

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 second wave (2006) of a program assessment of the Family Day Care Home (FDCH) component of USDA'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 FDCHs do not receive the appropriate level of reimbursement for the meals and snacks provided to the children. The study also estimates the dollar amount of improper payments attributable to FDCH tiering errors.

Method

To develop national estimates of erroneous payments in this program component, the study drew a nationally representative sample of sponsors' 2006 files for 3,150 Tier I and Tier II FDCHs in 92 sponsors in 14 States.

Each FDCH was first evaluated to determine whether it qualified for the highest reimbursement status (Tier I) on the basis of the documents found in the sponsor's file. Second, most FDCHs with inadequate documentation were independently verified to determine whether or not the tiering determination was correct.

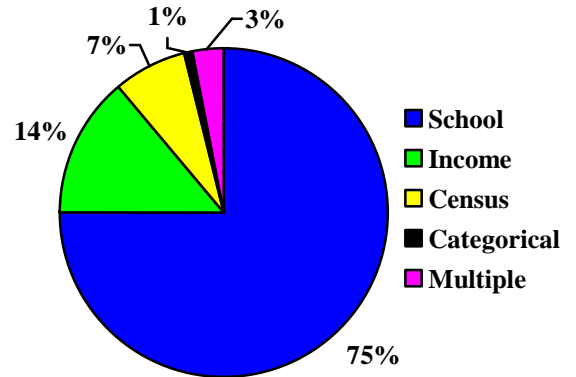
Findings

The results for the second wave of the study are comparable to the results from the first wave, which examined 2005 data.

Basis of Tiering Determination

The primary basis on which sponsors make tiering decisions is the percent of students who are eligible for free and reduced-price meals in the elementary school serving the FDCH (Figure 1).

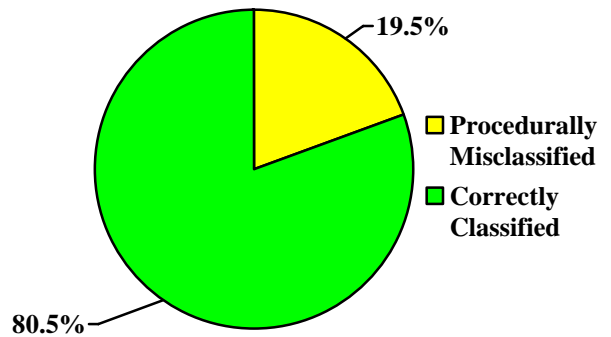
**Figure 1
Basis of Tiering Decision**



Documentation of Tiering Determination

Information collected from sponsor files showed that for 19.5 percent of all FDCHs sampled (unweighted), the documentation on file did not support the tiering classification (Figure 2). Such "procedural misclassifications" were most common among Tier I FDCHs at 27.5 percent, and least common among Tier II at only .2 percent.

**Figure 2
Procedural Misclassifications**



Independent Verification of Tiering Determination

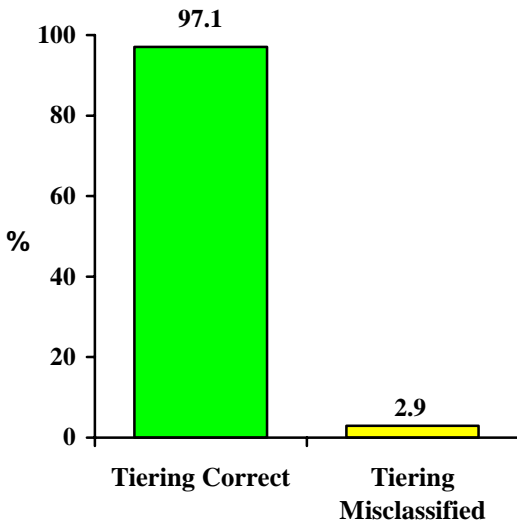
Follow-up verification was conducted to determine

whether FDCHs with procedural tiering misclassifications based on school-related documentation, were in fact classified at the wrong tier or simply lacked the proper supporting documents in their files.

After independent verification of tiering decisions based on school eligibility criteria and follow-up verification with Census data of any remaining misclassified FDCHs, tiering error rates and the associated improper payments (weighted) were:

- Over ninety-seven percent of FDCHs nationally were correctly classified when the underlying data were independently verified (Figure 3).

Figure 3
Verified Classifications

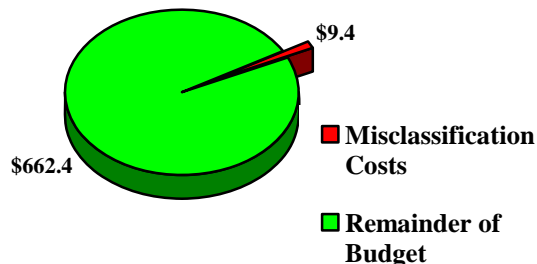


- 4.0 percent of Tier I and 0.2 percent of Tier II FDCHs were tiered incorrectly for an overall average tiering error rate of 2.9 percent.

Dollar Amount of Improper Payments

Improper payments due to tiering errors (after verifying school-based tiering decisions and verification utilizing Census data) were about 1.4 percent of estimated total 2006 FDCH reimbursements of \$671.8 million. There were \$9.2 million in improper payments attributable to Tier I and \$0.15 million attributable to Tier II FDCHs, for a total improper payment of \$9.35 million (Figure 4).

Figure 4
Cost of Tiering Misclassifications (\$ Millions)



Misclassification cost estimates (Figure 4) are derived from meal claims data collected from FDCHs and sponsors and are within a 90 percent confidence limit of the FNS estimate of total FDCH expenditures in CACFP.

Download the reports for the prior (2005) and current (2006) waves at¹: <http://www.fns.usda.gov/oane/>

¹ **2005** - U.S. Department of Agriculture, Food and Nutrition Service, Office of Research, Nutrition, and Analysis, *Child and Adult Care Food Program (CACFP) Assessment of Sponsor Tiering Determinations*, by Steve Rose, Pedro J. Saavedra, Hoke Wilson, JoAnn Kuchak, Dan Geiller, and Myonnie Bada. Project Officer, Fred Lesnett. Alexandria, VA: December 2006.

2006 - U.S. Department of Agriculture, Food and Nutrition Service, Office of Research, Nutrition, and Analysis, *Child and Adult Care Food Program (CACFP) Assessment of Sponsor Tiering Determinations 2006*, by Erika Gordon, Francine Barrington, Pedro J. Saavedra and JoAnn Kuchak. Project Officer, Fred Lesnett. Alexandria, VA: March 2008.

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