

**The original documents are located in Box 49, folder “7/5/76 S2853 Emergency Food Stamp Vendor Accountability Act of 1976” of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.**

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*signed July 5, 1976*

**APPROVED**

**JUL 5 - 1976**

THE WHITE HOUSE

ACTION

WASHINGTON

July 2, 1976

Last Day: July 5

*Statement issued 7/6*

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON *JC*

SUBJECT:

S. 2853 - Emergency Food Stamp Vendor Accountability Act of 1976

*Posted 7/6/76*

*archive 7/6/76*

Attached for your consideration is S. 2853, sponsored by Senator Helms and 31 others.

The enrolled bill amends the Food Stamp Act of 1964 to strengthen provisions designed to ensure accountability of food stamp vendors for stamps distributed and funds collected, mainly by: requiring vendors to deposit funds promptly, prohibiting their use of the funds for personal gain, establishing statutory reporting requirements, prescribing procedures for the delivery and custody of food stamps, and providing criminal penalties for violation of the foregoing.

Additional information is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Lazarus) and I recommend approval of the enrolled bill and the proposed signing statement which has been cleared by the White House Editorial Office (Smith).

RECOMMENDATION

That you sign S. 2853 at Tab B.

That you approve ~~the~~ signing statement at Tab C.

Approve *JC*

Disapprove \_\_\_\_\_







EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

JUN 29 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 2853 - Emergency Food Stamp  
Vendor Accountability Act of 1976  
Sponsor - Sen. Helms (R) North Carolina and  
31 others

Last Day for Action

July 5, 1976 - Monday

Purpose

Amends the Food Stamp Act of 1964 to strengthen provisions designed to ensure accountability of food stamp vendors for stamps distributed and funds collected, mainly by: requiring vendors to deposit funds promptly, prohibiting their use of the funds for personal gain, establishing statutory reporting requirements, prescribing procedures for the delivery and custody of food stamps, and providing criminal penalties for violation of the foregoing.

Agency Recommendations

Office of Management and Budget	Approval
Department of Agriculture	Approval
Department of the Treasury	Approval
Department of Justice	No objection
U.S. Postal Service	No objection

Discussion

Under the food stamp program, States are responsible for arranging for the issuance of food stamp coupons, which are sold to persons who qualify for participation in the program. Vendors include banks, post offices, State or local government offices, check cashers, currency exchanges and other agents. Regulations of the Department of Agriculture require daily deposit for collections of \$1,000 and over, unless extraordinary conditions prevent such deposits. Deposits must, in any event, be made at least weekly and on the last issuance day of each month, regardless of the amount to be deposited.





A nationwide audit begun in October 1975 by Agriculture of food stamp issuance outlets uncovered irregularities. Some vendors were failing to deposit the funds they received from the sale of food stamp coupons in a timely manner, and were using the money, interest-free, for long periods of time for private gain. While this practice is a violation of current regulations, present law does not contain penalties for this type of abuse.

S. 2853 is designed to rectify this situation. The provisions of the bill were included in the Senate-passed food stamp reform legislation. The Senate Agriculture Committee, however, felt so strongly about the need for this legislation that it also reported S. 2853 as a separate bill. It was passed unanimously in both Houses.

Major provisions of S. 2853 would amend the Food Stamp Act to:

-- require the Secretary of Agriculture to issue regulations governing deposits of funds derived from the issuance of food stamps by coupon vendors; as a minimum, these regulations would have to provide for deposits to be made weekly and, when a vendor has at least \$1,000 on hand, for deposit within two banking days. The penalty for violating these regulations would be a maximum fine of \$3,000 or one year's imprisonment, or both.

-- provide that vendors receive food stamps receipts as fiduciaries of the Federal Government and that such receipts are to be set aside as funds of the Federal Government; use of these funds to benefit any individual or other entity except the Federal Government would be prohibited. Any individual convicted of violating this provision would, if the amount involved is less than \$1,000, be fined not more than \$3,000 and/or one-year's imprisonment. For violations involving greater amounts, the maximum penalty would be a fine of \$10,000 or the amount involved, whichever is greater, and/or ten years' imprisonment.

-- require the Secretary and the Postal Service to arrange for the prompt deposit of funds collected by the Postal Service in its role as vendor.

-- direct the Secretary by regulation to require vendors (1) immediately after depositing funds, to confirm the deposit and provide certain relevant information in writing to the



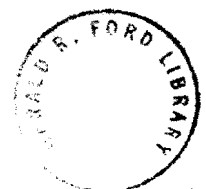
overseeing State agency and (2) to report at least monthly in writing to the Secretary, or his designee, on their operations during the period. Vendors failing to send written notice of deposits to State agencies or the required reports to Agriculture would be fined a maximum of \$3,000, or imprisoned for not more than one year, or both. Vendors knowingly providing false information in either the notice or reports would be subject to fines of \$10,000 and/or imprisonment for not more than ten years.

-- authorize the Secretary to require by regulation that State agencies provide the Secretary with periodic reports containing a consolidation of vendors' confirmation notices.

-- require the Secretary by regulation to prescribe appropriate procedures for (1) the delivery of coupons to vendors, (2) their custody and storage by vendors, and (3) determining and monitoring coupon inventories in the hands of vendors. The Secretary could require periodic reports from vendors on coupon inventories. Any individual failing to provide such reports or violating the requirements for delivery and custody of coupons would be fined not more than \$3,000 and/or imprisoned for not more than one year. Any individual knowingly providing false information in inventory reports would be fined not more than \$10,000, and/or imprisoned for not more than ten years.

Agriculture believes that enactment of S. 2853 would reduce program costs by minimizing losses of interest due to late or non-depositing of receipts by food stamp vendors, but cannot estimate the amount of the possible savings. The Department states, however, that administrative costs--which are matched 50% by the Federal Government--might increase somewhat.

Justice believes the bill appears as a whole to be worthwhile, although there may be some enforcement problems. Justice notes that the reporting requirements may be somewhat burdensome and may cause administrative and enforcement problems--for example the requirement for an "immediate" notice confirming the deposit of funds is too vague, in the Department's view, and should be made specific, e.g., within 24 hours or 48 hours. Justice also believes the ten-year imprisonment penalty for knowingly providing false information in coupon inventory reports is too high for this type of violation compared with penalties under other



statutes, and that the \$3,000 maximum fine provision for failing to provide inventory reports will make it difficult to prosecute cases, since they would have to be handled by U.S. district judges rather than magistrates, whose jurisdiction is limited to misdemeanors with a maximum fine of \$1,000.

We recognize that the bill will create additional paperwork burdens. Moreover, during consideration of this legislation in the Senate, Agriculture recommended a number of amendments, mainly to stress State responsibility under the current law by placing certain of the proposed statutory responsibilities in the overseeing State agencies rather than in the Department-- for example, by requiring the vendors' monthly deposit reports to be submitted to the State agencies for consolidation and reconciliation prior to their submission to the Department, and by providing for State agency monitoring of vendors' coupon inventories and responsibility for delivery and protection of coupons. Although the Congress decided to retain these responsibilities in the Department, Agriculture believes S. 2853 would go far toward strengthening State controls over vendor activity, and the Administration indicated support for the bill before the floor votes.

*James M. Frey*  
Assistant Director for  
Legislative Reference

Enclosures



*B*



STATEMENT BY THE PRESIDENT

I have signed S. 2853, the Emergency Food Stamp Vendor Accountability Act of 1976.

I applaud the efforts of the Congress in enacting this legislation to make food stamp vendors accountable for food stamps that they hold as well as for the funds collected.

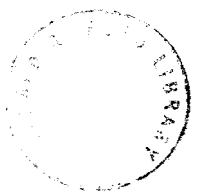
The bill is designed to eliminate the widely publicized coupon vendor abuses. The legislation will ensure that persons authorized to sell food stamps promptly deposit the cash collected. Also, it will help minimize the potential for abuse by providing specific criminal penalties for certain violations of the statutory requirements. Food stamp program costs will be reduced by eliminating losses of interest due to late deposits of cash collected by the vendors. Further, the enactment of criminal penalties will be a significant inducement for vendor compliance with food stamp program requirements.

Although I am pleased to sign this measure because it represents a significant step toward improving program accountability, it falls far short of the meaningful food stamp program reforms which are needed to redirect food stamp benefits to the truly needy and to eliminate from the program persons with income substantially above the poverty level.

In 1975, I submitted to the Congress a comprehensive food stamp reform proposal which was aimed at simplifying program administration and achieving program equity, as well as strengthening program accountability. The Congress has been working on program reforms, but as yet no substantive reforms have been enacted.



