DATE: September 2, 2026

SUBJECT: Supplemental Nutrition Assistance Program (SNAP) Fraud Prevention: Strengthening Safeguards for Third Party Processors

TO: Third Party Processors (TPP)

Recent reports across the SNAP Electronic Benefit Transfer (EBT) landscape indicate increasing attempts by bad actors to exploit SNAP refund processing in both in-store and online SNAP EBT transaction flows. While the specific mechanisms enabling recent refund related fraud are still being evaluated, these incidents underscore a broader and more urgent need for strong, consistent fraud prevention practices across the entire EBT environment. As essential partners in transaction processing, device support, and retailer onboarding, TPPs play a critical role in preventing misuse and strengthening defenses against evolving fraud schemes.

The Food and Nutrition Administration (FNA) has observed patterns of unusual transaction behavior such as irregular transaction velocity, device misuse, and atypical refund behavior that reflect broader vulnerabilities rather than a single fraud pathway. These patterns reinforce the importance of layered protections, strong retailer validation, and clear operational safeguards. EBT fraud is occurring in both in-store and online environments. TPPs should implement protections tailored to each transaction type. For example, online transactions may be more prone to larger returns, so return limits and monitoring thresholds should be adjusted accordingly. Protections should be relevant and proportionate to the risks associated with each platform and retailer category.

FNA urges each TPP to take proactive steps that support SNAP integrity and protect taxpayer dollars. Fraudulent activity continues to evolve, and emerging schemes underscore the need for vigilance and timely action. FNA encourages TPPs to implement practical safeguards, share observations as new threats arise, and collaborate closely with federal and state partners to support a secure EBT environment. For specific steps to strengthen fraud prevention, please refer to the attached enclosure.

Thank you for your partnership and for your continued commitment to safeguarding SNAP benefits. TPPs with questions about this memo should contact the FNA at RPMDHQ-Web@usda.gov.

Sincerely,

SHELLY PIERCE

Digitally signed by SHELLY PIERCE
Date: 2026.09.02 09:55:16 -04'00'

For Ronald Ward

Acting Associate Administrator

Supplemental Nutrition Assistance Program

Food and Nutrition Administration

U.S. Department of Agriculture

Enclosure

Fraud Prevention Actions for TPPs

FNA encourages TPPs to prioritize strengthening retailer verification, device security, transaction monitoring, and operational safeguards. We also recommend maintaining frequent communications with your retailer partners on fraud trends and the actions you are taking to fight them.

Retailer Verification:

- Request and verify SNAP permits during retailer onboarding.
- Ensure only authorized, legitimate retailers access EBT processing channels.
- Promptly share information about questionable credentials or abnormal transaction patterns with the FNA Retailer Operations and Compliance (ROC) office and, when appropriate, close fraudulent or high-risk accounts and coordinate with the USDA Office of Inspector General (OIG).
    - FNA Retailer Operations and Compliance (ROC) office: SM.FN.ROCTP@usda.gov
    - USDA Office of Inspector General (OIG): https://www.oig.usda.gov/

Device Security:

- Implement controls to reduce unauthorized transactions, including password protection, passcodes, manager-approval features, and administrative parameters on point-of-sale devices.
- Upgrade systems to accept secure EBT chip cards and Near Field Communication (NFC) payment technology.
- Strengthen protections at the hardware and network level to reduce vulnerabilities in magnetic stripe environments or legacy terminals.

Transaction Monitoring:

- Apply both threshold-based and anomaly-based monitoring to identify suspicious activity early.
- Set alerts for elevated refund-to-purchase ratios, repetitive high-dollar adjustments, unusual device-specific behavior, and deviations from a retailer’s historical norms.

- Continue sharing trend data as fraud evolves by rapidly reporting anomalies to USDA OIG and FNA ROC.

Operational Safeguards:

- Encourage retailers to limit refunds to instances where an offsetting purchase was made on the same card.
- Establish limits that align with the typical business operation for the retailer category.
- Explore additional protections such as velocity controls for purchases, geolocation checks, or retailer category specific parameters.

Retailer Communication and Education:

- Clearly explain new fraud-prevention features to retailers.
- Reinforce the importance of retailers timely reporting suspicious behavior to their TPP and FNA ROC.
- Support retailer education to foster a culture of vigilance and security.