



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

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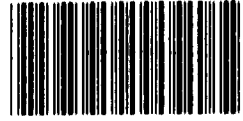
COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

JUL 25 1980

Robert L.

Mr. Bob Greenstein
Administrator, Food and
Nutrition Service
U.S. Department of Agriculture

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Dear Mr. Greenstein:

The purpose of this letter is to suggest ways to explore reduced cost and increased competition for printing food stamp coupons. We understand that the Department of Agriculture's solicitation for 1981 requirements is expected to be released soon. In this connection, we offer the following matters for your consideration.

Historically, the Federal Government has sought to minimize the risk of counterfeiting food coupons by specifying a relatively sophisticated and high cost printing process that provides a high level of coupon security but offers limited opportunity for competition. Food coupons are not reused like currency and it is our understanding, based on discussions with Secret Service officials, that counterfeiting has not been a profitable undertaking or a serious enforcement problem for the Government. According to the Secret Service, redemptions of counterfeit coupons have averaged about \$6,000 annually over the past 8 years. However, the actual amount of coupons counterfeited is higher because substantial amounts of counterfeit coupons are confiscated before they enter the redemption process. We are not sure whether some may escape detection entirely.

The Secret Service told us that, from its standpoint, an alternate printing process would be acceptable as long as security needs are met and the alternative offers sufficient savings on printing costs to offset potential counterfeiting risk. According to Government Printing Office officials, such savings could be 30 percent or more of the present coupon printing cost. In this regard, we note that a recent decision has been made by the Government to use a lower cost multicolor lithographic process to print gas rationing coupons.

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In recent years, Government procurement policy has stressed using functional specifications rather than product design specifications because functional specifications can stimulate industry inventiveness and the use of the latest technological innovations. We understand that the security printing business has developed a variety of new methods to meet Government and other customer needs.

We suggest the Department consider requesting the security printing industry, including the Bureau of Engraving and Printing, to submit proposals on several different bases--including the present approach of specifying what printing process must be used. This would enable the Department of Agriculture to obtain information on the latest technology available to print food coupons, including related security considerations and cost implications, while still retaining its option to continue the present printing process. The following possibilities are suggested for the Department to explore. The first two possibilities vary on the latitude allowed for possible industry solutions. The third would provide additional time, if necessary, to develop a new industry solicitation.

I. Describe security needs for the food coupon. For example, security needs could be expressed as requiring coupons to be

--unable to be duplicated by a color copier,

--easy to distinguish from a counterfeit, and

--flexible enough to add, delete, or alter the design if counterfeiting occurs.

This could involve using the expert assistance of the Secret Service, the Government Printing Office, and the Bureau of Engraving and Printing in writing security and production specifications and evaluating the technical quality of industry responses. Information received on the current process could provide a baseline on which to judge alternative printing methods. Trade-offs could then be assessed by comparing other methods, associated costs, and security features. If Agriculture could offer a multi-year contract, increased competition might be obtained.

II. If the security document market is sufficiently known, it may be possible to limit acceptable industry

solutions to security needs by specifying certain minimum conditions such as

- an intricate fine-line design,
- multicolor shading and patterns, and
- distinctive paper with one or more watermarks.

The development of specifications and evaluation of proposals could be the same as that described in item I above.

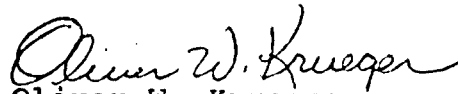
III. Should the need for coupon production and time to develop the proposal specifications or method of proposal evaluation preclude any changes in the planned fiscal year 1981 food coupon solicitation, consider extending the current contract until the above matters can be fully explored. During this time, the Department could increase its familiarity with industry capabilities by soliciting a limited number of coupons using various security processes and working with the Government Printing Office, Secret Service, and the Bureau of Engraving and Printing on specifications and security issues.

The above matters have been informally discussed with some of your agency's staff, with the Secret Service, and with the Government Printing Office. Secret Service and Government Printing Office officials have agreed to work with your agency on a new solicitation if you desire.

As a further consideration, reusing food stamps may provide opportunities for cost savings even under the present printing process. We are aware that this practice could require additional security costs that would reduce printing cost savings. However, exploring this option may reveal available technologies that would minimize security risks.

After you have looked into these and perhaps other approaches, please let us know what actions will be taken. If you have any questions or need additional information, please contact R.B. Hall or Roy Karadbil on 245-5397.

Sincerely yours,


Oliver W. Krueger
Senior Group Director