to address EBT skimming. Law enforcement has also proven to be a key partner, with stings led by a task force from the County's District Attorney's Office resulting in several arrests and hundreds of fake cards confiscated.

The Los Angeles County Board of Supervisors (Board) took action to curb EBT skimming as well. On January 10, 2023, a [motion](#) passed unanimously by the Board directed DPSS, in collaboration with other appropriate County departments, to develop and implement strategies to combat illegal skimming in the County. DPSS convened an Interdepartmental EBT Fraud Task Force Workgroup consisting of the Department of Consumer and Business Affairs (DCBA), the Department of Economic Opportunity (DEO), the Agricultural Commissioner/Weights and Measures (ACWM), the District Attorney (DA), the Chief Executive Office (CEO), and County Counsel to develop and launch a widespread, multilingual outreach campaign to DPSS customers, local businesses, and the general public to ensure they are aware of illegal skimming devices and to publicize best practices for customers to safeguard their EBT card information. Most recently, on July 17, 2023, outreach materials concerning EBT skimming were mailed to over 20,000 businesses within the County and will be distributed to electronically by DEO to an additional 60,000 businesses. To ensure that County businesses are both aware of this deplorable crime and equipped with ways to mitigate skimming, these materials included

information on how to spot fake card readers and ways to protect businesses and customers from compromised POS systems.

The efforts that have already been undertaken are critical steps in reducing the number of DPSS customers that fall victim to skimming. However, vulnerable DPSS customers that use the current, easily compromised EBT cards, through no fault of their own, remain at risk, and it is incumbent on the County to fashion additional safeguards to protect our residents from the life-altering consequences of EBT card theft.

Since EBT skimming continues to greatly affect our vulnerable communities, those profiting from the patronage of these communities must join the fight against skimming to protect their customers and to fight back against the organized crime rings responsible for skimming activities. Businesses that accept EBT card payment should play a proactive role in curbing EBT skimming by facilitating efforts to further increase awareness of EBT skimming amongst customers and by routinely inspecting their POS terminals to better identify, report, and remedy compromised machines.

Even though there has been a concerted County effort to bring public attention to the pervasiveness of EBT card theft, the public would benefit from additional measures to educate them of these illegal practices at the very locations where they use their EBT cards. Recently, New York [legislation](#) requiring businesses that accept EBT cards to post a skimming awareness notice passed in the Senate and Assembly. The posting of a notice geared at informing customers of EBT skimming theft, and the resources available to them should they fall victim, would certainly increase the public's awareness and mitigate losses. Additionally, since skimming devices are generally installed on top of card readers at POS terminals, businesses would be in the best position to detect compromised

terminals. However, it is unclear how often POS terminals are inspected, as there is no requirement to inspect terminals with any regularity to affirmatively look for signs of tampering. Requiring businesses to complete a regular and quick inspection of their POS terminals would impose only a slight additional responsibility on businesses but could significantly reduce the amount of skimming that is taking place and increase customer confidence in using their EBT cards at those businesses.

Until the more secure chip/tap cards are rolled out by the State, our residents require these further protections. These measures will assist in the necessary fight against EBT card skimming, by both protecting the County's most vulnerable residents and preventing millions of taxpayer dollars from landing in the hands of the criminals who are targeting them.

WE, THEREFORE, MOVE that the Board of Supervisors:

1. Direct the Department of Consumer and Business Affairs, in consultation with County Counsel, the Department of Economic Opportunity, the Department of Public Social Services, and other relevant County Departments and Offices to report back to the Board within 90 days with a draft ordinance that accomplishes the following:
 - a. Requires businesses that accept EBT card payment in Los Angeles County to post a skimming awareness notice geared at fostering further awareness of EBT card skimming, informing consumers about the steps they can take to prevent EBT card theft, and directing customers to the resources available to them should they fall victim to EBT card theft.
 - b. Advises the Board as to whether such ordinance can apply to incorporated and unincorporated areas of Los Angeles County.

2. Direct County Counsel in collaboration with the Department of Consumer and Business Affairs, the Department of Economic Opportunity, the Agricultural Commissioner/Weights and Measures, the Department of Public Social Services, and other relevant County Departments and Offices, to report back to the Board in 60 days on the feasibility of an ordinance requiring businesses to engage in regular, periodic physical inspections of their Point-of-Sale terminals, including recordkeeping of such inspections, to detect, remove, and report illegal skimming devices. The report back should address whether the ordinance can apply to incorporated and unincorporated areas of Los Angeles County.
3. Direct the Department of Public Social Services, in collaboration with the Chief Executive Office - Legislative Affairs and Intergovernmental Relations, to continue to advocate at the State and federal levels to support and advance more immediate solutions that protect and more expeditiously restore the benefits of individuals and families on public assistance, including the expedited roll-out of chip/tap technology for EBT cards, and ensuring measured accountability for those conducting these scams.

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