

The USSS Whole Community Approach to EBT Fraud

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The Problem

- The State of California's Electronic Benefit Transfer (EBT) program has been exploited by organized crime groups throughout the state and the country.
- Installation of skimming devices at point-of-sale (POS) terminals and ATMs to harvest the EBT debit card data and PINs. Once the stolen data is harvested, criminal actors will clone the stolen EBT card information onto blank magnetic stripe cards for the purpose of conducting unauthorized ATM withdrawals.
- The state of California was losing about \$7-9 million every month.
- Most of this loss is taking place in Los Angeles County.

Extreme increase over the previous year—Why?

Criminal groups are adapting

Identify vulnerability  Exploit vulnerability



POS Overlay Skimming/Shimming Devices



Full POS overlay skimming device—Magnetic stripe reader head in bottom left on the backside picture records track data from the magnetic stripe. PIN pad entries are also stored in the electronic memory chip that correspond with each swipe. Device is Bluetooth enabled to allow suspects to retrieve card data from a distance.

Pin pad POS overlay shimming device—Shimming “foil” is concealed under the PIN pad. This device has the wiring and electronic chips hidden inside of the exterior housing. PIN keypad entries are also captured and stored on this device which correspond to each EMV chip read.



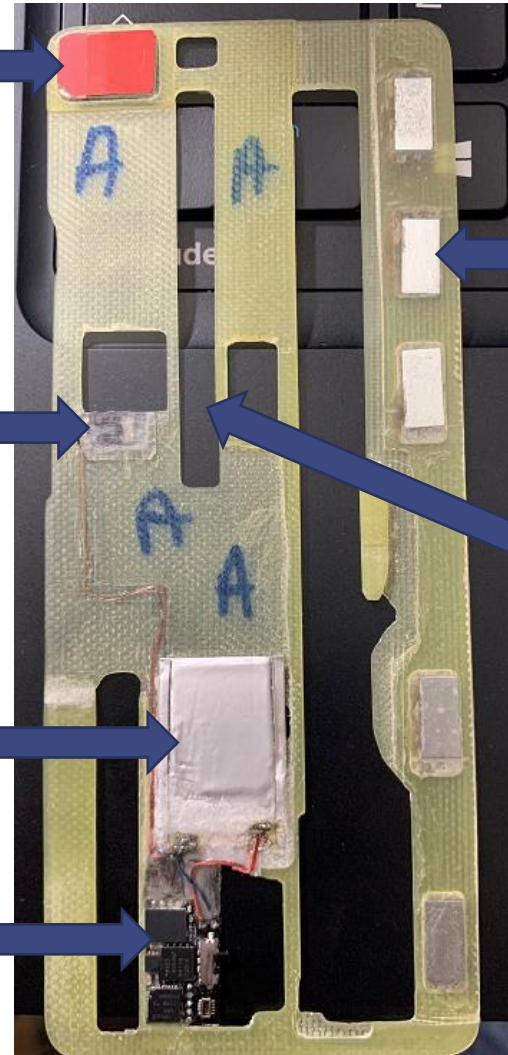
Magnetic Stripe Skimmer Anatomy

Underside of red tape is a small piece of magnetic stripe to trick the ATM's card shutter into opening

