

MEASURING AND REDUCING ERRORS IN THE SCHOOL MEAL PROGRAMS:
THE APEC II STUDY AND FNS ACTIONS (SUMMARY)

Background

The school meal programs administered by USDA's Food and Nutrition Service (FNS) are a fundamental part of the Nation's nutrition safety net for low-income children. On an average school day in 2013, the National School Lunch Program (NSLP) served lunches to over 30 million children in almost 100,000 schools across the Nation. More than two-thirds of NSLP lunches were served free or at a reduced price to children from low-income households. Over the same period, the School Breakfast Program (SBP) served breakfasts to over 13 million students daily, 85 percent of whom qualified for free or reduced-price meals.

While these programs have long made important contributions toward children's dietary requirements, USDA recognizes that there have been improper payments in the NSLP/SBP and has implemented a number of strategies to address these errors. Improper payments can include both overpayments, in which the Government pays more than is appropriate under program rules, and underpayments, in which it pays less than is appropriate.

In response to these concerns, FNS developed the *Access, Participation, Eligibility and Certification (APEC)* study series, which collects and analyzes data from a nationally representative sample of schools and school food authorities (SFAs) about every 5 years. APEC allows FNS to develop a national estimate of erroneous payment rates and amounts in three key areas:

- **Certification errors** occur when a child is placed in the wrong meal reimbursement category, such as when a child who should receive reduced-price meals is certified for free meals;
- **Meal claiming errors** occur when meals are incorrectly categorized as reimbursable or non-reimbursable at the point of sale in the cafeteria, as when a required meal component, such as a carton of milk or a piece of fruit, is missing but the meal is counted as reimbursable; and
- **Aggregation errors** occur when a school or SFA tallies the number of reimbursable meals incorrectly and thus makes an error in the number of meals claimed for reimbursement.

These three types of error differ significantly in their program impact. Certification errors result in families receiving benefits they are not entitled to or being denied benefits they should receive. In contrast, meal claiming errors occur when a meal is missing a required component, such as the milk, but the meal is served. Because of the nature of the program reimbursement structure, the full value of a meal is counted as an erroneous payment. Finally, aggregation errors result in schools being reimbursed at too high or too low a rate due to incorrect aggregation of the numbers of meals served. This type of error does not impact students or families.

The APEC I study, which collected data in School Year 2005-2006, found significant levels of program errors in each of these three categories. In response, FNS and its State agency partners have invested in system improvements and process reforms over the last several years that we expect will deliver long-term reductions in error rates as their effects begin to take hold. FNS recently completed APEC II, which collected data in School Year 2012-2013. While the new findings show significant improvement in certain types of error, levels of program errors remain high.

A Comprehensive Approach to Error Reduction

FNS is implementing an integrated strategy to address the three types of error. This strategy is guided by a data and evidence-driven approach to error reduction and a commitment to the development and testing of scalable initiatives that can be implemented within the existing program structure. In collaboration with our State partners, FNS is:

- Addressing certification error by expanding the use of direct certification, increasing the number of SFAs and schools participating in the Community Eligibility Provision, and improving the application for free and reduced-price meals in partnership with researchers and innovators in technology and design to make it easier to complete and process the application.
- Developing and implementing training programs, and establishing professional certification standards for school food service workers that are helping schools add to the tools and strengthen the skills necessary to reduce meal claiming error.
- Continuing to reduce aggregation error with investments in States' technology improvements that ensure reimbursement numbers are transferred correctly between schools, SFAs, States, and the Federal level.

A key component of FNS's strategy is the creation of the new **Office of Program Integrity for Child Nutrition Programs**, which was established in late 2014. The new office draws on the expertise of FNS research and policy staff, as well as its operational and oversight experience. This office will lead error-reduction initiatives and continually assess program policies, operations, and procedures for opportunities to improve program accuracy and performance.

More broadly, FNS and its partners are developing and implementing new tools for improving business processes and increasing accountability, including a new administrative review process. These reforms will reduce the risk of all three types of error.

This summary explains the key findings from APEC II related to each type of program error and describes strategies that FNS has undertaken or is planning in order to address and reduce these errors.

Certification-Related Errors

APEC II found that about one in five children (20.2 percent) in the free, reduced-price, or denied¹ categories were certified into the wrong category in School Year 2012-2013. These errors can occur in several ways:

- Households can make reporting errors when completing a school meals application;
- School districts can make administrative errors when processing applications; or
- Children can be directly certified incorrectly (another kind of administrative error).

