

Child and Adult Care Food Program (CACFP)

Assessment of Sponsor Tiering Determinations 2011

Tier I

Tier II



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Assessment of Sponsor Tiering Determinations 2011

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Executive Summary

The Improper Payments Information Act of 2002 (Public Law 107-300, or IPIA) requires all Federal agencies to identify programs and activities that may be susceptible to erroneous payments and to annually estimate and report to Congress the value of erroneous payments.¹ This assessment examines the accuracy of the classification of Family Day Care Homes (FDCHs) participating in the U.S. Department of Agriculture's (USDA) Child and Adult Care Food Program (CACFP). The assessment provides estimates for Program Year (PY) 2011 of the number of FDCHs misclassified by sponsoring agencies into the wrong tier, and the resulting erroneous payments for meals and snacks reimbursed at the wrong rate.² The assessment does not attempt to measure other types of erroneous payments in the CACFP, such as meal claiming errors by FDCHs.

CACFP Background

Meals served in CACFP FDCHs are reimbursed according to a two-tiered rate structure: Tier I and Tier II. Sponsoring agencies are responsible for determining the appropriate tier for each of their participating FDCHs. FDCHs are eligible for reimbursement at the higher Tier I rates for all eligible meals if they satisfy either of two conditions: geographic eligibility or provider income eligibility.

- **Geographic Eligibility:** the FDCH is located in a low-income area. Geographic eligibility is determined by a home being located: a) in the attendance area of a school in which at least 50 percent of the children enrolled are certified eligible for free or reduced-price (F/RP) meals; or b) in a census block group (CBG) in which at least 50 percent of the children live in households with incomes at or below 185 percent of the Federal poverty guidelines (FPG).
- **Provider Income Eligibility:** the family day care provider certifies by application that she or he has a household income at or below 185% of the FPG or is categorically eligible because of being certified for the Supplemental Nutrition Assistance Program (SNAP) or another means-tested program with income limits of no more than 185% of the FPG.

¹ OMB guidance defines significant erroneous payments as annual erroneous payments in the program exceeding both 2.5 % of program payments and \$10 million (OMB Circular A-123, Appendix C. August 10, 2006). The terms "improper" and "erroneous" have the same meaning within the OMB guidance. We use the term "erroneous" in this report.

² Six previous reports provide estimates of erroneous CACFP payments due to errors in sponsor tiering determinations for Program Years 2005-2010. Program Year 2011 covers the twelve months from August 2010 through July 2011.

FDCHs that meet geographic or income eligibility criteria are classified as "Tier I," and those that do not are classified as "Tier II." In Tier II FDCHs, meals served to children who qualify as low-income are reimbursed at the Tier I rates; all other meals are reimbursed at the lower Tier II rates.³

This eligibility definition was modified during the period covered by this evaluation. The Healthy Hunger Free Kids Act of 2010 (HHFK Act) broadened geographic eligibility for Tier I status to include FDCHs located in the attendance area of any public school (not just elementary school) in which at least 50 percent of the children are approved for free and reduced price meals. The HHFK Act was made retroactive to October 1, 2010, so it covers the last 10 months of the 12 month evaluation period. The previous definition is referred to in this report as the "old rule," while the definition introduced by the HHFK Act is referred to as the "new rule."

During FY 2010, there were 131,865 family day care homes participating in the CACFP in the contiguous United States (the sampling universe for this Assessment), including 106,556 Tier I FDCHs and 25,309 Tier II FDCHs (Table ES-1). The CACFP provided reimbursements to FDCHs for 581 million meals, at a total cost of \$753.8 million.

Table ES-1. Contiguous United States FDCH totals for FY2011

	Tier I	Tier II
Number of FDCHs	106,556	25,309
Number of meals	475 million	106 million
Reimbursements	\$670.4 million	\$83.4 million

Source: FNS National Data Bank totals for contiguous US (sample universe for the assessment).

Assessment Methods and Sample Results

For this Assessment, we attempted to verify sponsors' determinations of tiering status for a sample of 660 FDCHs, selected from the lists of 55 sponsors located in 14 States. All but one of the FDCHs in the final sample were currently approved for the CACFP as of August 2011 and reimbursed for meals at some time between August 2010 and July 2011. We first attempted to independently verify Tier I eligibility for all sampled FDCHs using matches with school and Census data. Tier I FDCHs were verified without any additional data collection if all three of the nearest elementary schools (by straight-line distance) or the two closest schools for each secondary grade

³ Although the CACFP regulations differentiate between meals (breakfasts, lunches, and suppers) and snacks, we use the term "meals" alone in this report for simplicity.

were area-eligible (i.e., at least 50 percent of students were approved for F/RP meals), or if the FDCH was located in a CBG that was area-eligible. If some but not all of the nearest schools were area-eligible we contacted school districts or used their websites to determine the correct school attendance area for the FDCH, and then determined whether this school was area-eligible. Using these methods, we verified sponsors' determinations for 500 Tier I FDCHs, 89.9 percent of the Tier I sample. (Using the old eligibility rule in effect before October 1, 2010 we verified 486 Tier I FDCHs, 87.7 percent of the Tier I sample.)

