

**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 fifth wave (2009) 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 and 2009 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, which was adopted in 2008, 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. 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 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.

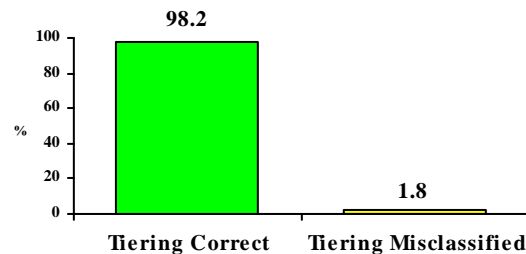
To develop national estimates of 2009 erroneous payments in this program component, the assessment drew a nationally representative sample of 660 family daycare homes from 60 sponsors in 14 States.

**Findings**

*Tiering Classification Error Rates*

Just over 98 percent of family daycare homes nationally were correctly classified (Figure 1).

**Figure 1  
Verified Classifications**



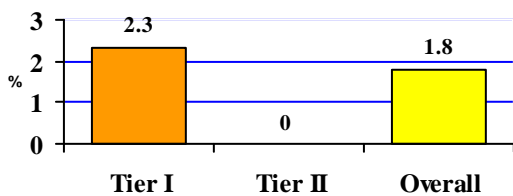
Slightly over 2 percent (2.4 percent) of Tier I and 0.0<sup>1</sup> percent of Tier II family daycare homes were estimated to be tiered incorrectly for an overall average tiering error rate of 1.8 percent.

*Number of Improper Reimbursed Meal Claims*

An estimated 1.8 percent of all family daycare home meal claims were reimbursed at an improper rate which represents 10.7 million meals (Figure 2). Meal claims reimbursed at improper rates ranged from 0.0 percent for Tier II<sup>1</sup> to 2.3 percent for Tier I family daycare homes.

<sup>1</sup> It is not likely that the true population estimate for Tier II FDCHs is zero. Instead, it is more likely to be too small to be estimated with the sample which was designed to estimate the parameters for the entire population of FDCHs.

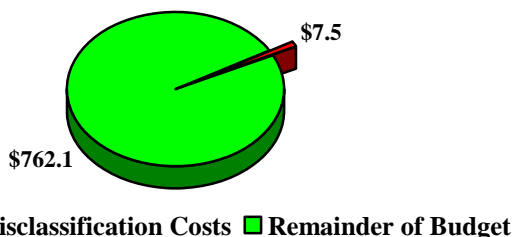
**Figure 2**  
**Improperly Reimbursed**  
**Meal Claims**



**Dollar Amount of Improper Payments**

The cost of improper payments due to tiering errors was 0.99 percent of the estimated \$762.1 million family daycare home reimbursements for 2009. An estimated \$7.5 million of improper payments was attributable to Tier I family daycare homes and \$0.0 million to Tier II family daycare homes<sup>1</sup> for a total of \$7.5 million (Figure 3).

**Figure 3**  
**Cost of Tiering Misclassifications**  
**(\$ Millions)**

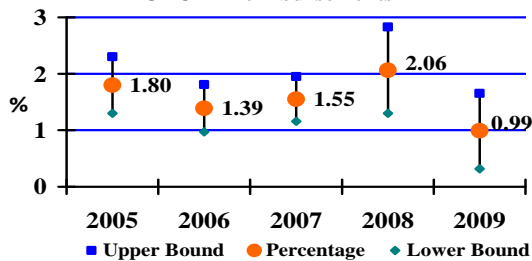


**Comparison to 2005, 2006, 2007 and 2008 Results**

Figure 4 compares the estimated cost of misclassification as a percentage of total reimbursements to all family daycare homes (i.e., the improper payment rate) for 2005, 2006, 2007 and 2008. The estimate of 0.99 percent for 2009 is less than the estimates for the previous years, which ranged from 1.4 percent (for 2006) to 2.1 percent (for 2008). The estimate for

2009 is significantly less than the 2008 estimate at the 10-percent level of significance, but not at the more standard 5-percent significance level. Therefore, there is weak evidence that the erroneous payment rate declined in 2009. Factors that might have contributed to a decline in erroneous payments include program efforts to improve tiering determinations and changes in the program environment, specifically rising poverty rates in 2008 that make more providers area-eligible for Tier I. Also, the results may be showing some payoff to the efforts of FNS and States to provide guidance and training to sponsors in an effort to improve the accuracy of tiering determinations. As indicated in Figure 4, the 90-percent confidence intervals for all of the estimates overlap, so the possible role of sampling error in other year-to-year differences cannot be ruled out, and they should not be interpreted as clear evidence of any trends in the accuracy of sponsors' tiering determinations.

**Figure 4**  
**Cost of Misclassifications as a Percentage of**  
**CACFP Reimbursements\***



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

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

**2009** - 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 2009*, by Christopher Logan, Michelle Woodford and K.P. Srinath. Project Officer, Fred Lesnett. Alexandria, VA: September 2010.

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