Certification errors can result in overpayments and underpayments. When the reimbursement amounts for both over- and underpayments are added together, the *gross* amount of certification error constitutes 9.8 percent of total reimbursements in NSLP (Figure 1) and 11 percent in SBP (Figure 2).

¹ The APEC sample includes children who applied for free or reduced-price meals but were deemed ineligible or "denied" benefits.

Figure 1: NSLP Improper Payments

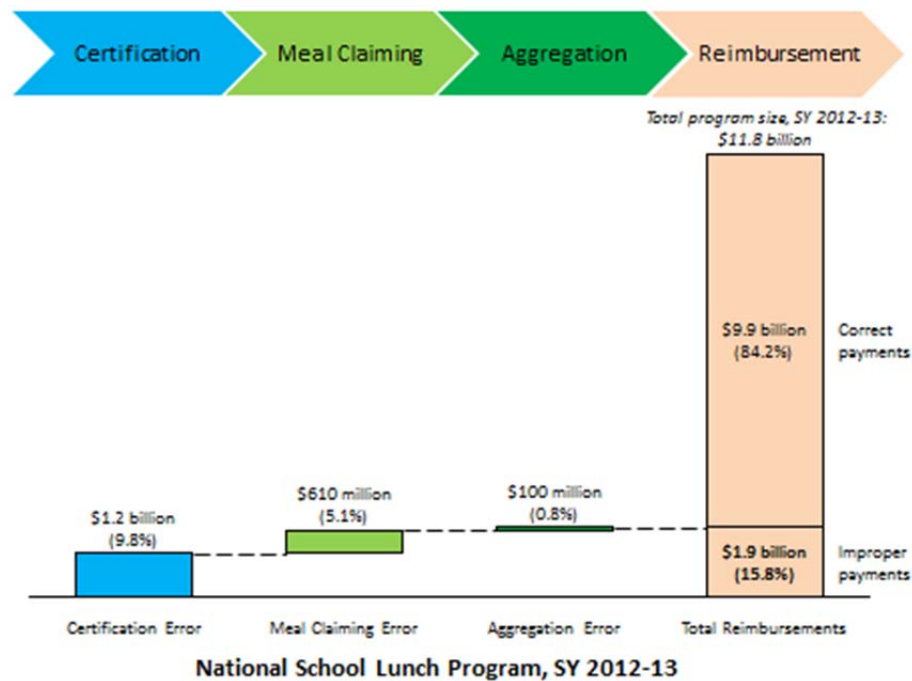
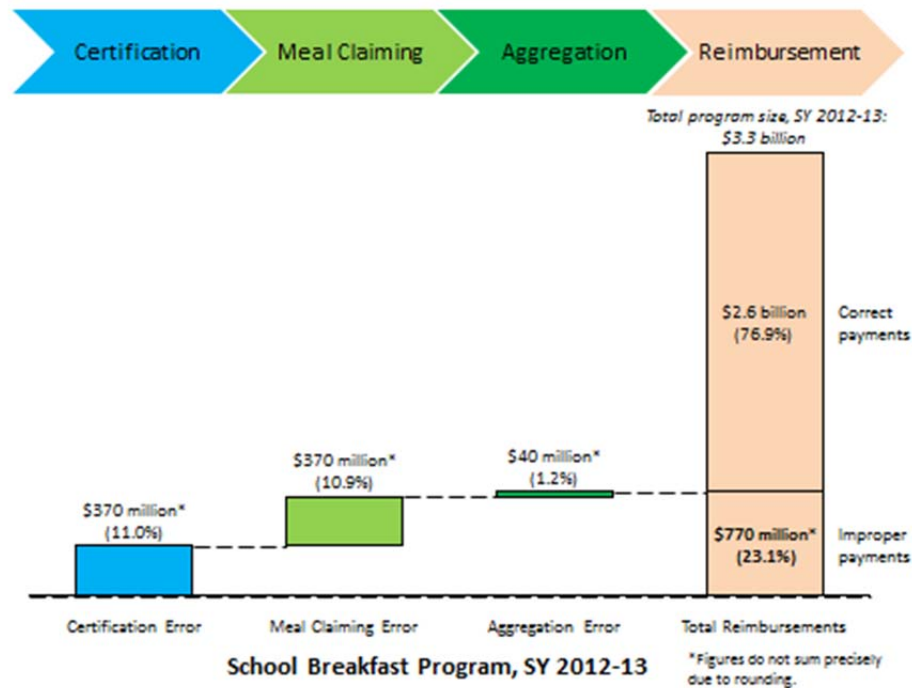
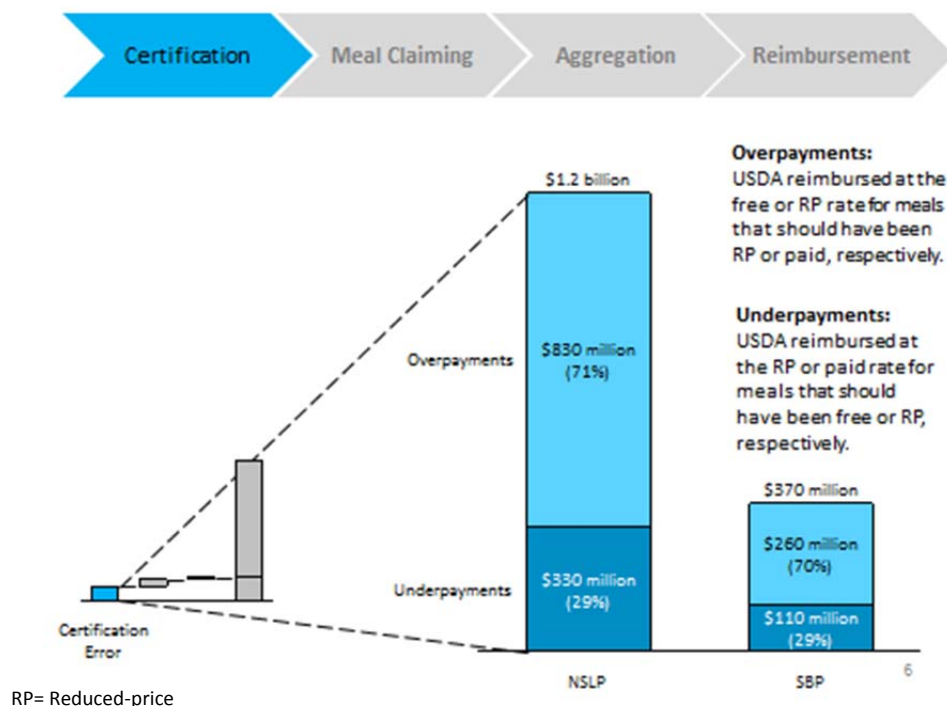