Magnetic stripe read head

Battery

Electronic chips for reading track data and data storage



Magnets to keep device in place

Several slots cut into the plastic to bypass the ATM's security features

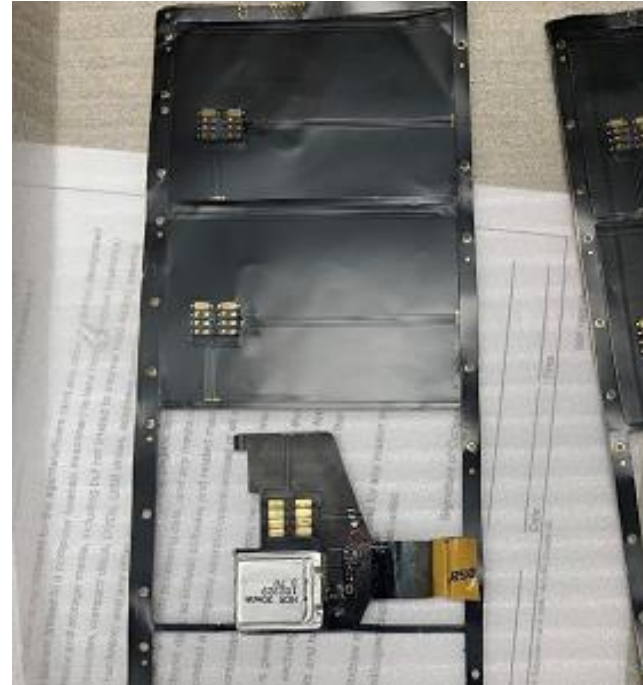
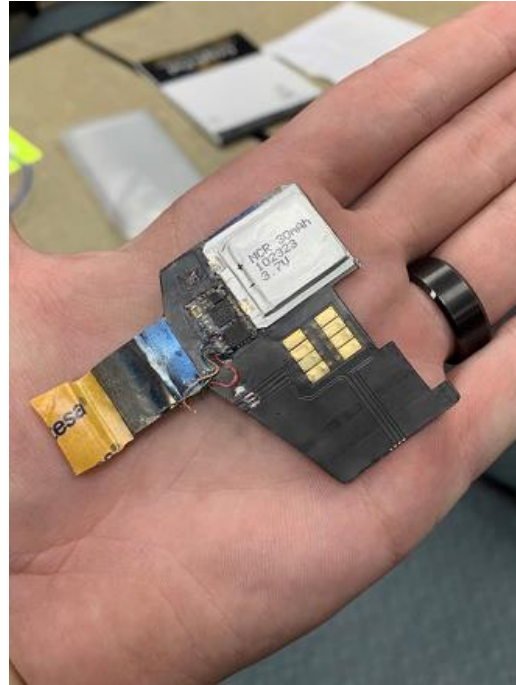
This is just one variation of a mag stripe skimmer. While they make appear different, all will contain at least the magnetic stripe read head, electronic chips, and battery



Example of Install



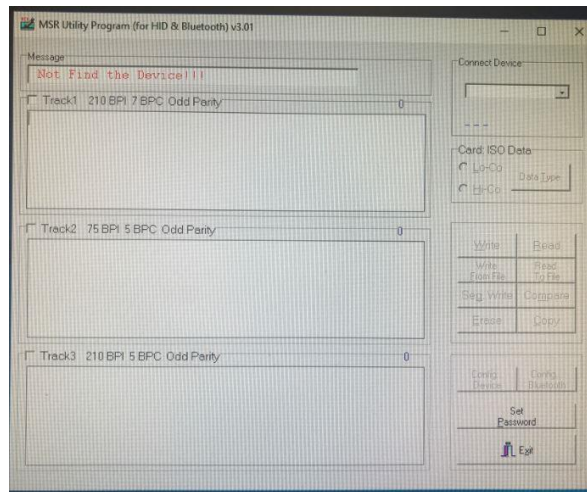
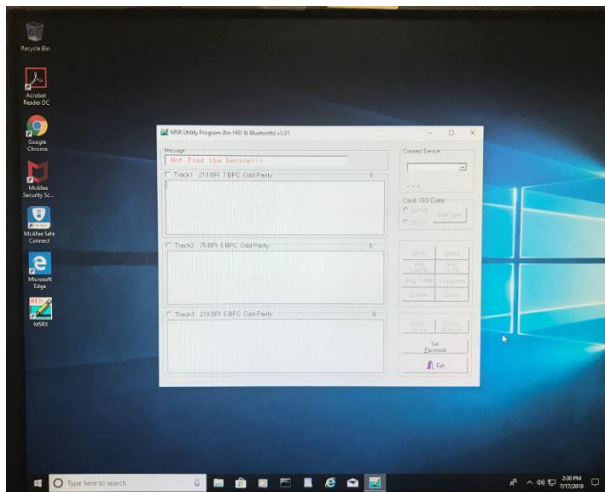
ATM Deep-insert Shimmers



A shimmer works as a *shim* between the victim's EMV chip and the ATM's or POS's EMV reader to surreptitiously capture the card's track 1 and track 2 data. This data is then typically re-encoded onto blank magnetic strip cards that will be used to conduct ATM withdrawals. The illicit withdrawals are typically accomplished by relying on chip-not-present (CNP) transactions or transactions utilizing error codes in the track data specific to financial institutions.