For Tier I FDCHs not verified through data matching we reviewed sponsors' documentation of tiering determinations. These documents confirmed the sponsors' determinations for an additional 51 Tier I FDCHs (56 using the old rule). The assessment was completed for 100 percent of the sample. We identified 5 misclassified Tier I FDCHs and 8 misclassified Tier II FDCHs (12 and 4 under the old rule).

National Estimates of Misclassification Errors and Costs

FDCHs. Using sample data and sampling weights, we estimated that, nationwide, 0.91 percent of Tier I FDCHs and 7.18 percent of Tier II FDCHs were misclassified in PY2011. In total, there were an estimated 2,782 misclassified FDCHs, 2.11 percent of all FDCHs. The percentage estimates and the associated 90 percent confidence intervals are shown in Table ES-2.

Table ES-2. Estimated misclassification rates by tiering status in 2011

Tier as Determined by Sponsor	Percentage of FDCHs Misclassified (90% Confidence Interval)	Number of FDCHs Misclassified (90% Confidence Interval)
Tier I – old rule	2.17% (1.29% to 3.62%)	2,300 (1,367, 3,846)
Tier I – new rule	0.91% (0.48% to 1.71%)	966 (510, 1,823)
Tier II – old rule	3.88% (1.72% to 8.51%)	997 (442, 2,186)
Tier II – new rule	7.18% (4.45% to 11.38%)	1,816 (1,126, 2,879)
All – old rule	2.50% (1.58% to 3.94%)	3,296 (2,081, 5,192)
All – new rule	2.11% (1.39% to 3.19%)	2,782 (1,834, 4,204)

Meals. For misclassified FDCHs, the number of meals reimbursed in error is the difference between the number actually reimbursed at Tier I rates and the number that would have been reimbursed at Tier I rates if they had been correctly classified. Meals reimbursed at Tier I rates that should have been reimbursed at Tier II rates result in overpayments; meals reimbursed at Tier II rates that should have been reimbursed at Tier I rates result in underpayments. The erroneous payment for a meal reimbursed at the wrong rate is the difference between the Tier I and Tier II rates, which ranged from \$0.50 for snacks to \$0.92 for lunches and suppers (under rates effective from July 1, 2010 through June 30, 2011).

We estimate that, as a result of misclassifications, 2.80 percent of meals served at FDCHs classified as Tier I were reimbursed at the higher Tier I rate when they should have been at the lower Tier II rate, and 3.07 percent of meals served by FDCHs classified as Tier II were reimbursed at the Tier II rate instead of the higher Tier I rate for which they were eligible. Overall, 2.85 percent of FDCH meals – a total of 16.53 million meals this year – were reimbursed at the incorrect rate. (See Table ES-3 for estimated percentages and their 90 percent confidence intervals.) The estimates for Tier I FDCHs are computed using State average percentages of meals in Tier II FDCHs reimbursed at Tier I rates, since we do not know the actual number of Tier I-eligible children in FDCHs misclassified as Tier I.

Table ES-3. National estimates of meals claimed in error, FY2011

Tier as Determined by Sponsor	Percentage of Meals Claimed in Error Due to Misclassification of FDCHs (90% CI)	Millions of Meals Claimed in Error Due to Misclassification of FDCHs (90% CI)
Tier I – old rule	3.51% (1.79% to 5.24%)	16.69 (8.51 to 24.87)
Tier I – new rule	2.80% (1.27% to 4.32%)	13.29 (6.03 to 20.54)
Tier II – old rule	1.25% (0.00% to 3.11%)	1.32 (0 to 3.29)
Tier II – new rule	3.07% (0.26% to 5.87%)	3.25 (0.28 to 6.22)
All – old rule	3.10% (1.57% to 4.62%)	18.01 (9.59 to 26.43)
All – new rule	2.85% (1.41% to 4.28%)	16.53 (8.70 to 24.37)

Table ES-4 shows that the estimated costs of misclassification errors were overpayments of 1.41 percent to Tier I FDCHs and underpayments of 3.00 percent to Tier II FDCHs. Overall the

erroneous payment rate was 1.58 percent, with a 90 percent confidence interval from 0.77 percent to 2.38 percent. Breaking down the overall erroneous payment rate, overpayments represented 1.26 percent (\$9.48 million out of \$753.8 million from Table ES-1) of total payments, and underpayments represented 0.33 percent of total payments.

The total estimated cost of misclassification errors (overpayments plus underpayments) was \$12.0 million, with a 90 percent confidence interval from \$6.25 to \$17.71 million. The estimated total includes \$9.5 million in overpayments to Tier I FDCHs and \$2.5 million in underpayments to Tier II FDCHs, as shown in the table (with confidence intervals).