Figure 2: SBP Improper Payments



Of that total, about 70 percent are overpayments and about 30 percent are underpayments in both NSLP and SBP (Figure 3). The overall rates are not statistically different from those found in APEC I.

**Figure 3:
Certification Error Improper Payments**



FNS's actions to address certification-related errors and improper payments are guided by the nature of the errors:

Table 1. Erroneous payments due to certification error in the NSLP and SBP, SY 2012–2013, by type of certification error

	NSLP (%)	SBP (%)
Overpayments		
Administrative error only	38.69	43.11
Reporting error only	51.47	47.63
Both administrative and reporting error	6.91	5.78
Other ^a	2.92	3.48
Total overpayments	100.00	100.00
Underpayments		
Administrative error only	14.13	11.44
Reporting error only	75.57	74.39
Both administrative and reporting error	8.00	8.22
Other	2.30	5.95
Total underpayments	100.00	100.00
Total improper payments		
Administrative error only	31.69	33.79
Reporting error only	58.35	55.50
Both administrative and reporting error	7.22	6.50
Other	2.74	4.21
Total improper payments	100.00	100.00

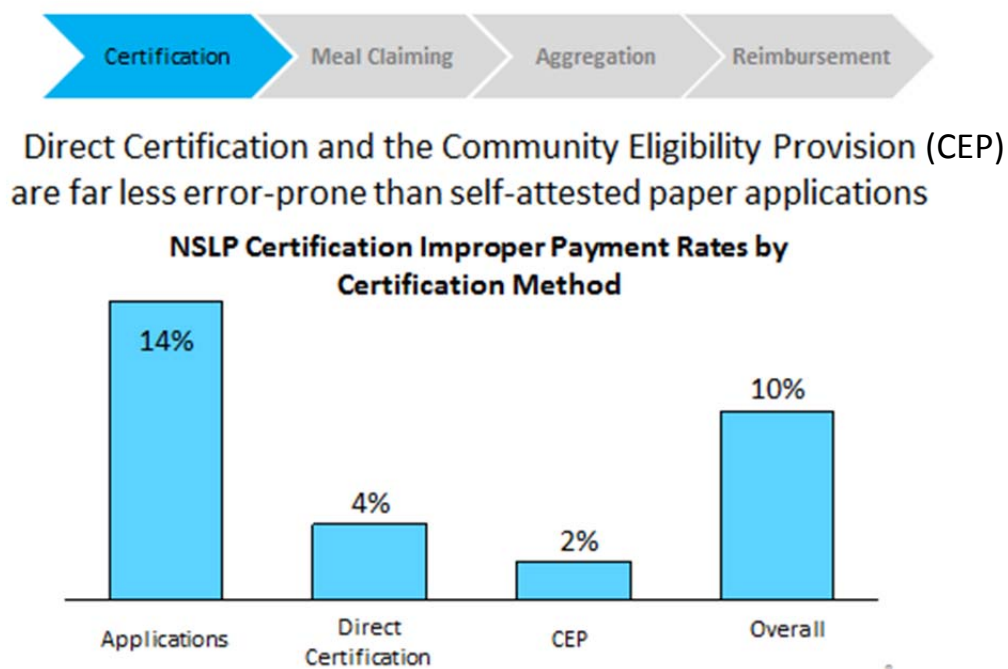
- Overall, administrative error causes about 30 percent of certification-related improper payments; reporting error causes about 60 percent; and the remaining 10 percent result from a combination of the two or other factors.

- About 75 percent of *underpayments* result from reporting errors (Table 1) – when households report their income or report their size incorrectly in ways that reduce their benefits – for instance, they are certified for reduced-price meals when they should receive free meals, or they are deemed ineligible for benefits and pay for meals despite being under the poverty limits for that category. Since households are unlikely to deliberately report their circumstances in a way that disadvantages them, this indicates challenges with households’ understanding of how to complete paper applications.
- The balance between administrative and reporting error shifts somewhat for *overpayments*. Only about half of the overpayment amount is due to household reporting error and close to 40 percent is due to administrative error.

Since both sources of error are significant, FNS is working to address both kinds of error by (1) reducing reliance on self-reported income information in favor of other sources; and (2) improving the application process by encouraging accurate income reporting by households and minimizing the administrative burden on school districts. Key actions include:

ACTION STEP: Reducing the use of self-reported income information in favor of verified information sources

Figure 4: Certification Errors by Certification Type



FNS promotes the use of direct certification and the Community Eligibility Provision (CEP), which reduce errors substantially. As shown in Figure 4, the overall rate of certification-related improper payments in NSLP is about 10 percent. But when the rates are separated by the type of certification process, there are important differences. The rate associated with household applications is 14 percent, compared to about 4 percent and 2 percent for direct certification and CEP, respectively.

FNS is supporting improved direct certification through implementation of direct certification benchmarks and State continuous improvement plans under the Healthy, Hunger-Free Kids Act (HHFKA). HHFKA required States to increase their rates of direct certification, which uses information from certain means-tested assistance programs, such as the Supplemental Nutrition Assistance Program (SNAP) and the Temporary Assistance for Needy Families Program (TANF), to automatically certify students for free meals. This saves SFAs and households the burden of completing and verifying an application when the household income has already been verified through another means-tested program. These steps have resulted in a substantial improvement in the rate of children directly certified. In SY 2013-14, 87 percent of children receiving SNAP benefits were directly certified for free school meals, up from 69 percent in SY 2007-08. Twelve States have now met the aggressive 95-percent target mandated by HHFKA; the rest are working with FNS on continuous improvement plans to reach the same goal. As direct certification rates increase, more schools will elect the CEP and eliminate their traditional application processes – the single biggest source of improper program payments. For those schools which cannot utilize CEP, direct certification reduces the number of families using applications, which provides the potential for increased oversight of this smaller application pool.

The Community Eligibility Provision expanded nationwide in School Year 2014-2015. More than half of reported eligible schools are participating in CEP, which means almost 14,000 schools in more than 2,000 school districts in high-poverty areas are offering nutritious meals to approximately 6.4 million students. Participating school districts across the country are reporting that more students are eating lunch and breakfast. The CEP's early success is a credit to years of investment in direct certification systems by State and local governments with the help of Federal funds. FNS is working diligently with eligible SFAs to continue this success and maximize the number of eligible schools and districts that understand and implement CEP.