Cloning the Cards



\$76.50
ID Zone

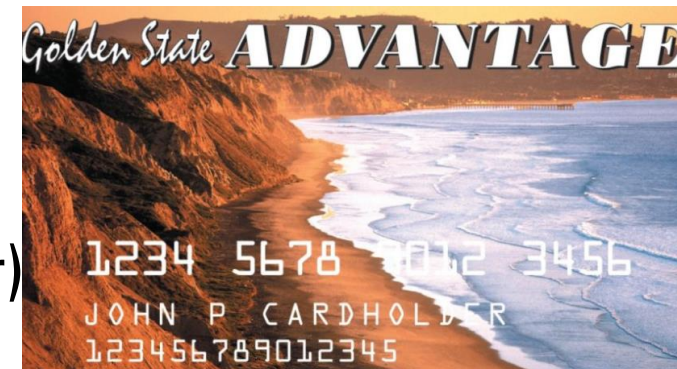


\$85.55
ID Zone



Why are EBT Cards Targeted?

- States issue cards with only magnetic stripe, no EMV chip
 - EBT cards are easier to compromise, clone, and monetize
 - USDA working with lawmakers and states on fraud prevention
- Some states deposit funds at the same time each month
 - Suspects know exactly when the EBT funds are available
- Multiple funding sources onto EBT cards
 - SNAP, welfare, other housing assistance, etc.
- States issue EBT cards with single BIN (bank identification number)
 - Easier to identify cards to clone when harvesting skimmer data
- Minimal consequences (often book-and-release) for these crimes at the state level



Who is doing this?

International Crime Groups

- Romanian nationals
- Eastern Europeans
- Armenian nationals

Subject Notes from LE Operations

- Majority have no lawful status in the US
- Possess fictitious passports and IDs
- Move between major cities committing skimming along the way (*e.g.* New York to California, with a skimming stop in Pennsylvania)
- Evade law enforcement by renting vehicles and short-term residences under fake identities