Each day that goes by without action to reform the food stamp program costs the taxpayers about \$3 million. I continue to believe that the Congress should act quickly on my legislative proposals so that reforms can be implemented to control costs and abuses of the food stamp program.



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

JUN 29 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 2853 - Emergency Food Stamp  
Vendor Accountability Act of 1976  
Sponsor - Sen. Helms (R) North Carolina and  
31 others

Last Day for Action

July 5, 1976 - Monday

Purpose

Amends the Food Stamp Act of 1964 to strengthen provisions designed to ensure accountability of food stamp vendors for stamps distributed and funds collected, mainly by: requiring vendors to deposit funds promptly, prohibiting their use of the funds for personal gain, establishing statutory reporting requirements, prescribing procedures for the delivery and custody of food stamps, and providing criminal penalties for violation of the foregoing.

Agency Recommendations

Office of Management and Budget	Approval
Department of Agriculture	Approval
Department of the Treasury	Approval
Department of Justice	No objection
U.S. Postal Service	No objection

Discussion

Under the food stamp program, States are responsible for arranging for the issuance of food stamp coupons, which are sold to persons who qualify for participation in the program. Vendors include banks, post offices, State or local government offices, check cashers, currency exchanges and other agents. Regulations of the Department of Agriculture require daily deposit for collections of \$1,000 and over, unless extraordinary conditions prevent such deposits. Deposits must, in any event, be made at least weekly and on the last issuance day of each month, regardless of the amount to be deposited.



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: June 29

Time: 630pm

FOR ACTION: Spencer Johnson *oh* cc (for information): Jack Marsh  
 Max Friedersdorf Jim Cavanaugh  
 Ken Lazarus *✓* Dick Parsons *✓* Ed Schmults  
 Lynn May  
 Steve McConahey

FROM THE STAFF SECRETARY

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DUE: Date: June 30 Time: 400pm

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SUBJECT:  
 S. 2853 - Emergency Food Stamp Vender  
 Accountability Act of 1976

ACTION REQUESTED:

- |   |   |
|---|---|
| <input type="checkbox"/> For Necessary Action         | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief     | <input type="checkbox"/> Draft Reply              |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks            |

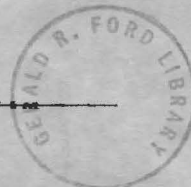
REMARKS:

please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.  
For the President







DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20250

June 28, 1976

Honorable James T. Lynn, Director  
Office of Management and Budget  
Washington, D. C. 20503

Dear Mr. Lynn:

This is in reply to a request from your office for a report on the enrolled enactment of S. 2853, which would amend the Food Stamp Act of 1964 to insure a proper level of accountability on the part of food stamp vendors.

The Department recommends that the President approve the bill.

The major provisions of S. 2853 declare that funds in the hands of food stamp vendors which are derived from the sale of food stamp coupons are Federal funds; require vendors to promptly deposit the funds in a manner prescribed by the Secretary of Agriculture; require vendors to report such deposit to the State agency immediately after the deposit; require the State agency and vendors to report deposits to USDA periodically; provide for the prompt deposit of funds by the United States Postal Service under joint arrangement with the Secretary of Agriculture; require the Secretary of Agriculture to develop by regulation procedures for determining and monitoring the level of food stamp inventories; and provide stiff criminal penalties for vendors who fail to comply with these requirements.

Enactment of the provisions of S. 2853 would go far toward strengthening State controls over vendor activity. It would thereby reduce program costs by minimizing losses of interest due to late or non-depositing by food stamp vendors. Further, the enactment of criminal penalties would be a significant inducement for vendor compliance with program requirements. There is no adequate figure for the amount of interest currently being lost to the Federal Government, although it is assumed to be significant. Therefore, the cost savings which would accrue from enactment of the bill's provisions cannot be established.

On the other hand, it is possible that enactment of S. 2853 will increase administrative costs somewhat since vendors' transaction fees may be raised as a result of stringent enforcement of depositing and reporting requirements. Fifty percent of any such increase would



Honorable James T. Lynn

2

be borne by the Federal Government; the other fifty percent, by the States. In addition, the Federal Government would have to reimburse fifty percent of the States' cost for any additional administrative costs incurred as a result of the bill's enactment.

Sincerely,

A handwritten signature in cursive script, appearing to read "Richard L. Feltner".

Richard L. Feltner  
Assistant Secretary





THE DEPUTY SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

JUN 25 1976

Director, Office of Management and Budget  
Executive Office of the President  
Washington, D. C. 20503

Attention: Assistant Director for Legislative  
Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of S. 2853, "To amend the Food Stamp Act of 1964 to insure a proper level of accountability on the part of food stamp vendors."

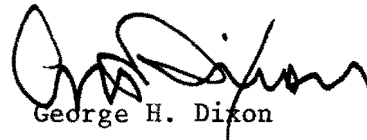
The enrolled bill would designate the proceeds of food stamp sales as Federal funds and would place the vendors of food stamps in a fiduciary capacity with regard to such funds. Further, vendors would be prohibited from using food stamp funds for private purposes, under penalty of fine or imprisonment or both. Other major provisions of S. 2853 would require timely deposits of food stamp proceeds, periodic reports by vendors to the Secretary of Agriculture, and promulgation by the Secretary of procedures regarding proper handling of the stamps.

This Department was not asked to comment on S. 2853 when the bill was under consideration by the Congress.

The enrolled bill, however, is in accord with our view that there should be strict controls on food stamp procedures and that vendors of the stamps should be held to a high level of accountability.

In view of the foregoing, the Department recommends that the President approve the enrolled enactment.

Sincerely yours,



George H. Dixon



**Department of Justice**  
**Washington, D.C. 20530**

June 29, 1976

Honorable James T. Lynn  
Director, Office of Management and Budget  
Washington, D. C. 20503

Dear Mr. Lynn:

In compliance with your request, I have examined a facsimile of Enrolled Bill S. 2853.

This legislation, enacted by Congress and now an enrolled bill awaiting executive action, has as its declared intent the amendment of the Food Stamp Act of 1964 to insure a proper level of accountability on the part of food stamp vendors. The apparent purpose of this legislation is to more effectively oversee and regulate the activities of those parties who are responsible for the issuance or sale of food stamp coupons, that is, food stamp vendors. Food stamp "coupon vendors" are defined in the last section of the above bill, Section 4(o), to mean ". . . any person, partnership, corporation, organization, political subdivision, or other entity with which a state agency has contracted for, or to which it has delegated administrative responsibility in connection with, the issuance of coupons to households."

The legislation appears to be worthwhile from an enforcement standpoint and apparently has promise of accomplishing the purpose of insuring a proper level of accountability on the part of food stamp vendors. Unfortunately, we have been asked to comment on S. 2853 after its passage by Congress rather than at the proposed stage. The bill seems meritorious in trying to insure greater accountability by food stamp coupon vendors, which is apparently under state control at present, although the reporting requirements may be somewhat burdensome and cause administrative and enforcement problems.

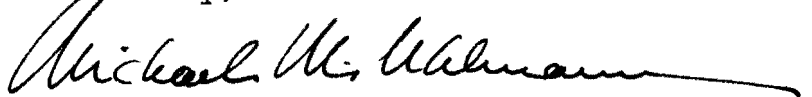
One possible problem arises with respect to the requirement in Section 4(a) that vendors must immediately send a written notice to the State agency, accompanied by an appropriate voucher, confirming a deposit of funds derived from the distribution of coupons. The term "immediate" is too vague and it would be more appropriate to spell out a specified amount of time, e.g., 24 or 48 hours.



The penalty provision in Section 3(b) of ten years imprisonment for a felony conviction is not in line with the penalties for violation of comparable provisions such as the general false statement statute (Title 18, Section 1001) or other false statement or fraud statutes (e.g. 18 U.S.C. 287 - false claims act), which have a maximum of five years imprisonment. We see no reason for a higher penalty for violations of this statute. More importantly, the \$3,000 maximum fine provision for misdemeanors in Section 3(b) would preclude trials by magistrates, whose jurisdiction is limited to misdemeanors with a maximum fine of \$1,000. This would make it more difficult to prosecute cases as many U.S. district judges may be reluctant to handle these misdemeanor cases.

Although, as indicated, we feel there may be some enforcement problems, the bill appears as a whole to be worthwhile. Accordingly, the Department of Justice has no objection to Executive approval of this bill.