Exploring the Expansion of Direct Certification to Additional Programs. HHFKA directed USDA to conduct a pilot of direct certification with the Medicaid program. The first two reports from the pilot were published this winter and show that direct certification with Medicaid is a promising avenue to increasing the number of children directly certified and could positively impact CEP eligibility as well.

ACTION STEP: Improving the application process to reduce household and administrative errors.

Traditional household applications contribute substantially to certification error. Households regularly make mistakes on their applications, and SFA staff members make certification errors when processing the applications. FNS is working diligently to make the application easier to complete and assess.

- ***Developing a new model paper application:*** FNS provides SFAs with a model application they can use or modify for their own use. Over the last year, FNS has revised its model application in partnership with the Office of Personnel Management's (OPM) Innovation Lab. The application incorporates *Human-Centered Design Principles* to improve clarity. New design features are expected to reduce mistakes by households when completing the application and by SFAs when processing them. The new model application was released in April 2015 for immediate use by school districts around the country.
- ***Cognitive testing of school meals applications:*** As SFAs begin to adopt the new model application, FNS will conduct cognitive testing on the model application and several SFAs' customized applications to better understand how households interpret the forms and their instructions. This information will be used for future revisions to the model application in a continuous improvement environment so that all families can understand the application.

- ***Designing a model electronic application:*** In addition to the new model for *paper-based* applications, FNS plans to develop a model *electronic* application with design features that target applicant error – both unintentional and intentional – while reducing applicant burden. The agency will develop the model with the help of innovators in design, human behavior, and software development through an open competition.

ACTION STEP: Improving business processes to give SFAs better tools for certification and verification

- ***Explore strategies to reduce household nonresponse in the verification process:*** Although households do not submit income documentation at the time they apply for school meal benefits, SFAs select a small sample of approved applicants each year for follow-up verification review. Households selected for review must provide their SFAs with income documentation to retain their benefits. Households that cannot produce adequate documentation, and households that fail to respond at all, lose their benefits. FNS has long been concerned by high nonresponse rates; agency research suggests that many of these households are, in fact, income eligible for benefits. In response, FNS will test the effectiveness of administratively feasible interventions to reduce nonresponse and the risk it poses to eligible households.
- ***Targeted review of applications to address administrative error:*** Effective in SY 2014-2015, school districts with high rates of application processing error must conduct a second review of all their certification decisions. This risk-based approach to error reduction imposes new accountability on States and local districts and targets their efforts for maximum return.
- ***Providing funding to support improved oversight and data analysis by States:*** The Child Nutrition and WIC² Reauthorization Act of 2004 authorizes annual funding for Administrative Review and Training grants to support training, oversight, and process or technology improvements to reduce the level or risk of districts' administrative error. Projects funded by these grants in the past include automated systems and staff training that helped reduce aggregation error by more than two-thirds from SY 2005-06 to SY 2012-13. FNS will continue efforts to maintain this error reduction and explore potential uses of these resources to address certification error.
- ***Strengthening consequences for program noncompliance:*** The agency will publish a proposed Child Nutrition Program Integrity Rule that provides States the authority to impose assessments for egregious or ongoing program compliance issues.
- ***Improving the value of administrative data reporting:*** FNS has recently revamped the review process used by States to monitor school district performance (see below). The more rigorous, risk-based State administrative review process is generating high-value information that will support improved management analysis and performance tracking. FNS is now engaged in the development of revised reporting requirements to capture and summarize the right information to realize the full potential of this new data resource.