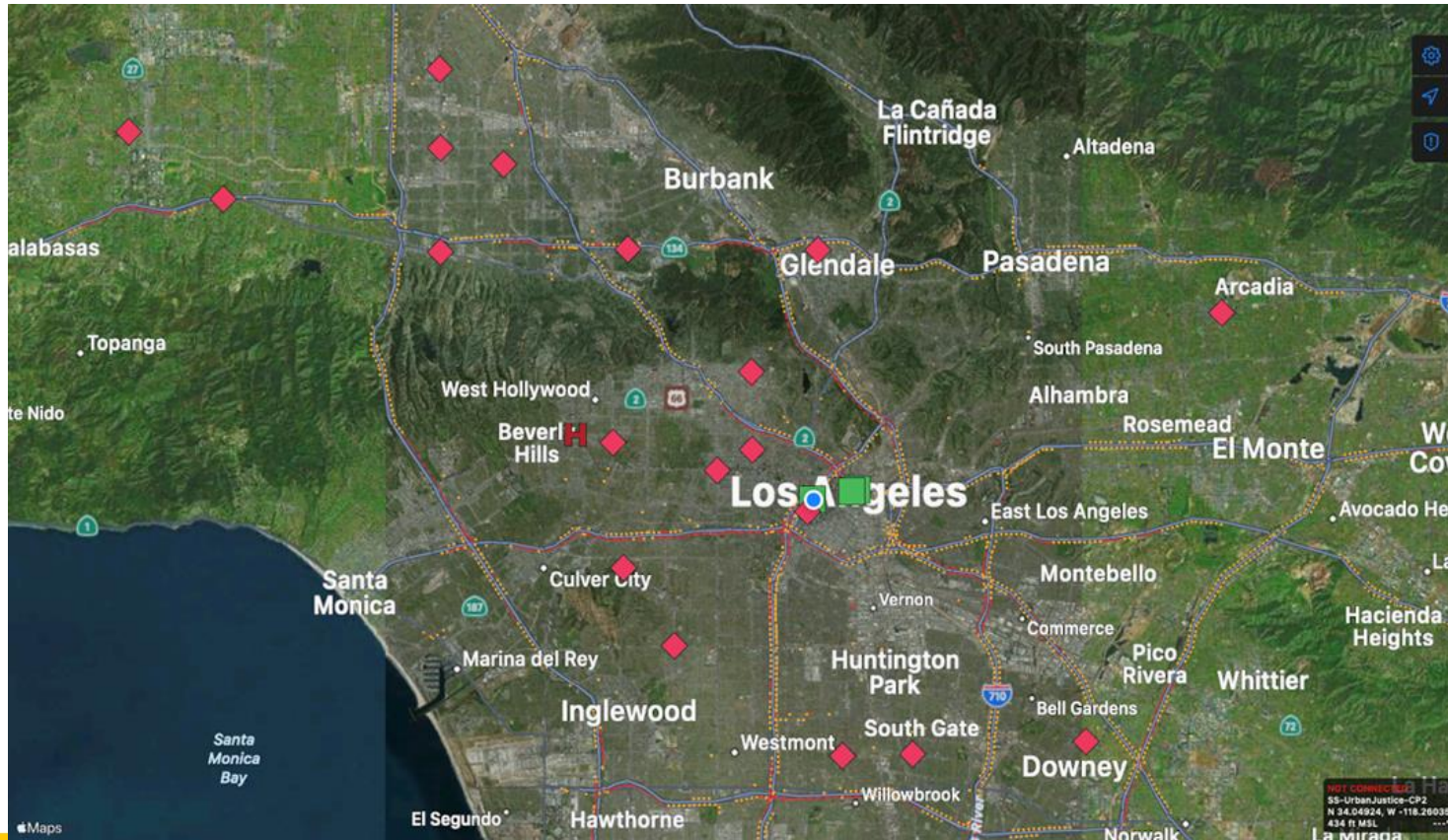
Los Angeles Operation



The Plan

March 2023:

Bring together 300+ law enforcement personnel and various banks to perform a surveillance/arrest operation at 19+ bank locations through out the Los Angeles area.



How We Chose Target Locations

- Data comes from DSS (live demo)
 - Filter for top fraud withdrawal locations in targeted area
 - Cooperating/non-cooperating banks considered and weighed
 - Law enforcement operations advance
 - Look at “frequent flyers” from prior months



Challenges



- Probable Cause (PC) arrests
- Non participating banks
- The scale/logistics
- Detention of defendants



- Bringing federal cases
- Court coordination
- Probable Cause (PC) arrests at ATMs
- Detention of defendants
- Charging fraud/tracing loss on expedited timeline



The Action



Romanian Police Partnerships



Subject 3 was identified based on the fingerprints in Romania as follows:

Name: Sandu [REDACTED]
DOB: [REDACTED] 1975
POB: Bucharest, Romania
Address: Bucharest, Romania
Passport nr: 05 [REDACTED]

Criminal background:

4 months imprisonment for theft 2002 in France
Sentenced 9 months for theft in Austria in 2003
27 months for fraud in 2007 in Germany
Fraud in 2012 UK
6 years sentenced for theft in 2014 for theft in Denmark
15 months on probation for theft in 2014 in Austria
3 years imprisonment for theft in 2018 in Italy

From: [REDACTED]
Sent: Wednesday, March 1, 2023 7:33 PM
To: JARRED MEDENWALD (CID) <Jarred.Medenwald@uss.dhs.gov>
Cc: [REDACTED] <[REDACTED]>
Subject: Subject 3 and 4

Subect 3 pretends to be italian :

Giuseppe Crescente DOB: [REDACTED]
HR is 100% procent Romanina. He spoke some Romanian. We are waiting for fingerprints to send to RNP.