Sincerely,



MICHAEL M. UHLMANN  
Assistant Attorney General





LAW DEPARTMENT  
Washington, DC 20260  
June 25, 1976

Dear Mr. Frey:

This responds to your request for the views of the Postal Service with respect to the enrolled bill:

S. 2853, "To amend the Food Stamp Act to insure a proper level of accountability on the part of food stamp vendors."

1. Purpose of Legislation. Generally, the bill would establish a series of strict detailed minimum controls on the fund deposit and coupon inventory practices of food coupon vendors and would establish criminal penalties for violations. However, federal agencies or federal employees who distribute food coupons--as the Postal Service does in some cases, by arrangement with USDA and a state or locality--are not considered to be "coupon vendors" within the meaning of the bill. S. Rep. No. 94-714, 94th Cong., 2d Sess. 6-7 (1976). Fiscal practices with respect to funds collected by the Postal Service would be subject to joint arrangement by the Postal Service and the Secretary of Agriculture, and must assure prompt deposit. See section 7(d)(7) as added by §2 of the bill.
2. Position of the Postal Service. The bill requires no changes in present practices of the Postal Service in distributing food coupons under conditions arranged with USDA and a state or locality. Accordingly, the Postal Service has no objection to the measure.



3. Timing. We have no recommendation to make as to when the measure should be signed.
4. Cost or Savings. The bill would not impose additional costs or provide savings with respect to the Postal Service's coupon issuance program.
5. Recommendation of Presidential Action. The Postal Service has no objection to approval of this measure.

Sincerely,



W. Allen Sanders  
Assistant General Counsel  
Legislative Division

Mr. James M. Frey  
Assistant Director for  
Legislative Reference  
Office of Management and Budget  
Washington, D.C. 20503



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: June 29

Time: 630pm

FOR ACTION: Spencer Johnson cc (for information): Jack Marsh  
 Max Friedersdorf Jim Cavanaugh  
 Ken Lazarus Dick Parsons Ed Schmults  
 Lynn May  
 Steve McConahey

FROM THE STAFF SECRETARY

DUE: Date: June 30

Time: 400pm

SUBJECT:

S. 2853 - Emergency Food Stamp Vendor  
 Accountability Act of 1976

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

*No objection. RJP*  
 please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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James M. Cannon  
 For the President





THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: June 29

Time: 630pm

FOR ACTION: Spencer Johnson  
 Max Friedersdorf *M.B.* (for information): Jack Marsh  
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*No objection*

*J-L*

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James M. Cannon  
For the President



Date: July 2 **903**

Time: 530pm

FOR ACTION: Jim Lynn  
Max Friedersdorf  
Ken Lazarus  
Robert Hartmann

cc (for information): Jack Marsh.  
Jim Cavanaugh  
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: July 3

Time: 1100am

SUBJECT:

Proposed signing statement for S. 2853-Emergency Food Stamp Vendor Accountability Act of 1976

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to Judy Johnston, Ground Floor West Wing

*To Research 7/3/76, 9:24 a.m. jcp  
To DS 7/3/76 10:25 a.m.  
GJM*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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James M. Cannon  
For the President



DRAFT SIGNING STATEMENT FOR THE PRESIDENT  
S. 2853, "Emergency Food Stamp Vendor  
Accountability Act of 1976"

*AMB ASMO*  
I have signed S. 2853, the Emergency Food Stamp  
Vendor Accountability Act of 1976. I applaud the efforts  
of the Congress to act on this legislation to ensure  
that food stamp vendors are accountable for food stamps  
that they have as well as for the funds collected.

The bill is designed to eliminate the widely  
publicized coupon vendor abuses. The legislation will  
ensure that persons authorized to sell food stamps  
promptly deposit the cash collected. Also, it will  
eliminate the potential for abuse by providing specific  
criminal penalties for certain violations of the  
statutory requirements. Food stamp program costs will  
be reduced by minimizing losses of interest due to  
late deposits of cash collected by the vendors. Further,  
the enactment of criminal penalties will be a significant  
inducement for vendor compliance with food stamp program  
requirements.

Although I am pleased to sign this measure because  
it represents a significant step toward improving  
program accountability, it falls far short of the  
meaningful food stamp program reforms which are needed  
to redirect food stamp benefits to the truly needy and to





eliminate from the program persons with income substantially above the poverty level.

Oct. 1975

In 1975, I submitted to the Congress a comprehensive food stamp reform proposal which was aimed at simplifying program administration and achieving program equity, as well as strengthening program accountability.

The Congress has been working on program reforms, but as yet no substantive reforms have been enacted.

Each day that goes by without action to reform the food stamp program costs the taxpayers about \$3 million.

I continue to believe that the Congress should act quickly

on my legislative proposals so that reforms can be

implemented to control costs and abuses of the food

stamp program.

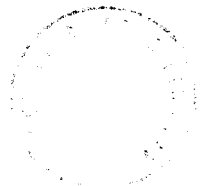


DRAFT SIGNING STATEMENT FOR THE PRESIDENT  
S. 2853, "Emergency Food Stamp Vendor  
Accountability Act of 1976"

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eliminate from the program persons with income substantially above the poverty level.

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Each day that goes by without action to reform the food stamp program costs the taxpayers about \$3 million. I continue to believe that the Congress should act quickly on my legislative proposals so that reforms can be implemented to control costs and abuses of the food stamp program.



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 2

Time: 530pm

FOR ACTION: Jim Lynn  
Max Friedersdorf  
Ken Lazarus  
Robert Hartmann

cc (for information): Jack Marsh  
Jim Cavanaugh  
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: July 3

Time: 1100am

SUBJECT:

Proposed signing statement for S. 2853-Emergency Food Stamp Vendor Accountability Act of 1976

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

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K. R. COLE, JR.  
For the President





Date: July 2

Time: 530pm

FOR ACTION: Jim Lynn  
Max Friedersdorf  
Ken Lazarus  
Robert Hartmann

cc (for information): Jack Marsh  
Jim Cavanaugh  
Ed Schmults

*M.G.*

FROM THE STAFF SECRETARY

DUE: Date: July 3

Time: 1100am

SUBJECT:

Proposed signing statement for S. 2853-Emergency Food Stamp Vendor Accountability Act of 1976

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

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*O.K. - may f.*

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James M. Cannon  
For the President



Date: July 2

Time: 530pm

FOR ACTION: Jim Lynn  
Max Friedersdorf  
Ken Lazarus  
Robert Hartmann

cc (for information): Jack Marsh  
Jim Cavanaugh  
Ed Schmults

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Time: 1100am

SUBJECT:

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For Necessary Action

For Your Recommendations

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Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to Judy Johnston, Ground Floor West Wing

*In system*  
*Schmults 7/2/76*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon  
For the President



DRAFT SIGNING STATEMENT FOR THE PRESIDENT  
S. 2853, "Emergency Food Stamp Vendor  
Accountability Act of 1976"

I have signed S. 2853, the Emergency Food Stamp Vendor Accountability Act of 1976. <sup>A</sup> I applaud the efforts of the Congress ~~to act on~~ <sup>in enacting</sup> this legislation to ~~ensure~~ <sup>make</sup> ~~that~~ food stamp vendors ~~are~~ accountable for food stamps that they ~~have~~ <sup>hold</sup> as well as for the funds collected.

The bill is designed to eliminate the widely publicized coupon vendor abuses. The legislation will ensure that persons authorized to sell food stamps promptly deposit the cash collected. Also, it will <sup>help</sup> ~~eliminate~~ <sup>minimize</sup> the potential for abuse by providing specific criminal penalties for certain violations of the statutory requirements. Food stamp program costs will be reduced by <sup>eliminating</sup> ~~minimizing~~ losses of interest due to late deposits of cash collected by the vendors. Further, the enactment of criminal penalties will be a significant inducement for vendor compliance with food stamp program requirements.

Although I am pleased to sign this measure because it represents a significant step toward improving program accountability, it falls far short of the meaningful food stamp program reforms which are needed to redirect food stamp benefits to the truly needy and to



eliminate from the program persons with income substantially above the poverty level.

In 1975, I submitted to the Congress a comprehensive food stamp reform proposal which was aimed at simplifying program administration and achieving program equity, as well as strengthening program accountability. The Congress has been working on program reforms, but as yet no substantive reforms have been enacted.

Each day that goes by without action to reform the food stamp program costs the taxpayers about \$3 million. I continue to believe that the Congress should act quickly on my legislative proposals so that reforms can be implemented to control costs and abuses of the food stamp program.





STATEMENT BY THE PRESIDENT

I have signed S. 2853, the Emergency Food Stamp Vendor Accountability Act of 1976.