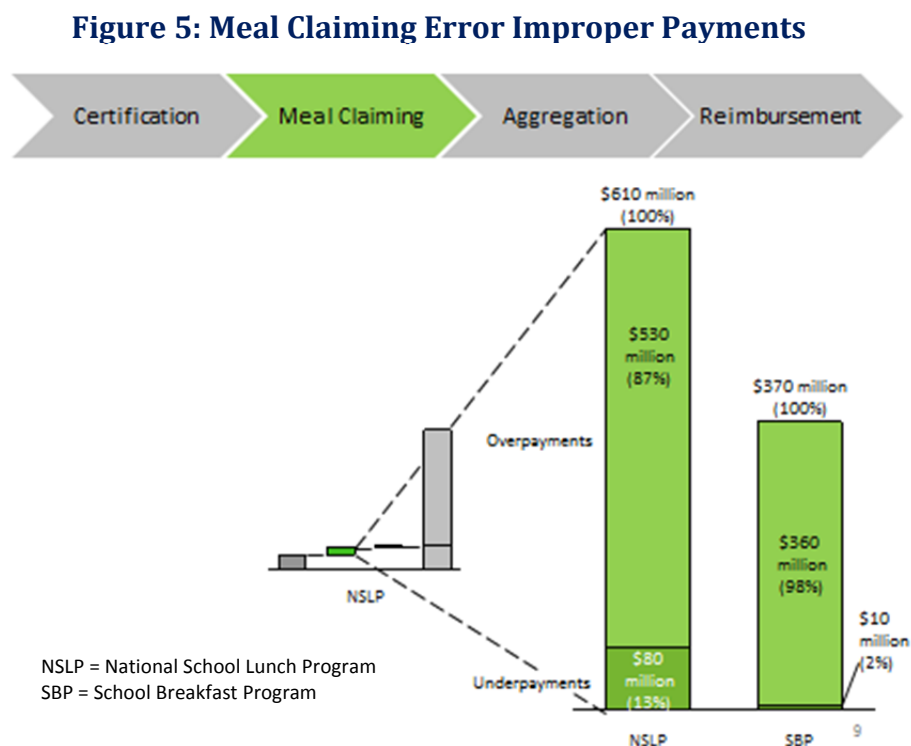
Meal Claiming-Related Errors

Meal claiming errors occur in school cafeterias at the point of sale. In order to qualify for reimbursement, a meal must contain specific components. Errors occur when a meal is claimed for

² “WIC” stands for the Special Supplemental Nutrition Program for Women, Infants, and Children.

reimbursement but does not contain the necessary food components, resulting in an *overpayment*, or it contains the appropriate components but is not claimed as reimbursable, leading to an *underpayment*. In either case, a meal is served to the child. The nature of the reimbursement process is that a meal is only reimbursable if the full meal is served. Thus, a meal that is missing one required component is not considered reimbursable though the child was served a meal. When either of these errors occurs, the full reimbursement amount is counted as erroneous.

Figure 5 breaks out improper payments due to meal claiming error by program and by underpayments and overpayments.



As shown in Figure 1 above, when the gross total for both *over-* and *underpayments* are added together, 5.1 percent of total NSLP reimbursements were incorrect due to meal claiming errors. The rate for the School Breakfast Program is 10.9 percent.

It is important to note that data collection for APEC II occurred during the introduction of updated meal standards in SY 2012-2013. HHFKA allowed USDA to update the meal standards for the first time in many years. This significant improvement in ensuring school meals meet current, science-based nutrition standards is an important component of ensuring that school meals are a leader in addressing the Nation’s obesity epidemic and improving our Nation’s children’s short- and long-term health. Because any transition to updated meal standards would tend to increase the risk of errors while schools adjust to the changes, however, a temporary increase in meal claiming errors is likely reflected in the error rates found in APEC II. We would expect to see these errors tend to decline somewhat as schools gain experience with meal claiming under the new standards.

That said, the level of meal claiming error underscores the need for broader strategies to increase meal claiming skills and knowledge, encourage the use of “best-in-business” claiming systems and practices, and strengthen oversight and accountability.

ACTION STEP: Professional standards for school meal staff

Errors related to meal claiming highlight the need for improved communication and more training to ensure that those involved in meal claiming understand the process and increase the use of best practices.

FNS recently published a final Professional Standards Rule requiring new continuing education and training for school nutrition program directors, managers, and staff to address persistent sources of program error and improper payments.

ACTION STEP: Providing States with tools focused on continuous improvement

FNS will publish a proposed Child Nutrition Program Integrity Rule that provides States with the authority to impose assessments for egregious or ongoing program compliance issues. The rule includes those provisions of HHFKA targeted to reduce fraud and abuse by program operators and to enhance State agency review requirements.