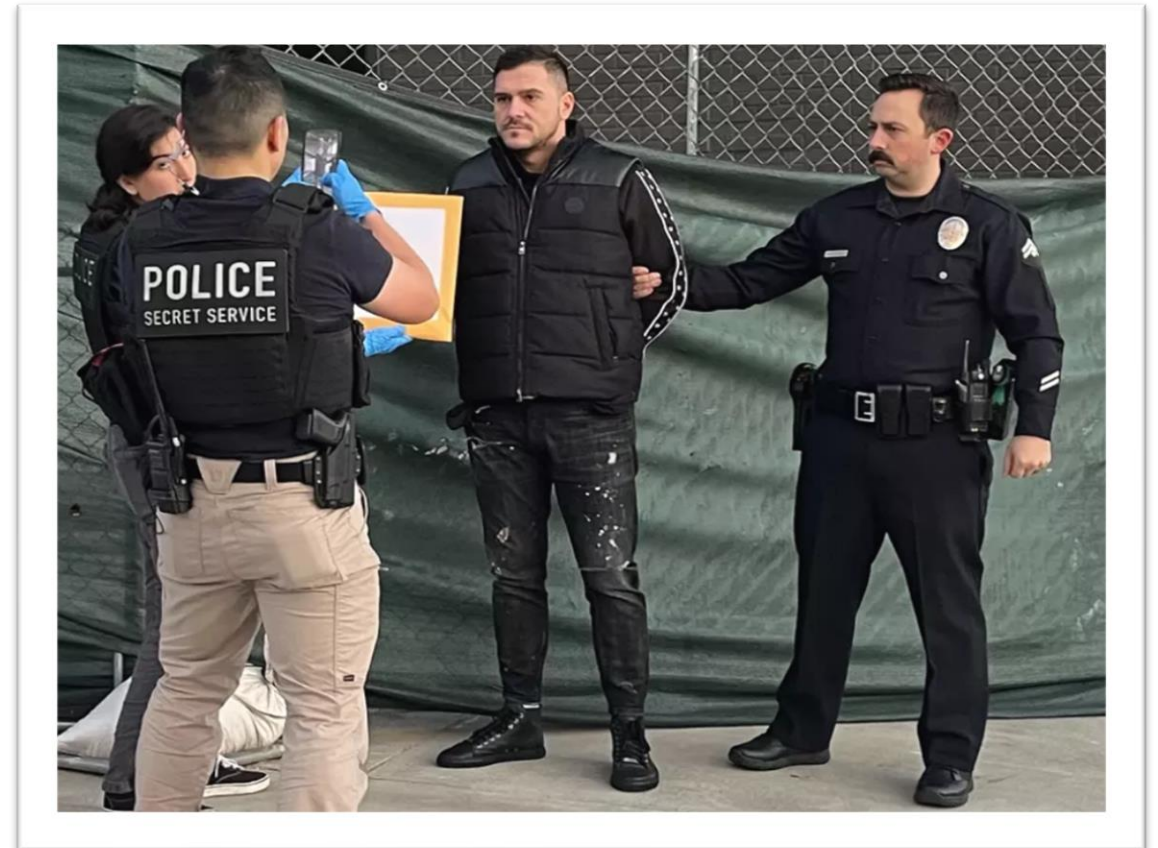
Same story with subject 4 . Pretens to be Italian:
Filippo Gaudenzi, DOB: [REDACTED]



ICE - ERO Partnerships

Enforcement Removal Operations

- Rapid print identification
- Lodging of immigration detainees

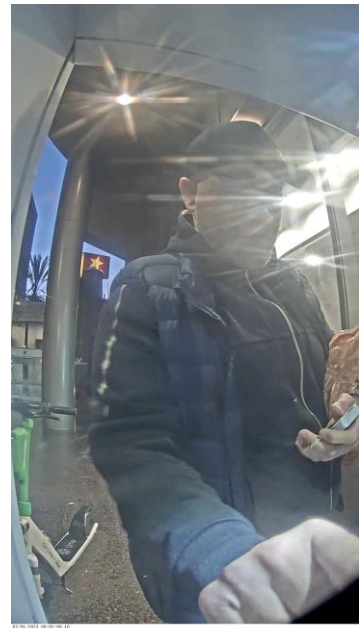
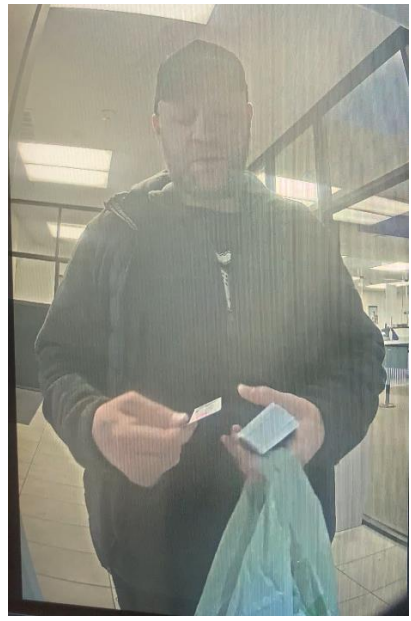