I applaud the efforts of the Congress in enacting this legislation to make food stamp vendors accountable for food stamps that they hold as well as for the funds collected.

The bill is designed to eliminate the widely publicized coupon vendor abuses. The legislation will ensure that persons authorized to sell food stamps promptly deposit the cash collected. Also, it will help minimize the potential for abuse by providing specific criminal penalties for certain violations of the statutory requirements. Food stamp program costs will be reduced by eliminating losses of interest due to late deposits of cash collected by the vendors. Further, the enactment of criminal penalties will be a significant inducement for vendor compliance with food stamp program requirements.

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Each day that goes by without action to reform the food stamp program costs the taxpayers about \$3 million. I continue to believe that the Congress should act quickly on my legislative proposals so that reforms can be implemented to control costs and abuses of the food stamp program.



Date: July 2

Time: 530pm

FOR ACTION: Jim Lynn  
Max Friedersdorf  
Ken Lazarus  
Robert Hartmann

cc (for information): Jack Marsh  
Jim Cavanaugh  
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: July 3

Time: 1100am

SUBJECT:

Proposed signing statement for S. 2853-Emergency Food Stamp Vendor Accountability Act of 1976

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

please return to Judy Johnston, Ground Floor West Wing

*Last day for signing here 7/3  
which means it needs to go to Pres.  
Lot.*

*7/2/76 - copy sent for researching. mm  
7/3/76 - Researched copy returned. mm*



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon  
For the President

## EMERGENCY FOOD STAMP VENDOR ACCOUNTABILITY ACT OF 1976

JUNE 18, 1976.—Committed to the Committee of the Whole House on the  
State of the Union and ordered to be printed

Mr. FOLEY, from the Committee on Agriculture,  
submitted the following

### REPORT

[To accompany S. 2853]

The Committee on Agriculture, to whom was referred the bill (S. 2853) to amend the Food Stamp Act of 1964 to insure a proper level of accountability on the part of food stamp vendors, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### SHORT EXPLANATION

S. 2853 amends the Food Stamp Act of 1964 to place strict controls on vendors of food stamps.

The major provisions of the bill—

(1) specify that funds received by vendors from the sale of food stamps are Federal funds and vendors receive such funds as fiduciaries of the Federal Government;

(2) require that vendors deposit funds from food stamp sales at least once a week and that any vendor accumulating over \$1,000 in food stamp funds must deposit the money within two banking days. The failure to timely deposit funds received from the sale of food stamps would subject a vendor to a fine of not more than \$3,000, or imprisonment for not more than one year, or both;

(3) prohibit vendors from using food stamp funds for any private purpose. Any vendor violating this provision would be subject to a fine of not more than \$10,000 (or a sum equal to the amount of funds involved in the violation, whichever is greater), or imprisonment for not more than 10 years, or both. (However, if the amount of funds involved in the violation was less than \$1,000, the vendor would be subject to a fine of not more than \$3,000 or imprisonment for not more than one year, or both);

(4) require vendors to send periodic reports on their operations to the Secretary of Agriculture and documentation of each





deposit of funds to the State agency responsible for administration of the food stamp program; and

(5) require the Secretary of Agriculture to prescribe appropriate procedures for the delivery of food stamps to vendors and for the custody, care, control, and storage of food stamps by vendors in order to secure them against theft, embezzlement, misuse, loss, or destruction;

(6) require the Secretary of Agriculture and the United States Postal Service to jointly arrange for the prompt deposit of funds collected by the Postal Service from charges made for food stamps.

#### BACKGROUND

The food stamp program—which is authorized by the Food Stamp Act of 1964—is designed to improve the diets of low-income households by supplementing the food purchasing power of low-income families.

Under existing law and regulations, eligible individuals and families pay a prescribed amount and receive an allotment of stamps or coupons approximating the amount that family needs to buy a nutritionally adequate diet. The Federal Government bears the cost representing the difference between the amount the family pays and the total coupon allotment.

The coupons are primarily used to buy any food for human consumption in authorized retail stores.

Food retailers and meal delivery services are authorized by the Food and Nutrition Service of the United States Department of Agriculture. Coupons can be redeemed by authorized retailers and nonprofit meal delivery services at commercial banks or authorized wholesale food concerns.

Under the Department's regulations, State agencies are responsible for the certification of applicant households, the issuance of coupons, and for the proper accounting to the Federal Government of their issuance activities. State agencies are authorized to contract with others for the actual issuance of coupons, but the State remains both responsible and financially liable to the Department for all issuance activities.

In most areas of the country, the State prepares and sends eligible households an "authorization to purchase" (or ATP) card, which entitles them to purchase their monthly coupon allotment for a specified purchase price. Households wishing to participate take the ATP cards to any of the local issuance agents and exchange the ATP card and the cash purchase price for coupons. Where an ATP card is not issued, the participant must go to the local office where his issuance record is on file and sign that record when he purchases his food stamps.

States are responsible for arranging for the issuance of food coupons. The records of the Department of Agriculture show that of the 14,239 issuance agents selected by the States, 7,312 are banks, 2,115 are post offices, 3,706 are either State or county government offices, and 1,106 consist of a variety of agents such as check cashers (338), currency exchanges (587), community action agencies (58), credit unions (40), and other agents (83). Some of the non-bank agents are

subcontractors with large city banks. For instance, 550 of the currency exchanges are sales outlets under contract to the Lincoln National Bank in Chicago.

Food stamp issuance agents account for their issuance activities through two basic documents: an FNS-282 card which accompanies cash deposits to the Federal Reserve Bank and an FNS-250 report which summarizes coupon inventory, coupon sales, cash collections, and deposits for the month.

The depositing document, the FNS-282 card, is prepared by the issuance agent to accompany the cash instrument to a Federal Reserve Bank. The FNS-282 identifies the depositor and the amount being transmitted to the Federal Reserve Bank. The Federal Reserve Bank then credits a Food and Nutrition Service account in the Treasury with the amount received, and forwards batched FNS-282 cards to the Food and Nutrition Service in Washington at least weekly.

The instructions of the Department require that for daily collections of \$1,000 and over, deposits must be made by issuance agents within 24 hours (unless extraordinary conditions prevent the deposits). Deposits must, in any event, be made at least weekly and on the last issuance day of each month, regardless of the amount to be deposited.

Food stamp issuance agents must also report, on a monthly basis, their coupon inventory levels, the number by book type and total value of food coupons sold, the total cash collected, and the individual deposits that are made. Based on this information, an FNS-250 report is sent to the Regional Office of the Food and Nutrition Service by the 20th day of the month following the report month. Not all of the 14,239 individual issuance agents send FNS-250 reports directly to FNS. Some consolidation occurs on a local level. For instance, the Lincoln National Bank in Chicago consolidates and reports on one FNS-250 the monthly activities of its 550 currency exchanges. There are, however, about 6,700 issuance agents who are responsible for completing the FNS-250 on a monthly basis.

The FNS-250 report requires the State agency or its delegated issuance agent to certify that the coupon inventory figures reported have been verified by actual physical count. The report also requires certification that the amounts collected have been deposited to the account of the Food and Nutrition Service. Finally, the report compares these amounts to the total coupon and cash amounts authorized by the ATP cards collected that month. These ATP cards are then returned to the State or local project area which issued them to have the totals reverified against agency records of eligible households.

The Food and Nutrition Service receives about 80,000 FNS-250 reports and about 700,000 FNS-282 cards each year. Under the existing procedure, that agency can reconcile the amounts shown collected on the FNS-250 with the confirmed deposits based on the FNS-282 and bill the States for any discrepancies shown by that reconciliation or for other shortages shown on the face of the FNS-250. The agency cannot, however, verify the amount which should have been collected as the ATP cards are necessary to complete this step and they are retained by the State agency or its local counterpart agency.

The State agency, or the county welfare office, receives the ATP cards which have been transacted. A copy of the FNS-250 (or data

from which to prepare the FNS-250) is also provided for the State agency and, in all but a few instances where cash deposits are made directly at a Federal Reserve Bank, the State can request from its agents copies of the actual deposits. The State agency could then totally monitor the depositing system as it would have in its possession documents showing what should have been collected, what the agent claims to have collected, and what was actually deposited.

In March 1976, the Department of Agriculture issued proposed amendments to the regulations governing the food stamp program to tighten the accountability of food stamp issuance agents. The proposed regulations require State welfare agencies to withhold payments to the vendors until they (1) submit authorization to purchase cards for all issuance transactions; (2) file reports accounting for all cash and food stamps involved in issuance transactions; and (3) deposit cash collected from food stamp sales to the Federal Reserve Bank. The regulations have not been put into final form.

