

Background

The Improper Payments Information Act of 2002 (IPIA) (Public Law 107-300) requires all Federal agencies to calculate the amount of erroneous payments in Federal programs and to periodically conduct detailed assessments of vulnerable program components. This is the seventh wave (2011) of a program assessment of the family daycare homes in the U.S. Department of Agriculture's Child and Adult Care Food Program (CACFP). The assessment provides a national estimate of the share of CACFP-participating family daycare homes that are approved for an incorrect level of per meal reimbursement, or reimbursement "tier," for their circumstances. Tiering errors result in improper payments because misclassified family daycare homes do not receive the appropriate level of reimbursement for the meals and snacks provided to the children. The assessment also estimates the dollar amount of improper payments attributable to family daycare home tiering errors.

Method

The methodology for assessing tiering errors in 2008 through 2011 was reformulated from the methodology used in prior waves. The previous assessment process carried out in 2005, 2006, and 2007 for verifying tiering assessments involved onsite data collection at sponsors' facilities. The current method validates family daycare home tiering determinations offsite from sponsors' locations by:

- Independently verifying geographic eligibility for Tier I status through the matching of family daycare home address information with school and Census Group Block eligibility data. **However, the 2011 assessment differed from prior waves by including all eligible schools serving a family daycare home in the assessment, not just eligible elementary schools as previously required, when verifying Tier I eligibility.** The inclusion of all eligible schools was a result of a January 2012 change in program requirements that was retroactive to October 1, 2011, and required sponsors to reassess the tiering status of all the homes that they administer. The change in area eligibility to all schools was in response to the Healthy,

Hunger-Free Kids Act of 2010 (Public Law 111-296) modification of the requirements for area eligibility assessment. IPIA results are presented in the report under the past and current school eligibility rules to aid in understanding the impact of the rule change. If the assigned tiering level was not confirmed, school-related information and tiering determination dates were obtained and used in a further attempt to independently verify Tier I eligibility.

- All family daycare homes not independently verified were assessed by reviewing documentation from the most recent tiering determination, which involved requests to sponsors for tiering determination documents on school data, Census data, and household income or categorical eligibility.

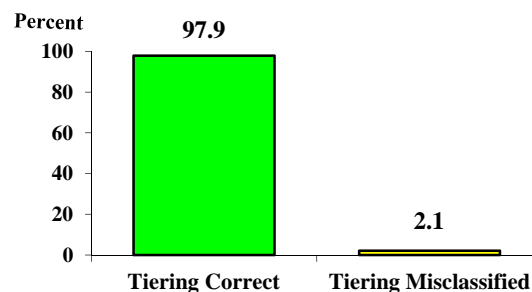
To develop national estimates of 2011 erroneous payments in this program component, the assessment drew a nationally representative sample of 660 family daycare homes from 55 sponsors in 14 States.

Findings

Tiering Classification Error Rates

Ninety-eight percent of family daycare homes nationally were correctly classified (Figure 1).

**Figure 1
Verified Classifications**

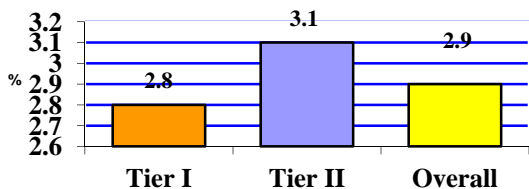


By tiering level, 0.9 percent of Tier I and 7.2 percent of Tier II family daycare homes were estimated to be tiered incorrectly for an overall average tiering error rate of 2.1 percent.

Number of Improperly Reimbursed Meal Claims

An estimated 2.9 percent of all family daycare home meal claims were reimbursed at an improper rate, which represents 16.5 million meals (Figure 2). Meal claims reimbursed at improper rates ranged from 3.1 percent for Tier II to 2.8 percent for Tier I family daycare homes.

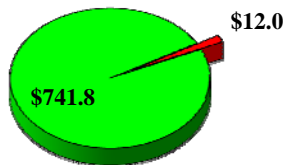
Figure 2
Improperly Reimbursed Meal Claims



Dollar Amount of Improper Payments

The cost of improper payments due to tiering errors was 1.6 percent of the estimated \$753.8 million family daycare home reimbursements for 2011. An estimated \$9.5 million of improper payments was attributable to Tier I family daycare homes (overpayments) and \$2.5 million to Tier II family daycare homes (underpayments) for a total of \$12.0 million (Figure 3).

Figure 3
Cost of Tiering Misclassifications (\$ Millions)

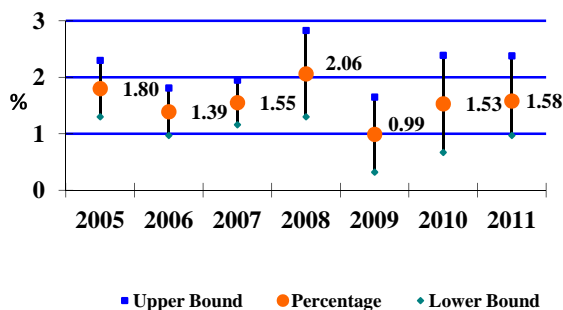


■ Misclassification Costs ■ Remainder of Budget

Comparison to 2005, 2006, 2007, 2008, 2009, and 2010 Results

Figure 4 compares the 2011 estimated cost of misclassification as a percentage of total reimbursements to all family daycare homes (i.e., the improper payment rate) for 2005 through 2010. The estimate of 1.58 percent for 2011 falls within the range of estimates for the previous years, which ranged from 0.99 percent (for 2009) to 2.1 percent (for 2008). The estimates for 2011 are greater than estimates for 2010, but they are more or less in line with those of prior years. The fluctuations in estimates of misclassification errors for the 7 years of assessment are consistent with what would be expected in the presence of sampling error.

Figure 4
Cost of Misclassifications as a Percentage of Child and Adult Care Food Program Reimbursements*



*Upper and lower bounds are at the 90-percent confidence level.

Download the reports for the prior waves (2005, 2006, 2007, 2008, 2009 and 2010) and the current wave (2011) at: <http://www.fns.usda.gov/ora/>

2011 - U.S. Department of Agriculture, Food and Nutrition Service, Office of Research and Analysis, *Child and Adult Care Food Program (CACFP) Assessment of Sponsor Tiering Determinations 2011*, by David Marker, Mary Dingwall, David Stinchcomb, Hyunshik Lee, and Frederic Glantz. Project Officer, Fred Lesnett. Alexandria, VA: December 2012.

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