Bank Partnerships

➤ On 03/01/2023 from 0854AM to 0900AM PST at Branch 298, individuals used 10 different EBT Cards to check balances

❖ Snapshot of Transactions

Date	Time	Bank	Branch	ATM	Card
1-Mar	115400	13	298	00298070	50771 [REDACTED] 0
					50771 [REDACTED] 9
					50771 [REDACTED] 6
					50771 [REDACTED] 7
					50771 [REDACTED] 4
					50771 [REDACTED] 9
					50771 [REDACTED] 7
					50771 [REDACTED] 0
					50771 [REDACTED] 4
					50771 [REDACTED] 2



California Department of Social Services

Provided support across different branches within DSS:

- Research and Data Reports
- Investigations Branch - EBT Fraud and Theft Detection Unit

Planning Stages: Disseminate monthly fraud loss data

During: Live transaction monitoring

Aftermath: Victim EBT Card History & Victim Identification



The Action



Logistics



PRESS RELEASE

15 Arrested in Law Enforcement Operation Targeting Fraudulent Withdrawal of Benefits Designated for Low-Income Families

Thursday, March 2, 2023

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For Immediate Release

U.S. Attorney's Office, Central District of California

LOS ANGELES – “Operation Urban Justice,” a large-scale law enforcement operation this week, has resulted in the arrest of 15 individuals who allegedly used information from “skimmed” electronic benefit transfer (EBT) cards to make unauthorized withdrawals of funds that had been disbursed to low-income individuals, the Justice Department announced today.



LA Results

- Over 1,126 re-encoded cards (victims)
- Over \$113K in cash (USD) seized
- Numerous skimming devices recovered
- Dozens of search warrants executed
- Suspects directly linked to other investigations across the US



Post-Arrest Challenges



- Tracking targets beyond ATM
- Defendant cooperation
- Sentencing tied to loss



LA Lessons Learned



- Federal PC arrests are HARD...however
 - 15 for 15 defendants detained (no bail)
- Real-time bank support is a must
- Prompt communication is key



- Patience to identify targets
 - Long-term intel is key
- Prepare for/train for all circumstances
- Detention is critical
- Partner support is essential