#### NEED FOR THE LEGISLATION

The Department of Agriculture has determined that some food stamp vendors have wrongfully withheld money they accumulated from the sale of food stamp coupons, and in some instances used the money for their own purposes.

The Department began a nationwide audit of the food stamp program in October 1975 when it discovered irregularities at one of the 14,254 food stamp issuance outlets around the country. A special task force of auditors began checking the records of the vendors who, pursuant to contracts with State agencies, sell food stamps to persons who qualify for participation in the program (except for the 2,115 post office centers which are reviewed periodically by postal auditors).

The task force established that the records of more than 10,000 of the vendors were in apparent order. However, the task force found that about 1,300 of the vendors apparently were not making timely deposits of the money they had collected on food stamp purchases as required by the Department's instructions. About 1,000 of the cases involved vendors who had failed to deposit small amounts of funds for a week or more; the vendors usually had the funds in separate food stamp accounts. What appeared to be shortages with respect to about 100 of the remaining 300 vendors were caused by errors in the system used to account for the deposits from the issuance agents through the Federal banks to the Department of Agriculture.

The Office of Audit made a report of the findings of its reviews of food stamp fiscal accountability operations to the Secretary on March 30, 1976. The Office's summary of the audit results and the action taken by the Department follows:

We identified 1,320 potential cases of problem issuing agents. Of these, 1,096 were possible late depositors and 224 appeared not to have made required cash deposits. We referred information on 1,054 of these to FNS for administrative action and made audits of the other 266.

The 1,054 referred to FNS involved 975 banks and local Government offices that have been making deposits on a monthly or less frequent, but late, basis; and 79 cases of deposits we could not confirm, generally for amounts under \$2,000. Late deposits for these agents totaled about

\$6 million monthly, and the small deposits which we could not confirm totaled about \$64,000.

The 266 audits resulted in Forms OA-7600-1, Significant Inquiry, being sent FNS covering indicated serious conditions at 79 agents, and 110 memorandum reports covering the less serious, or no problems. The other 77 were resolved by additional audit at FNS Headquarters and were not field reviewed. The 79 more serious cases had about \$6.4 million in nondeposits; \$18.5 million in late deposits; and \$98,000 in coupon shortages. The 110 agents covered in our memorandum reports included 51 that had late deposits of about \$2.5 million.

There were an additional 192 vendors, which represented the balance of agents classified as other than Post Offices, banks or Government offices that were not identified among possible problem cases. We visited these to physically inventory and reconcile coupon balances and to verify current cash positions. Forms OA-7600-1 were sent FNS for 12 more serious problem issuing agents covering coupon shortages of about \$32,000, nondeposits of about \$123,000, and late deposits of about \$335,000. Memorandum reports on the balance reported late deposits of about \$350,000 by 34 agents.

A summary of these audit results are as follows:

	Late deposits		Nondeposits		Coupon shortages		Total	
	Number of agents	Amount	Number of agents	Amount	Number of agents	Amount	Number of agents	Amount
Accountability audits:								
Forms OA-7600-1	52	\$18,467,988	25	\$6,395,786	2	\$98,139	79	\$24,961,913
Memorandum reports with findings	51	2,500,000					51	2,500,000
Coupon inventories:								
Forms OA-7600-1	5	334,925	5	122,944	2	31,937	12	488,806
Memorandum report with findings	34	350,000	79	64,000			34	350,000
Referred for administrative action	975	6,000,000					1,054	6,064,000
<b>Total</b>	<b>1,117</b>	<b>27,652,913</b>	<b>109</b>	<b>6,582,730</b>	<b>4</b>	<b>130,076</b>	<b>1,230</b>	<b>34,365,719</b>
Field review without findings							205	
Deposits verified by headquarters review							77	
							1,512	34,365,719

The practice of food stamp vendors failing to timely deposit to the account of the Federal Government the money they collect on food stamp purchases and using the money interest free for long periods of time is evidence of the fact that the vendors are not made sufficiently accountable for their activities by the Food Stamp Act of 1964.

In contrast with the specific penalties applying to food stamp recipients and grocers, the Act contains no penalties with respect to vendors who abuse the food stamp program. Therefore, under the existing Food Stamp Act, if a vendor fails to timely deposit money it collects on food stamp purchases, the Department's only recourse is to proceed against the State agency in whose jurisdiction the practice is occurring.

Moreover, the existing Food Stamp Act does not state specifically that the funds received by vendors from the sale of coupons are Federal funds or provide specific penalties for a vendor's misuse of the funds.

The Food Stamp Act and the regulations governing the food stamp program are quite explicit in assigning to the State agencies the full liability and responsibility for the proper accounting for food stamps in their custody, and for the cash received in the issuance process. Despite this liability and responsibility, States have not, by and large, become aggressively involved in issuance and accountability systems. Few States have demanded that their issuance agents supply them with the documentation supporting cash collections and deposits, leaving to the Food and Nutrition Service the monitoring of issuance agent activity. The Food and Nutrition Service has been unable to effectively keep track of issuance activity by individual agents or to supply the State with reports to substitute for what the State might get directly from its issuance agents. The existing Act, however, contains no requirement guaranteeing States an accurate and timely flow of information from vendors. Timely and accurate reports of receipts and deposits are necessary to enable States to monitor vendor activities adequately.

#### COMMITTEE CONSIDERATION

On April 9, 1976, S. 2583 was referred to the Committee on Agriculture. On May 11, 1976, Mr. Jones of North Carolina introduced H.R. 13698, a bill to ensure a proper level of accountability on the part of food stamp vendors that was identical to S. 2853. Seven other Representatives joined Mr. Jones in sponsoring this measure.

S. 2853 and H.R. 13698 were introduced in the wake of widespread reports concerning abuse of the food stamp program by vendors of food stamps. The abuse involved the failure of vendors to timely deposit the funds they collected from the sale of food stamp coupons, and the use of that money for private gain. Penalties for this type of abuse are lacking in the existing program.

The persistence of the problem has gained considerable notoriety in the media and serves to bring the food stamp program into public disrepute. Removing the potential for this type of program abuse should help restore public confidence in the program.

This issues were brought to the Committee's attention during a series of hearings on food stamps on January 28 and 29, February 2, 10, and 11, and March 23, 24, 25, 30, and 31.

In the course of marking up major food stamp reform legislation that included the provisions of S. 2853, the Committee felt so strongly about the need for enactment of legislation to tighten accountability to prevent vendor abuse that it ordered S. 2853 reported to the House as a separate bill by a unanimous voice vote in the presence of a quorum.

S. 2853 includes a number of provisions designed to ensure vendor accountability for food stamps distributed and cash collected as purchase prices. The bill mandates more adequate reporting of issuance activities, provides for strict penalties in cases of abuse, and ensures that funds collected from recipients by vendors are promptly deposited with the Federal Government and not used for private gain. The bill also directs the Secretary to establish procedures to monitor the inventories of food stamps held by vendors and to provide standards to safeguard the stamps against misuse by vendors.

In the provisions on vendor accountability, the Committee does not intend to restrict the flexibility of the Secretary and the Postal Service to cooperate (under the authority of 39 U.S.C. 411) in providing food stamp issuance in some States. The term "coupon vendor" is not intended to include the Federal Government itself or its employees where arrangements have been made for one of its agencies to issue food stamps—for example, where the Secretary and the Postal Service have established a program for the Postal Service to provide issuance services. However, fiscal practices included in such arrangements must assure prompt transfer of funds payable to the account of the food stamp program and adequate reporting mechanisms.

#### SECTION-BY-SECTION ANALYSIS

##### *Short Title*

The first section states that the Act may be cited as the "Emergency Food Stamp Vendor Accountability Act of 1976."

##### *Section 2. Charges for Coupon Allotments*

Section 2 of the bill revises subsection (d) of section 7 of the Food Stamp Act of 1964 by adding 6 new paragraphs.

*New subsection (d) (2)* requires that funds received by coupon vendors from the sale of food stamps be promptly deposited in an account of the Federal Government. At a minimum, the funds must be deposited weekly. However, whenever any coupon vendor accumulates a balance on hand of \$1,000 or more, the funds must be deposited within two banking days. (The Secretary of Agriculture could, by regulation, establish more stringent standards.)

Any vendor convicted of failing to timely deposit funds received from the sale of food stamps would be fined not more than \$3,000, or imprisoned not longer than one year, or both.

*New subsection (d) (3)* provides that receipts from the sale of food stamps are Federal funds and the food stamp vendors receive such funds as fiduciaries of the Federal Government. Upon receipt of funds from the sale of food stamps, vendors must immediately set them aside as Federal funds.

