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Unintended Consequences of Prepaid Access Cards

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Unintended consequences of prepaid access cards

Once known as "stored value" cards and now deemed "prepaid access" cards by new treasury department regulations, these plastic debit cards are the latest items for criminals to use in money laundering, the movement of illicit funds and possibly even terrorist activities. They are also difficult for law enforcement to trace and investigate.

These debit cards originated a few years ago as convenient and mobile ways to store funds on a card not associated with a bank account. They are legitimately used by lower income individuals and even students who are transient and may not have access to the traditional banking system. Plus, they are also difficult for law enforcement to trace.

Retailers have no know-your-customer regulations to govern the transactions. But they’re coming.

I first encountered the illegal use of these cards as a special agent in charge of the tax fraud investigations division for the state of New Mexico.

Since the start of electronically filed tax returns, we had always had a few folks filing false tax returns using fake names, fake income and deductions and fake withholdings. The returns claimed refunds for overpayments and the state sent the refunds to the address on the returns or directly deposited the refund to bank accounts designated on the returns.

Once we determined we had false returns, it was not difficult to find who did it because we either traced the refund to an address or to a bank account.

Then, in 2009, we uncovered a new twist. The bank account number provided on the fraudulent tax return for direct deposit wasn’t a bank account number at all. Although it looked like a bank account number and acted like a bank account number, it actually was the number of a prepaid access card that had been purchased anonymously.

Although we could trace the card number back to the financial institution that provided the cards to the retailer and then to the particular retailer that sold the card, that’s where the trail ended. The retailer had no record of who bought the card.

The Financial Crimes Enforcement Network, a part of the U.S. Treasury Department, has recently issued regulations that will put in place suspicious activity reporting rules as well as customer and transactional information collection requirements on providers and sellers of certain types of prepaid access cards similar to other “money service businesses.”

Exempted from these rules are sellers of certain “closed loop” cards that can be used only at a designated retailer, such as Target gift cards. The regulations were to take effect Sept. 27, but the effective date has recently been extended to March 31.

The cost of the information collection and retention requirements of the new regulations will most certainly be passed through to the consumers, raising the cost for all of us.

Charles Williamson is a lecturer in the School of Accountancy teaching in the areas of forensic accounting and fraud investigation. He can be reached at jcwilliamson@georgiasouthern.edu.

PR/advertising firm gives $500 to hospice

The advertising and public relations firm Robertson Markowitz recently asked their Facebook fans to choose which charity should receive a $500 “Spirit of Giving” donation.

They chose Hospice Savannah, Inc., and runners-up Safe Shelter of Savannah and America’s 2nd Harvest of Coastal Georgia each received $100.

Hospice Savannah’s President and CEO, Debra Anthony Larson (Far Left) and Hospice Savannah Foundation VP, Megan Kerley expressed their gratitude to partners Ted Robertson and Lisa Markowitz Kitchens for their generosity.

FROM LEFT: Debra Anthony Larson, Hospice Savannah’s president and CEO, and Megan Kerley, Hospice Savannah Foundation vice president, expressed their gratitude to partners Ted Robertson and Lisa Markowitz Kitchens for their generosity.

Ruth’s 3 Course Meal, for $30

STarter
(choice of one)

- Steak House Salad • Classic Caesar Salad

Entree
(choice of one)

- Stuffed Chicken Breast • Sizzling Crab Cakes, Bistro Filet with Crispy Onions
- Portobello Mushroom • Lamb Chops*
- NY Strip* • Filet Mignon* • Salmon*

Sides
(choice of one)

- Sautéed Green Beans • Garlic Mashed Potatoes • Creamed Spinach

Dessert

- Symphony Duo of Dessert
- Chocolate Cheesecake with Fresh Berries & Sweet Cream

*Additional $10

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