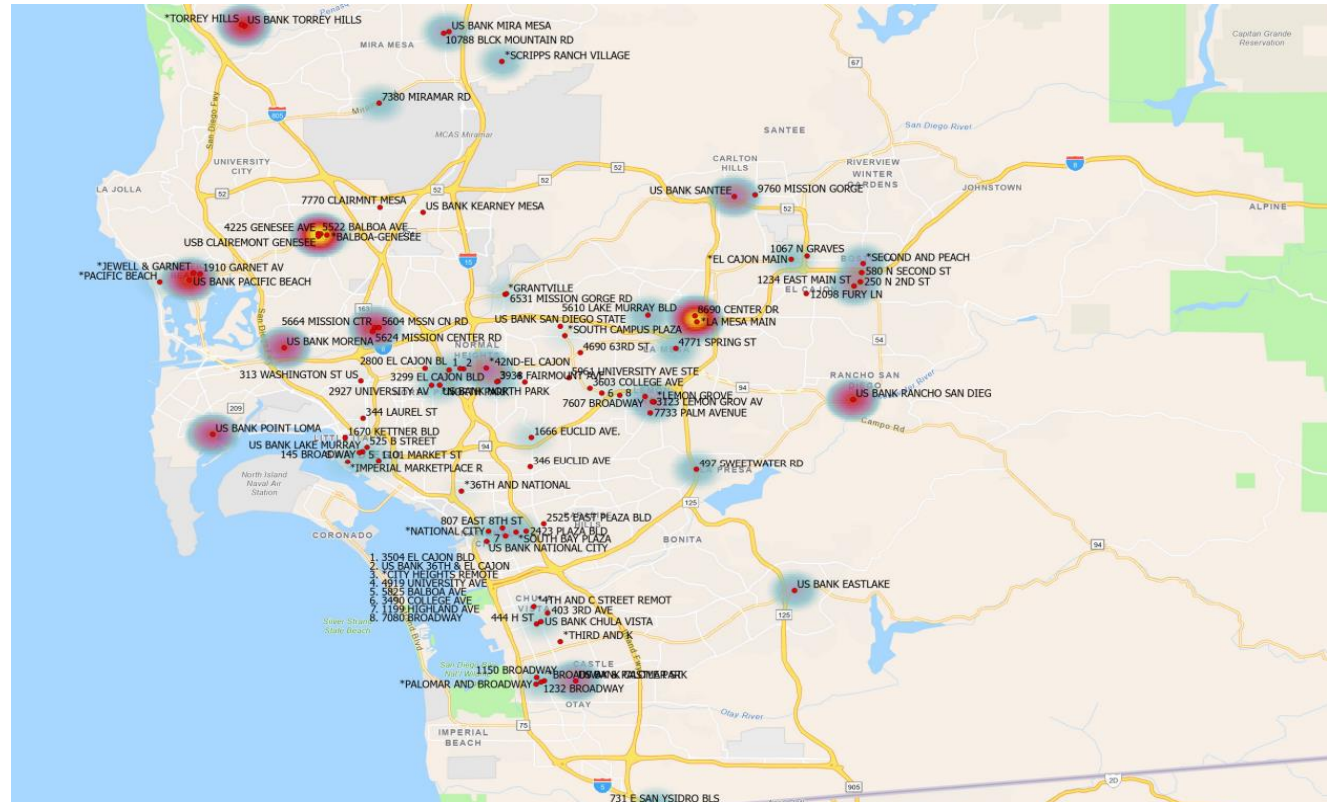


San Diego Operation



The Plan

- June 2023: Now that a model is established, scale down the operation and allow more flexibility with timing and real-time response to cash-outs in progress.
 - San Diego's cash-out activity is significantly less than LA.



Changes Implemented

- Smaller law enforcement teams
- Less static teams and more response
- Multi-night operation
- AUSAs consulted post-detention for charging decision
- Next day forensic analysis of electronic evidence



PRESS RELEASE

Five Charged in Theft of California Benefits for Low Income Families

Tuesday, June 6, 2023

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For Immediate Release

U.S. Attorney's Office, Southern District of California
Kelly.Thornton@usdoj.gov

NEWS RELEASE SUMMARY – June 6, 2023

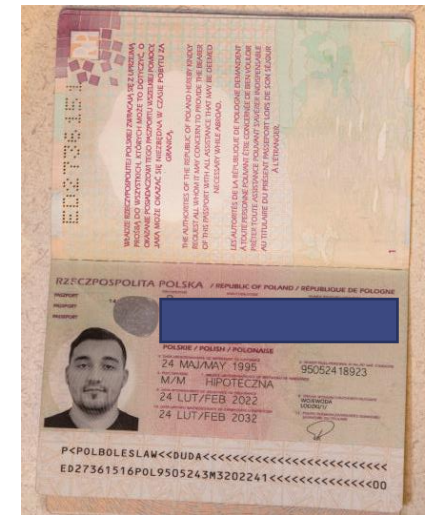
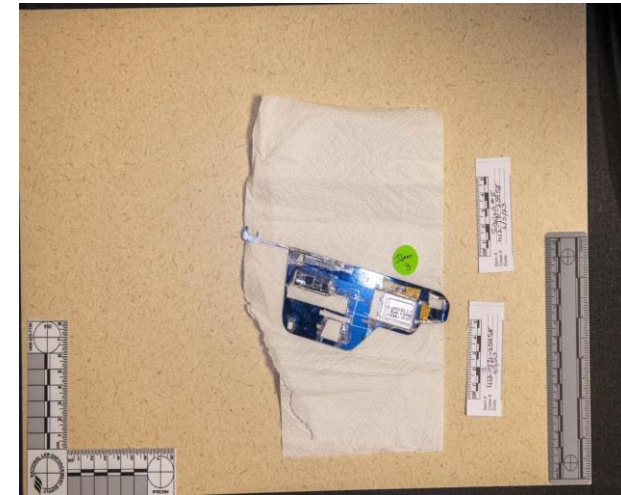
SAN DIEGO – Five men were arrested and charged in connection with the theft of tens of thousands of dollars in public-assistance benefits from low-income families that need the funds to pay for food, housing and other necessities.