The funds received from the sale of food stamps are not to be used—prior to their deposit in the prescribed Federal account—for the bene-

fit of any person, partnership, corporation, association, organization, or entity other than the Federal Government. Any coupon vendor convicted of violating this provision would be fined no more than \$10,000 or a sum equal to the amount of funds so embezzled, whichever is greater, or imprisoned not more than ten years, or both. However, if the amount of funds involved is less than \$1,000, the coupon vendor would be fined not more than \$3,000, or imprisoned not more than one year, or both.

*New subsection (d) (4)* directs the Secretary, by regulation, to require coupon vendors to immediately, upon deposit of funds derived from the sale of food stamps, send a written notice and appropriation voucher to the State agency confirming the deposit.

In addition to such other information as the Secretary may by regulation require, the notice to the State agency would state the name and address of the coupon vendor; the total receipts from food stamp sales during the deposit period; the amount of the deposit; the name and address of the depository; and an oath or affirmation reciting that the information contained in the notice is true and correct to the best of the vendor's knowledge and belief.

Any coupon vendor convicted of failing to provide the notice to the State agency would be fined not more than \$3,000, or imprisoned not more than one year, or both. Any coupon vendor knowingly providing false information in any such notice would be fined not more than \$10,000, or imprisoned not more than ten years, or both.

*New subsection (d) (5)* requires that at intervals prescribed by the Secretary (but not less than monthly), coupon vendors are to provide the Secretary a written report of the vendor's operations during the period under the food stamp program. In addition to such other information as the Secretary may by regulation require, the report is to contain the name and address of the coupon vendor; the total receipts during the period; the total deposits during the period; the name and address of each depository receiving such funds from the coupon vendor; and an oath or affirmation reciting that the information contained in the report is true and correct to the best of the coupon vendor's knowledge and belief.

Any coupon vendor convicted of failing to provide the report to the Secretary would be fined not more than \$3,000, or imprisoned not more than one year, or both. Any coupon vendor knowingly providing false information in any such report would be fined not more than \$10,000, or imprisoned not more than ten years, or both.

*New subsection (d) (6)* authorizes the Secretary to require States to provide periodic reports containing a consolidation of the coupon vendor's notices to such State agencies.

*New subsection (d) (7)* provides that the Secretary and the United States Postal Service are to arrange jointly for the prompt deposit of the funds received by the Postal Service in its capacity as a coupon vendor.

##### *Section 3. Issuance of Coupons*

Section 3 of the bill revises section 6 of the Food Stamp Act by redesignating existing subsections (b) and (c) as subsections (d) and (e), respectively, and adding new subsections (b) and (c).

*New subsection (b)* requires that the Secretary develop an appropriate procedure for determining and monitoring the level of coupon inventories in the hands of coupon vendors to assure that such inventories are at proper levels (taking into consideration the historical and projected volume of food stamp sales by respective coupon vendors and the case and feasibility of resupplying their respective inventories). The Secretary may require periodic reports from coupon vendors respecting the level of their food stamp inventories.

Any coupon vendor convicted of failing to provide a report of his inventories to the Secretary would be fined not more than \$3,000 or imprisoned not more than one year, or both.

Any coupon vendor knowingly providing false information in any such report of inventories to the Secretary would be fined not more than \$10,000, or imprisoned for not more than ten years, or both.

*New subsection (c)* requires that the Secretary prescribe appropriate procedures for the delivery of food stamps to coupon vendors and for the custody, care, control, and storage of food stamps by coupon vendors in order to secure them against theft, embezzlement, misuse, loss, or destruction.

Any coupon vendor convicted of violating the regulations issued by the Secretary relative to the delivery, custody, care, control, and storage of food stamps would be fined not more than \$3,000, or imprisoned not more than one year, or both.

#### *Section 4. Definition of Coupon Vendor*

Section 4 adds a new subsection (o) to section 3 of the Food Stamp Act.

*New subsection (o)* defines "coupon vendor" as any person, organization, political subdivision, or other entity with which a State agency has contracted (or to which it has delegated administrative responsibility) for the issuance of food stamps to households.

#### ADMINISTRATION POSITION

On June 18, 1976, Under Secretary John A. Knebel of the U.S. Department of Agriculture wrote Chairman Foley urging enactment of S. 2853 as a means to enforce timely depositing by vendors of food stamp funds. A copy of the letter follows:

DEPARTMENT OF AGRICULTURE,  
OFFICE OF THE SECRETARY,  
Washington, D.C., June 18, 1976.

HON. THOMAS S. FOLEY,  
Chairman, House Agriculture Committee,  
Washington, D.C.

DEAR CHAIRMAN FOLEY: This is a voluntary report on S. 2853, an Act "To amend the Food Stamp Act of 1964 to insure a proper level of accountability on the part of food stamp vendors."

The major provisions of S. 2853 declare that funds in the hands of food stamp vendors which are derived from the sale of food stamp coupons are Federal funds; require vendors to promptly deposit the funds in a manner prescribed by the Secretary of Agriculture; require vendors to report such deposit to the State agency immediately after

the deposit; require the State agency and vendors to report deposits to USDA at least monthly; provide for the prompt deposit of funds by the United States Postal Service under joint arrangement with the Secretary of Agriculture; require the Secretary of Agriculture to develop by regulation procedures for determining and monitoring the level of food stamp inventories; and, provide stiff criminal penalties for vendors who fail to comply with these requirements.

The Department encourages the enactment of S. 2853 as a means to enforce timely depositing by vendors of food stamp funds. Enactment of S. 2853 would also go far toward strengthening controls over vendor activity. Further, the enactment of criminal penalties would be a significant inducement for vendor compliance with program requirements.

The Office of Management and Budget advises that there is no objection to the submission of this report from the standpoint of the Administration's program.

Sincerely,

JOHN A. KNEBEL.

#### CURRENT AND FIVE SUBSEQUENT FISCAL YEAR COST ESTIMATE

Pursuant to clause 7 of Rule XIII of the Rules of the House of Representatives, the Committee estimates that the enactment of S. 2853 would reduce the cost of the food stamp program by minimizing losses of interest due to late deposits (or failures to deposit) by food stamp vendors. However, the exact cost savings which would accrue from the enactment of the bill cannot be established. There is no known figure for the amount of interest currently being lost to the Federal Government, although it is assumed to be significant.

This cost estimate is in accord with the estimate furnished by the Department of Agriculture in its report on S. 2853. As pointed out by the Department in its report, it is possible that the enactment of the bill will increase administrative costs somewhat since vendors' transaction fees may be raised as a result of stringent enforcement of depositing and reporting requirements.

#### INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(1)(4) of Rule XI of the Rules of the House of Representatives, the Committee estimates that enactment of S. 2853 will have no inflationary impact on the national economy.

#### BUDGET ACT COMPLIANCE (SECTION 308 AND SECTION 403)

The provisions of clause 2(1)(3)(B) of Rule XI of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974 (relating to estimates of new or increased tax expenditures) are not considered applicable. The estimate and comparison required to be prepared by the Director of the Congressional Budget Office under clause 2(1)(3)(C) of Rule XI of the Rules of the House of Representatives and section 403 of the Congressional Budget Act of 1974 is not included in this report.

## OVERSIGHT STATEMENT

No summary of oversight findings and recommendations made by the Committee on Government Operations under clause 2(b)(2) of Rule X of the Rules of the House of Representatives was available to the Committee with reference to the subject matter specifically addressed by S. 2853.

No specific oversight activities, other than the hearings accompanying the Committee's consideration of major food stamp legislation was made by the Committee within the definition of clause 2(b)(1) of Rule X of the Rules of the House of Representatives.

## CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, and existing law in which no change is proposed is shown in roman) :

## FOOD STAMP ACT OF 1964

\* \* \* \* \*

## DEFINITIONS

## SEC. 3. As used in this Act—

\* \* \* \* \*

(o) *The term "coupon vendor" means any person, partnership, corporation, organization, political subdivision, or other entity with which a State agency has contracted for, or to which it has delegated administrative responsibility in connection with, the issuance of coupons to households.*

\* \* \* \* \*

## ISSUANCE AND USE OF COUPONS

SEC. 6. (a) Coupons shall be printed in such denominations as may be determined to be necessary, and shall be issued only to households which have been duly certified as eligible to participate in the food stamp program.

