

Background

The Improper Payments Information Act of 2002 (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 fourth wave (2008) of a program assessment of the family day care homes in the Department of Agriculture's Child and Adult Care Food Program (CACFP). The assessment provides a national estimate of the share of CACFP-participating family day care 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 day care 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 day care home tiering errors.

Method

The methodology for assessing tiering errors in 2008 was reformulated from the methodology used in prior waves (2005, 2006, and 2007). The previous process for verifying tiering assessments involved onsite data collection at sponsors' facilities. The current method for validating family day care home tiering determinations is conducted offsite from sponsors' locations by:

- Independently verifying geographic eligibility for Tier I status through the matching of family day care home address information with school and Census Group Block eligibility data. If the assigned tiering level was not confirmed, school-related information and tiering determination dates were secured and used in a further attempt to independently verify Tier I eligibility.
- All family day care 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.

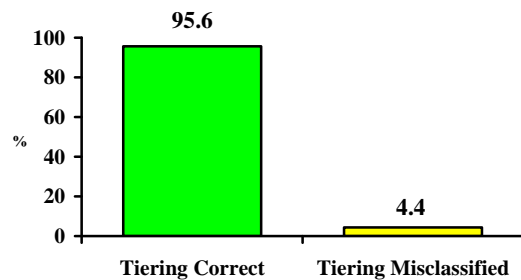
To develop national estimates of 2008 erroneous payments in this program component, the assessment drew a nationally representative sample of 660 family day care homes from 60 sponsors in 14 States.

Findings

Tiering Classification Error Rates

Almost 96 percent of family day care homes nationally were correctly classified (Figure 1).

**Figure 1
Verified Classifications**

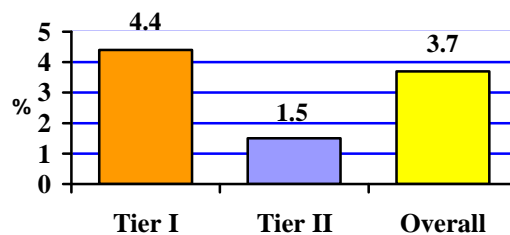


Slightly over 5 percent of Tier I and 1.7 percent of Tier II family day care homes were tiered incorrectly for an overall average tiering error rate of 4.4 percent.

Number of Improper Reimbursed Meal Claims

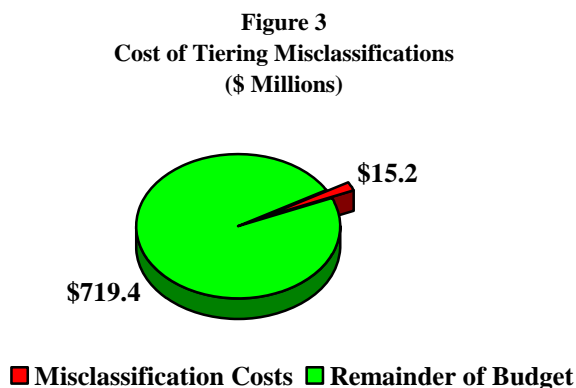
An estimated 3.7 percent of all family day care home meal claims were reimbursed at an improper rate which represents 23.2 million meals (Figure 2). Meal claims reimbursed at improper rates ranged from 1.5 percent of Tier II to 4.4 percent of Tier I family day care homes.

**Figure 2
Improperly Reimbursed Meal Claims**



Dollar Amount of Improper Payments

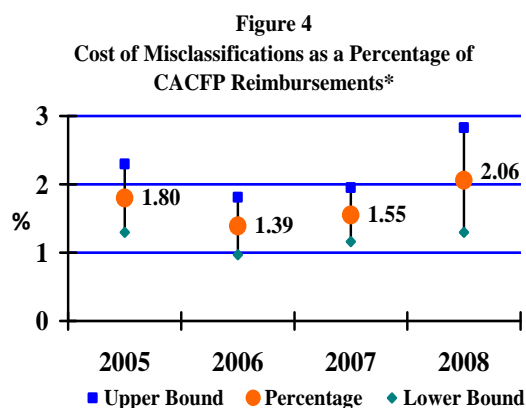
The cost of improper payments due to tiering errors was 2.1 percent of the estimated \$734.7 million family day care home reimbursements for 2008. An estimated \$13.8 million of improper payments was attributable to Tier I family day care homes and \$1.4 million to Tier II family day care homes for a total of \$15.2 million (Figure 3).



Comparison to 2005, 2006, and 2007 Results

Figure 4 compares the estimated cost of misclassification as a percentage of total reimbursements to all family day care homes (i.e., the improper payment rate) for 2005, 2006, 2007, and 2008. The estimate of 2.06 percent for 2008 is greater than the estimates for the previous years, which ranged from 1.39 percent (for 2006) to 1.80 percent (for 2005). However, the estimate for 2008 is not significantly different from the estimate for 2007 at the 10-percent level of significance (let alone the more standard 5-percent significance level).

Therefore, we cannot rule out the explanation that this difference is due to sampling error and does not result either from the differences in the methods of the assessments or from changes in the behavior of sponsors. As indicated in the exhibit, the 90 percent confidence intervals for all of the estimates overlap, so we cannot rule out the possible role of sampling error in other year-to-year differences, and they should not be interpreted as clear evidence of any trends in the accuracy of sponsors' tiering determinations.



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

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

2008 - 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 2008*, by Christopher Logan, Nancy Cole, David Hoaglin, and K.P. Srinath. Project Officer, Fred Lesnett. Alexandria, VA: March 2010.

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