



DDSN Executive Memo

**TO: EXECUTIVE DIRECTORS, DSN BOARDS
CEOS, CONTRACTED SERVICE PROVIDERS
RESIDENTIAL DIRECTORS**

FROM: DEPUTY DIRECTOR PAT MALEY

DATE: JANUARY 4, 2019

RE: Management of Consumer Funds – Stored Value Cards

The recent Senate Report review of DDSN was concerned with an increased risk of mistakes and malfeasance involved with staff handling consumers' cash. As a result, the Senate recommended DDSN explore adopting a policy requiring providers utilize a specialized debit card system for consumers.

DDSN assessed debit cards having positive attributes. However, debit cards elevate consumers' financial risk inasmuch as debit cards are directly linked to a consumer's entire bank account balance. To illustrate this risk, 28 consumers' debit cards at a single provider were fraudulently used resulting in \$14,000 in losses. DDSN agrees with the direction of the Senate recommendation, but recommends using stored value cards (SVC) as a superior tool than debit cards.

SVCs, also known as "prepaid reloadable cards" or "prepaid cards", are financial cards with an amount of money stored directly on the card itself. Unlike debit or credit cards, they do not link to a bank account or create consumer debt. SVCs are issued by many financial institutions including Wells Fargo, Bank of America, Chase Bank, American Express, MasterCard, and Visa.

An SVC system permits a provider to centrally control adding funds to a consumer's card electronically, which adds both speed and enhanced oversight of consumer funds, particularly beneficial due to consumers' residences being geographically spread throughout the community. It reduces administrative burden on residential staff coordinating consumer funds, handling cash, and writing checks. SVC systems from financial institutions vary; charges can vary from free to \$10/month.

Two providers have used a SVC system for two years. These providers reported an overall positive experience. There was initial confusion when SVCs first replaced cash, but SVCs are now fully accepted. An initial pattern was consumers using SVCs only to withdraw cash, but now consumers use SVCs for all transactions. According to these providers, SVCs have been a great help in preventing fraud, and the administrative work involved has been called "well worth it."

IMPLEMENTATION OF SVC IS NOT MANDATORY. DDSN's POC to support providers considering using SVCs is Bill Simpson (803/898-9614; BSimpson@ddsn.sc.gov). Mr. Simpson can provide specifics on highly-rated stored value card products, a comparative chart of card features, pros/cons, and coordinate contact with current providers using SVCs. DDSN Internal Audit will provide feedback to the provider community on SVC's effectiveness as its utilization expands.