(b) (1) *The Secretary shall by regulation develop an appropriate procedure for determining and monitoring the level of coupon inventories in the hands of coupon vendors for the purpose of insuring that such inventories are at proper levels (taking into consideration the historical and projected volume of coupon distribution by such vendors). Any such regulations shall contain procedures to insure that coupon inventories in the hands of coupon vendors are not in excess of the reasonable needs of such vendors taking into consideration the ease and feasibility of resupplying such coupon inventories. The Secretary may, at his discretion, require periodic reports from such coupon vendors respecting the level of such inventories.*

(2) *Any coupon vendor, or any officer, employee, or agent thereof, convicted of failing to provide a report required under paragraph (1)*

*of this subsection shall be fined not more than \$3,000, or imprisoned not more than one year, or both.*

(3) *Any coupon vendor, or any officer, employee, or agent thereof, who knowingly provides false information in any report required under paragraph (1) of this subsection shall be fined not more than \$10,000, or imprisoned not more than ten years, or both.*

(c) (1) *The Secretary shall by regulation prescribe appropriate procedures for the delivery of coupons to coupon vendors and for the custody, care, control, and storage of coupons in the hands of coupon vendors in order to secure such coupons against theft, embezzlement, misuse, loss, or destruction.*

(2) *Any coupon vendor, or any officer, employee, or agent thereof, convicted of violating any regulations issued under paragraph (1) of this subsection shall be fined not more than \$3,000, or imprisoned not more than one year, or both.*

[(b)] (d) Coupons issued to eligible households shall be used by them only to purchase food in retail food stores which have been approved for participation in the food stamp program at prices prevailing in such stores: *Provided, That nothing in this Act shall be construed as authorizing the Secretary to specify the prices at which food may be sold by wholesale food concerns or retail food stores.*

[(c)] (e) Coupons issued to eligible households shall be simple in design and shall include only words or illustrations as are required to explain their purpose and define their denomination. The name of any public official shall not appear on such coupons.

## VALUE OF THE COUPON ALLOTMENT AND CHARGES TO BE MADE

## SEC. 7. \* \* \*

\* \* \* \* \*

(d) (1) Funds derived from the charges made for the coupon allotment shall be promptly deposited in a manner prescribed in the regulations issued pursuant to this Act, in a separate account maintained in the Treasury of the United States for such purpose. Such deposits shall be available, without limitation to fiscal years, for the redemption of coupons.

(2) (A) *The Secretary shall by regulation prescribe the manner in which funds derived from the distribution of coupons (charges made for coupon allotments) shall be deposited by coupon vendors. The regulations shall contain provisions requiring that coupon vendors promptly deposit such funds in the manner prescribed by the Secretary: Provided, That such regulations shall, at a minimum, require that such deposits be made weekly: Provided further, That such regulations shall, at a minimum, require that upon the accumulation of a balance on hand of \$1,000 or more, such deposits be made within two banking days following the accumulation of such amount.*

(B) *Any coupon vendor, or any officer, employee, or agent thereof, convicted of violating the regulations issued under subparagraph (A) of this paragraph shall be fined not more than \$3,000, or imprisoned not more than one year, or both.*

(3) (A) *Coupon vendors receiving funds derived from the distribution of coupons (charges made for coupon allotments) shall be deemed to be receiving such funds as fiduciaries of the Federal Government,*



and such coupon vendors shall immediately set aside all such funds as funds of the Federal Government. Funds derived from the distribution of coupons (charges made for coupon allotments) shall not be used, prior to the deposit of such funds in the manner prescribed by the Secretary, for the benefit of any person, partnership, corporation, association, organization, or entity other than the Federal Government.

(B) Any coupon vendor, or any officer, employee, or agent thereof, convicted of violating subparagraph (A) of this paragraph shall be fined not more than \$10,000, or sum equal to the amount of funds involved in the violation, whichever is the greater, or imprisoned not more than ten years, or both: Provided, That if the amount of such funds is less than \$1,000, such vendor shall be fined not more than \$3,000 or imprisoned not more than one year, or both.

(4) (A) The Secretary shall by regulation require that upon the deposit, in the manner prescribed by the Secretary, of funds derived from the distribution of coupons (charges made for coupon allotments), coupon vendors shall immediately send a written notice to the State agency, accompanied by an appropriate voucher, confirming such deposit. In addition to such other information deemed by the Secretary to be appropriate, such regulations shall require that the notice contain—

- (i) the name and address of the coupon vendor;
- (ii) the total receipts of such coupon vendor derived from the distribution of coupons (charges made for coupon allotments) during the deposit period;
- (iii) the amount of the deposit;
- (iv) the name and address of the depository; and
- (v) an oath, or affirmation signed by the coupon vendor, or in the case of a corporation or other entity not a natural person, by an appropriate official of the coupon vendor, certifying that the information contained in such notice is true and correct to the best of such person's knowledge and belief.

(B) Any coupon vendor, or any officer, employee, or agent thereof, convicted of failing to provide the notice required under subparagraph (A) of this paragraph shall be fined not more than \$3,000, or imprisoned not more than one year, or both.

(C) Any coupon vendor, or any officer, employee, or agent thereof, who knowingly provides false information in any notice required under subparagraph (A) of this paragraph shall be fined not more than \$10,000, or imprisoned not more than ten years, or both.

(5) (A) The Secretary shall by regulation require each coupon vendor at intervals prescribed by the Secretary, but not less often than monthly, to send to the Secretary, or his designee, a written report of the vendor's operations during such period under the food stamp program. In addition to such other information deemed by the Secretary to be appropriate, the regulations shall require that the report contain—

- (i) the name and address of the coupon vendor;
- (ii) the total receipts of the coupon vendor derived from the distribution of coupons (charges made for coupon allotments) during the report period;

(iii) the total amount of deposits made by the vendor of funds derived from the distribution of coupons (charges made for coupon allotments) during such period;

(iv) the name and address of each depository receiving such funds from such vendor; and

(v) an oath, or affirmation, signed by the coupon vendor, or in the case of a corporation or other entity not a natural person, by an appropriate official of the coupon vendor, certifying that the information contained in the report is true and correct to the best of such person's knowledge and belief.

(B) Any coupon vendor, or any officer, employee, or agent thereof, convicted of failing to provide any notice required under subparagraph (A) of this paragraph shall be fined not more than \$3,000, or imprisoned not more than one year, or both.

(C) Any coupon vendor, or any officer, employee, or agent thereof, who knowingly provides false information in any notice required under subparagraph (A) of this paragraph shall be fined not more than \$10,000, or imprisoned not more than ten years, or both.

(6) The Secretary may by regulation require State agencies to provide periodic reports to the Secretary, or his designee, containing a consolidation of the respective coupon vendor's notices to such State agencies at such intervals as the Secretary in his discretion deems appropriate.

(7) The Secretary and the United States Postal Service shall jointly arrange for the prompt deposit of funds collected by the Postal Service on behalf of a State from charges made for coupon allotments.

\* \* \* \* \*

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## EMERGENCY FOOD STAMP VENDOR ACCOUNTABILITY ACT OF 1976

MARCH 29, 1976.—Ordered to be printed

Mr. HELMS, from the Committee on Agriculture and Forestry,  
submitted the following

### REPORT

[To accompany S. 2853]

The Committee on Agriculture and Forestry, to which was referred the bill (S. 2853) to amend the Food Stamp Act of 1964 to insure a proper level of accountability on the part of food stamp vendors, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

#### SHORT EXPLANATION

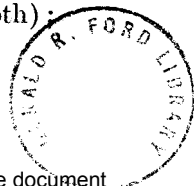
S. 2853 amends the Food Stamp Act of 1964 to place strict controls on vendors of food stamps.

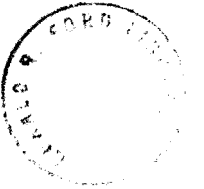
The major provisions of the bill—

(1) specify that funds received by vendors from the sale of food stamps are Federal funds and vendors receive such funds as fiduciaries of the Federal Government;

(2) require that vendors deposit funds from food stamp sales at least once a week and that any vendor accumulating over \$1,000 in food stamp funds must deposit the money within two banking days. The failure to timely deposit funds received from the sale of food stamps would subject a vendor to a fine of not more than \$3,000, or imprisonment for not more than one year, or both;

(3) prohibit vendors from using food stamp funds for any private purpose. Any vendor violating this provision would be subject to a fine of not more than \$10,000 (or a sum equal to the amount of funds involved in the violation, whichever is greater), or imprisonment for not more than 10 years, or both. (However, if the amount of funds involved in the violation was less than \$1,000, the vendor would be subject to fine of not more than \$3,000 or imprisonment for not more than one year, or both);





# Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,  
one thousand nine hundred and seventy-six*

## An Act

To amend the Food Stamp Act of 1964 to insure a proper level of accountability on the part of food stamp vendors.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Emergency Food Stamp Vendor Accountability Act of 1976".*

SEC. 2. Section 7(d) of the Food Stamp Act of 1964, as amended, is amended by inserting "(1)" immediately after "(d)", and adding at the end thereof new paragraphs (2) through (7) as follows:

"(2) (A) The Secretary shall by regulation prescribe the manner in which funds derived from the distribution of coupons (charges made for coupon allotments) shall be deposited by coupon vendors. The regulations shall contain provisions requiring that coupon vendors promptly deposit such funds in the manner prescribed by the Secretary: *Provided*, That such regulations shall, at a minimum, require that such deposits be made weekly: *Provided further*, That such regulations shall, at a minimum, require that upon the accumulation of a balance on hand of \$1,000 or more, such deposits be made within two banking days following the accumulation of such amount.

