



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

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RELEASED

The Honorable G. William Whitehurst
House of Representatives

Dear Mr. Whitehurst:

Subject: Use of Scrip Versus Cash in Making Change
for Food Stamp Purchases (GAO/CED-82-89)

Pursuant to your letter dated February 24, 1982, and subsequent discussions with your office, we are presenting information on the use of scrip (credit slips) instead of cash as change in food stamp purchases. The Food Stamp Act of 1977, as amended, provides that eligible households using food stamps to purchase food may receive cash as change provided it does not equal or exceed the value of the lowest coupon denomination issued, currently \$1. Your letter mentioned concerns that some food stamp participants abuse this rule by cashing out food coupons through repeated small purchases and then use the accumulated change to buy items for which the use of food stamps is not authorized. As discussed in this report, using scrip instead of cash for change is a way to eliminate such abuse, but it has some drawbacks.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to look at the regulations and procedures for making change for food stamps used to buy food and to present information on the use of scrip versus cash change. We made our review at the Department of Agriculture's Food and Nutrition Service headquarters in the Washington, D.C., area.

We interviewed Service officials and reviewed laws, past and present program regulations, and House and Senate conference reports concerning the use of scrip or cash as change. We also obtained information from a Service study made in 1979 on the extent of cash change abuse. The Service recognizes that its study results have limitations; however, little other information was available on the subject.

We did our work in accordance with our current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."



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THE SERVICE HAS ALLOWED BOTH CASH
AND SCRIP AS CHANGE FOR FOOD STAMPS

Since 1971, the Service has, at different times, used cash and scrip to make change for food stamp purchases. In 1971, stores were required by regulations to give cash change up to the value of the lowest food stamp denomination issued--50-cent coupons at that time. The Congress was concerned, however, that food stamp participants could cash out food stamps by purchasing such items as an apple or a candy bar at several different stores and/or over several days and then use the accumulated change to buy ineligible items such as cigarettes or liquor--thus circumventing the purpose of the program. Also, the Food Stamp Act made no provision for providing cash change. The Service therefore amended program regulations effective March 1, 1972, to require food stores to use scrip in making change. Each store or chain was required, within broad Federal guidelines, to come up with its own scrip which had to be redeemed at the store or chain that issued it.

Program regulations provided that in situations where the amount of change was 50 cents or more, stores had to use as change uncanceled and unmarked food stamps which had been received in payment for food. For amounts of change less than 50 cents, a purchaser had the option of (1) receiving from the store some evidence of credit (scrip) that could be used for future purchases of eligible items, (2) buying additional food for the amount of the change (trading out), or (3) paying the difference in cash. Scrip in excess of 49 cents was prohibited.

On September 1, 1975, the Service stopped using 50-cent food coupons to reduce cost and improve efficiency. The lowest denomination coupon then became \$1 and the maximum allowable scrip that could be returned in change became 99 cents.

In 1977, the Congress amended the Food Stamp Act to allow cash change in food stamp purchases. Service officials indicated that this change was made because of the cost and inconvenience to retailers to provide, issue, and account for scrip and the inconvenience to clients to return to the same store or chain to redeem it. Also, a Service official said that scrip caused some slowdown in store checkout lines and some abuse by store personnel refusing to redeem scrip issued at their store.

Regulations implementing the act, issued on September 22, 1978, provided that food stamps would continue to be used for making change in multiples of the lowest food stamp denomination (\$1) but that any amounts of change less than \$1 would be given in cash. To prevent potential abuse of the cash change rule through multiple small purchases, the regulations also provided that stores could not engage in a series of food stamp transactions of less than \$1 for the purpose of providing the same

food stamp customer a total amount of cash greater than the maximum 99 cents cash change allowed for one transaction.

RESULTS OF SERVICE STUDY
OF CASH CHANGE PROCEDURE

In late 1979, the Service surveyed clerks and store managers from over 2,000 food stores to obtain information on whether food stamp participants were abusing the cash change rule through small purchases. Store personnel knowledgeable of day-to-day food stamp purchase transactions were asked to estimate the daily (1) number of food stamp customers, (2) average dollar value of food stamp purchases, (3) number of food stamp customers making small purchases (25 cents or less), and (4) total amount of cash change made on small purchases.

The principal conclusions of the survey were:

- Cash change given out for small purchases represented less than 1 percent of the total dollar value of food stamp redemptions by the surveyed stores. On the average, each store paid out about \$2.35 in change a day to its total food stamp participants making purchases of 25 cents or less.
- Small purchases of 25 cents or less represented about 12 percent of the total number of food stamp purchases at the surveyed stores.
- About 56 percent of the store personnel surveyed said they did not have any experience with food stamp customers making small purchases of 25 cents or less. About 20 percent said that cash change abuse was a significant problem.

The Service concluded that widespread abuse of the cash change rule did not exist.

The study results indicate that in the 2,000 stores surveyed, about \$1.7 million a year (\$2.35 average per day paid to small purchasers x 2,000 stores x 365 days = \$1.7 million) in cash change was being paid out for small food stamp purchases. Since approximately 240,000 stores are authorized to participate in the food stamp program, the total cash change per year received nationwide through small purchases could be much greater.

SEVERAL OPTIONS ARE AVAILABLE
FOR MAKING CHANGE

We identified four options for making change for food stamp purchases.

- Continue giving cash change.
- Return to the use of scrip.

--Use a combination of cash and scrip. Last year, the Department proposed legislation that scrip be used as change for all purchases totaling less than \$5. For all purchases of \$5 and over, cash change of less than \$1 would continue to be given. The Department believed that this option would minimize cash change abuse since most food stamp recipients might not be willing to spend \$5 in food stamps to get less than \$1 in cash change. At the same time, participants who purchased larger food orders would not need to deal with receiving scrip as change.

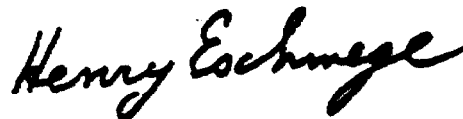
--Require participants to pay any cost over an even dollar amount or purchase additional food. Under this option, a participant would use food stamps up to the nearest dollar of the purchase and either pay the balance in cash or purchase additional food (trade out) up to an even dollar amount. A further refinement of this option would be to allow stores to give some small amount of cash change, for example 10 cents or so, so that participants would have some leeway in trading out.

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As discussed with your office, we are not expressing any opinion as to what would be the most appropriate procedure for making change for food stamp purchases. Service officials responsible for the activities discussed in this report agreed with the information presented.

Copies of this report are being sent at this time to the Senate Committee on Agriculture, Nutrition, and Forestry and the House Committee on Agriculture. As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 2 days from the date of the report. At that time we will send copies to the Secretary of Agriculture and the Director, Office of Management and Budget, and make copies available to others on request.

Sincerely yours,



Henry Eschwege
Director