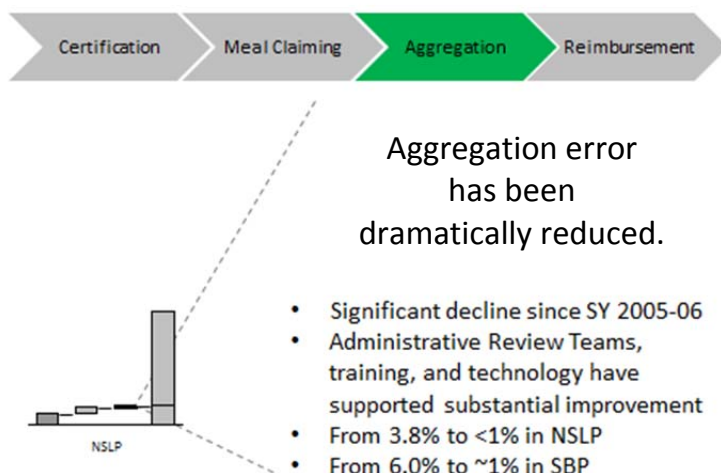
FNS will develop program error risk indicators to assist States in targeting technical assistance and designing corrective action by supplementing the data gathered in this study with program administrative review information. This process will help identify the conditions that give rise to program error and allow FNS, State agencies, and SFAs to focus attention on process deficiencies or risks as they are identified.

ACTION STEP: Improving oversight of school districts

HHFKA called on FNS to develop a State administrative review process that unifies previously separate nutritional and operational reviews. The new process, developed with State agency input, adopts a 3-year review cycle instead of 5 years. The process is guided by risk-based criteria to target program error (and intentional abuse) for technical assistance and corrective action. Almost all State agencies have adopted the new process since it was made available for their use in SY 2013-14. FNS is currently revising reporting requirements associated with these reviews to expand and improve data available to support analysis and oversight.

Aggregation-Related Errors

Figure 6: Aggregation Error



Aggregation of meal claims is the process of tallying the number of meals served each month by claiming category (e.g., number of free, reduced-price, and paid meals). Each school prepares its tally and sends it to its SFA, which then calculates a tally for the full SFA and sends it to the State. The State sends the aggregated tally to USDA for reimbursement. Funds are then transferred from the Federal level to the States and their respective SFAs.

Errors can occur at any of the aggregation points if the tally is incorrect. APEC II collected data from meal count records and

administrative data on meal claims to calculate the amount of error attributed to aggregation errors.

As shown in Figure 6, improper payments related to aggregation errors account for less than 1 percent of reimbursements in NSLP and about 1 percent in SBP. This represents significant declines in improper payments for each program since APEC I collected data 7 years prior, when the erroneous payment rate was about 4 percent in NSLP and 6 percent in SBP.

This improvement appears to reflect the impact of FNS's efforts to reduce aggregation errors through increased training and the use of technology. The agency will continue to use these strategies to keep aggregation error low and further reduce it in SBP.

Discussion

USDA's Food and Nutrition Service recognizes that program integrity and the prevention and reduction of improper payments in the school meal programs are fundamental responsibilities. FNS has been working to reduce improper payments for several years, and the Healthy, Hunger-Free Kids Act provided new tools in this effort. APEC II collected data prior to full implementation of many of the HHFKA-related reforms. We anticipate that these reforms will make a significant impact on error reduction as implementation progresses. APEC II also collected data during an important transition year for the new meal standards, likely impacting the meal claiming error rates.

FNS is implementing an integrated strategy to address errors with:

- (1) Certification improvements that increase the use of independently verified data on household circumstances, and application process changes both to prevent unintentional errors and discourage deliberate misreporting;
- (2) New training and professional certification that will further strengthen skills to improve the accuracy of meal claims;
- (3) Ongoing technology improvements to ensure reimbursement numbers are transferred correctly between schools, SFAs, States, and the Federal level; and
- (4) Improved business processes at all levels of the school meal payment process, including implementing new tools for administrative review, new accountability measures for SFAs with repeated noncompliance, and additional data analysis to inform program improvements over time.

There is no simple solution, as we must not compromise access for low-income families or unduly increase burden on schools. This multifaceted strategy was largely launched in advance of APEC II, but has been informed and enhanced by the insights from this new study. FNS intends to continue to refine and improve these efforts as implementation proceeds to stay focused on the largest problems and most effective solutions.

The APEC II findings show that there is much work to be done as FNS continues to implement a full error-reduction strategy. Significant improvements in aggregation errors illustrate the strength of additional training, resources, and technology in reducing errors. FNS is using those improvements, along with other data- and evidence-driven approaches to ensure the Nation's children have access to high-quality, nutritious meals through a program with the greatest standards for program integrity.

For More Information

The full APEC II report and other FNS-sponsored studies on the Child Nutrition Programs are available online: <http://www.fns.usda.gov/ops/research-and-analysis>.

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