"(B) Any coupon vendor, or any officer, employee, or agent thereof, convicted of violating the regulations issued under subparagraph (A) of this paragraph shall be fined not more than \$3,000, or imprisoned not more than one year, or both.

"(3) (A) Coupon vendors receiving funds derived from the distribution of coupons (charges made for coupon allotments) shall be deemed to be receiving such funds as fiduciaries of the Federal Government, and such coupon vendors shall immediately set aside all such funds as funds of the Federal Government. Funds derived from the distribution of coupons (charges made for coupon allotments) shall not be used, prior to the deposit of such funds in the manner prescribed by the Secretary, for the benefit of any person, partnership, corporation, association, organization, or entity other than the Federal Government.

"(B) Any coupon vendor, or any officer, employee, or agent thereof, convicted of violating subparagraph (A) of this paragraph shall be fined not more than \$10,000, or a sum equal to the amount of funds involved in the violation, whichever is the greater, or imprisoned not more than ten years, or both: *Provided*, That if the amount of such funds is less than \$1,000, such vendor shall be fined not more than \$3,000, or imprisoned not more than one year, or both.

"(4) (A) The Secretary shall by regulation require that upon the deposit, in the manner prescribed by the Secretary, of funds derived from the distribution of coupons (charges made for coupon allotments), coupon vendors shall immediately send a written notice to the State agency, accompanied by an appropriate voucher, confirming such deposit. In addition to such other information deemed by the Secretary to be appropriate, such regulations shall require that the notice contain—

"(i) the name and address of the coupon vendor;

“(ii) the total receipts of such coupon vendor derived from the distribution of coupons (charges made for coupon allotments) during the deposit period;

“(iii) the amount of the deposit;

“(iv) the name and address of the depository; and

“(v) an oath, or affirmation signed by the coupon vendor, or in the case of a corporation or other entity not a natural person, by an appropriate official of the coupon vendor, certifying that the information contained in such notice is true and correct to the best of such person’s knowledge and belief.

“(B) Any coupon vendor, or any officer, employee, or agent thereof, convicted of failing to provide the notice required under subparagraph (A) of this paragraph shall be fined not more than \$3,000, or imprisoned not more than one year, or both.

“(C) Any coupon vendor, or any officer, employee, or agent thereof, who knowingly provides false information in any notice required under subparagraph (A) of this paragraph shall be fined not more than \$10,000, or imprisoned not more than ten years, or both.

“(5) (A) The Secretary shall by regulation require each coupon vendor at intervals prescribed by the Secretary, but not less often than monthly, to send to the Secretary, or his designee, a written report of the vendor’s operations during such period under the food stamp program. In addition to such other information deemed by the Secretary to be appropriate, the regulations shall require that the report contain—

“(i) the name and address of the coupon vendor;

“(ii) the total receipts of the coupon vendor derived from the distribution of coupons (charges made for coupon allotments) during the report period;

“(iii) the total amount of deposits made by the vendor of funds derived from the distribution of coupons (charges made for coupon allotments) during such period;

“(iv) the name and address of each depository receiving such funds from such vendor; and

“(v) an oath, or affirmation, signed by the coupon vendor, or in the case of a corporation or other entity not a natural person, by an appropriate official of the coupon vendor, certifying that the information contained in the report is true and correct to the best of such person’s knowledge and belief.

“(B) Any coupon vendor, or any officer, employee, or agent thereof, convicted of failing to provide any notice required under subparagraph (A) of this paragraph shall be fined not more than \$3,000, or imprisoned not more than one year, or both.

“(C) Any coupon vendor, or any officer, employee, or agent thereof, who knowingly provides false information in any notice required under subparagraph (A) of this paragraph shall be fined not more than \$10,000, or imprisoned not more than ten years, or both.

“(6) The Secretary may by regulation require State agencies to provide periodic reports to the Secretary, or his designee, containing a consolidation of the respective coupon vendor’s notices to such State agencies at such intervals as the Secretary in his discretion deems appropriate.

“(7) The Secretary and the United States Postal Service shall jointly arrange for the prompt deposit of funds collected by the Postal Service on behalf of a State from charges made for coupon allotments.”

SEC. 3. Section 6 of the Food Stamp Act of 1964, as amended, is amended by redesignating subsections (b) and (c) as subsections (d)

and (e), respectively, and inserting new subsections (b) and (c) as follows:

“(b) (1) The Secretary shall by regulation develop an appropriate procedure for determining and monitoring the level of coupon inventories in the hands of coupon vendors for the purpose of insuring that such inventories are at proper levels (taking into consideration the historical and projected volume of coupon distribution by such vendors). Any such regulations shall contain procedures to insure that coupon inventories in the hands of coupon vendors are not in excess of the reasonable needs of such vendors taking into consideration the ease and feasibility of resupplying such coupon inventories. The Secretary may, at his discretion, require periodic reports from such coupon vendors respecting the level of such inventories.

“(2) Any coupon vendor, or any officer, employee, or agent thereof, convicted of failing to provide a report required under paragraph (1) of this subsection shall be fined not more than \$3,000, or imprisoned not more than one year, or both.

“(3) Any coupon vendor, or any officer, employee, or agent thereof, who knowingly provides false information in any report required under paragraph (1) of this subsection shall be fined not more than \$10,000, or imprisoned not more than ten years, or both.

“(c) (1) The Secretary shall by regulation prescribe appropriate procedures for the delivery of coupons to coupon vendors and for the custody, care, control, and storage of coupons in the hands of coupon vendors in order to secure such coupons against theft, embezzlement, misuse, loss, or destruction.

“(2) Any coupon vendor, or any officer, employee, or agent thereof, convicted of violating any regulations issued under paragraph (1) of this subsection shall be fined not more than \$3,000, or imprisoned not more than one year, or both.”

SEC. 4. Section 3 of the Food Stamp Act of 1964, as amended, is amended by adding at the end thereof a new subsection (o) as follows:

“(o) The term ‘coupon vendor’ means any person, partnership, corporation, organization, political subdivision, or other entity with which a State agency has contracted for, or to which it has delegated administrative responsibility in connection with, the issuance of coupons to households.”

*Speaker of the House of Representatives.*

*Vice President of the United States and  
President of the Senate.*

JULY 6, 1976

Office of the White House Press Secretary

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THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

I have signed S. 2853, the Emergency Food Stamp Vendor Accountability Act of 1976.

I applaud the efforts of the Congress in enacting this legislation to make food stamp vendors accountable for food stamps that they hold as well as for the funds collected.

The bill is designed to eliminate the widely publicized coupon vendor abuses. The legislation will ensure that persons authorized to sell food stamps promptly deposit the cash collected. Also, it will help minimize the potential for abuse by providing specific criminal penalties for certain violations of the statutory requirements. Food stamp program costs will be reduced by eliminating losses of interest due to late deposits of cash collected by the vendors. Further, the enactment of criminal penalties will be a significant inducement for vendor compliance with food stamp program requirements.

Although I am pleased to sign this measure because it represents a significant step toward improving program accountability, it falls far short of the meaningful food stamp program reforms which are needed to redirect food stamp benefits to the truly needy and to eliminate from the program persons with income substantially above the poverty level.

In 1975, I submitted to the Congress a comprehensive food stamp reform proposal which was aimed at simplifying program administration and achieving program equity, as well as strengthening program accountability. The Congress has been working on program reforms, but as yet no substantive reforms have been enacted.

Each day that goes by without action to reform the food stamp program costs the taxpayers about \$3 million. I continue to believe that the Congress should act quickly on my legislative proposals so that reforms can be implemented to control costs and abuses of the food stamp program.

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JULY 6, 1976

Office of the White House Press Secretary

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