The defendants were arrested by a U.S. Secret Service-led task force as part of a three-day effort to crack down on this devastating and growing fraud in which California benefits are drained from recipients' accounts almost immediately after the funds are dispersed by the state, typically early in the month. According to federal complaints, the defendants accomplished this



San Diego Results

- Over 110 re-encoded cards (victims)
- Over \$75k in cash (USD) seized
- Numerous skimming devices recovered
- 12 search warrants executed
- Suspects directly linked to other investigations across the US

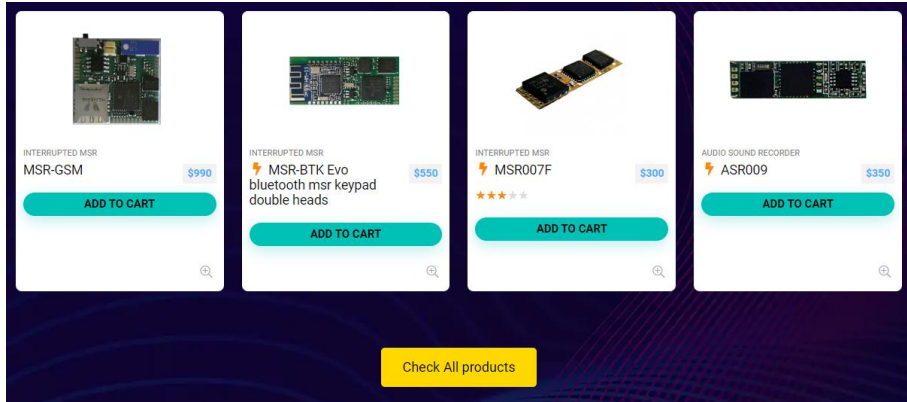


Ripple Effects

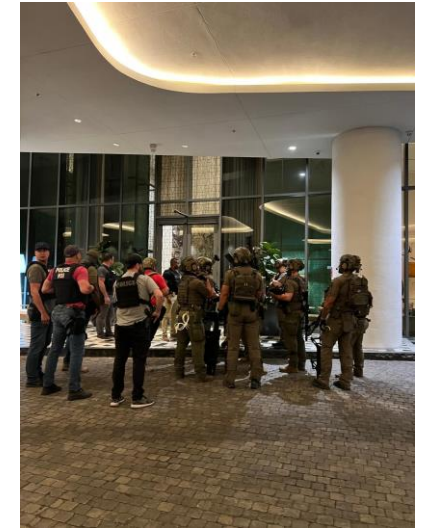


Information Developed

- Identified multiple skimming device manufacturers, shippers, and suspects domestic and foreign
- Additional investigations opened and arrests made.



Illicit supplier identified; ongoing investigation



Miami search warrant and arrest; skimmers seized; defendant tied to nearly \$200k EBT fraud; federally charged in Miami; will be extradited to Romania for attempted murder



Information Developed - Tips to Foreign Partners



Continued Collaboration with Romanian Police



Combating Skimming & EBT Fraud

USSS CID and HSI LA agents execute multiple search and arrest warrants in LA as part of a joint taskforce operation with USSS San Diego and Romanian National Police. More than \$800,000 in cash was seized from fraud against vulnerable communities.



Outreach Operations

THE ORION INITIATIVE

MAY 2024 Operation Sandblast Nevada
JUNE 2024 Operation Sunburst Florida
AUGUST 2024 Operation Denali Alaska
SEPTEMBER 2024 Operation Vulcan Alabama
OCTOBER 2024 Operation X X

OPERATION: VULCAN

151 Businesses Visited

1,400 Terminals and Devices Checked

3 Skimming Devices Removed

Operation throughout Birmingham, AL.

OPERATION: Sunburst

470 Businesses Visited

3,500 Terminals and Devices Checked

13 Skimming Devices Removed

\$3.9 M Estimated Savings

Operation Sunburst throughout Orlando, Tampa, and Jacksonville, Florida.



Questions?