Table ES-4. National estimates of the percentage of costs and total costs of misclassifications, FY2011

Tier as Determined by Sponsor	Percentage of Reimbursements Paid in Error Due to Misclassification of FDCHs (90% CI)	Millions of \$ in Reimbursements Paid in Error Due to Misclassification of FDCHs (90% CI)
Tier I – old rule	1.78% (0.90% to 2.67%)	\$11.96 (\$6.02 to \$17.90)
Tier I – new rule	1.41% (0.63% to 2.19%)	\$9.48 (\$4.24 to \$14.71)
Tier II – old rule	1.21% (0.00% to 3.03%)	\$1.01 (\$0 to \$2.53)
Tier II – new rule	3.00% (0.21% to 5.78%)	\$2.50 (\$0.18 to \$4.82)
All – old rule	1.72% (0.86% to 2.58%)	\$12.97 (\$6.84 to \$19.10)
All – new rule	1.58% (0.77% to 2.38%)	\$11.98 (\$6.25 to \$17.71)

The estimates of misclassification rates and the cost of misclassification for 2011 are slightly larger than estimates for 2010, but they are consistent with those observed over the last six years (see Figures ES-1 and ES-2). The fluctuations in estimates of misclassification errors for the seven years of assessments are consistent with what we would expect in the presence of sampling error.

The major change from previous assessments is the new rule for Tier I eligibility introduced by the HHFK Act of 2010. This Act expanded the school-based eligibility to include any secondary grade (i.e., middle school or high school). It also required sponsors to redetermine eligibility for all Tier II FDCHs. As a result, the Tier II misclassification rate for 2011 was significantly higher than in 2010.

In 2010 it was 1.39 percent but in 2011 it had risen to 7.18 percent. As noted in last year's Executive Summary "while only one Tier II FDCH was misclassified, our [Abt's] independent verification found five FDCHs (4.1 percent of the Tier II sample) that could have been classified as Tier I in 2010. 'These FDCHs were not counted among the misclassification errors because there was no Tier I application or determination in the reference period.'"

Figure ES-1. Estimated misclassification as a percentage of reimbursements: 2005 through 2011

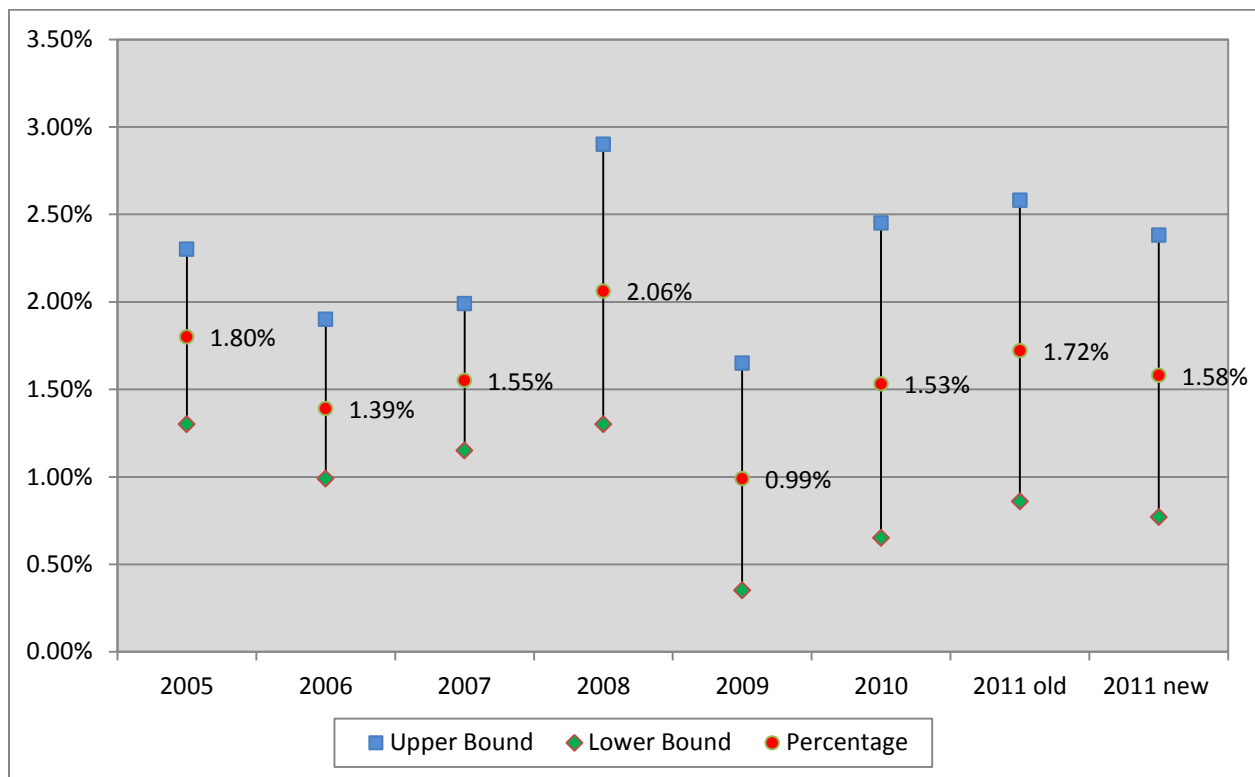
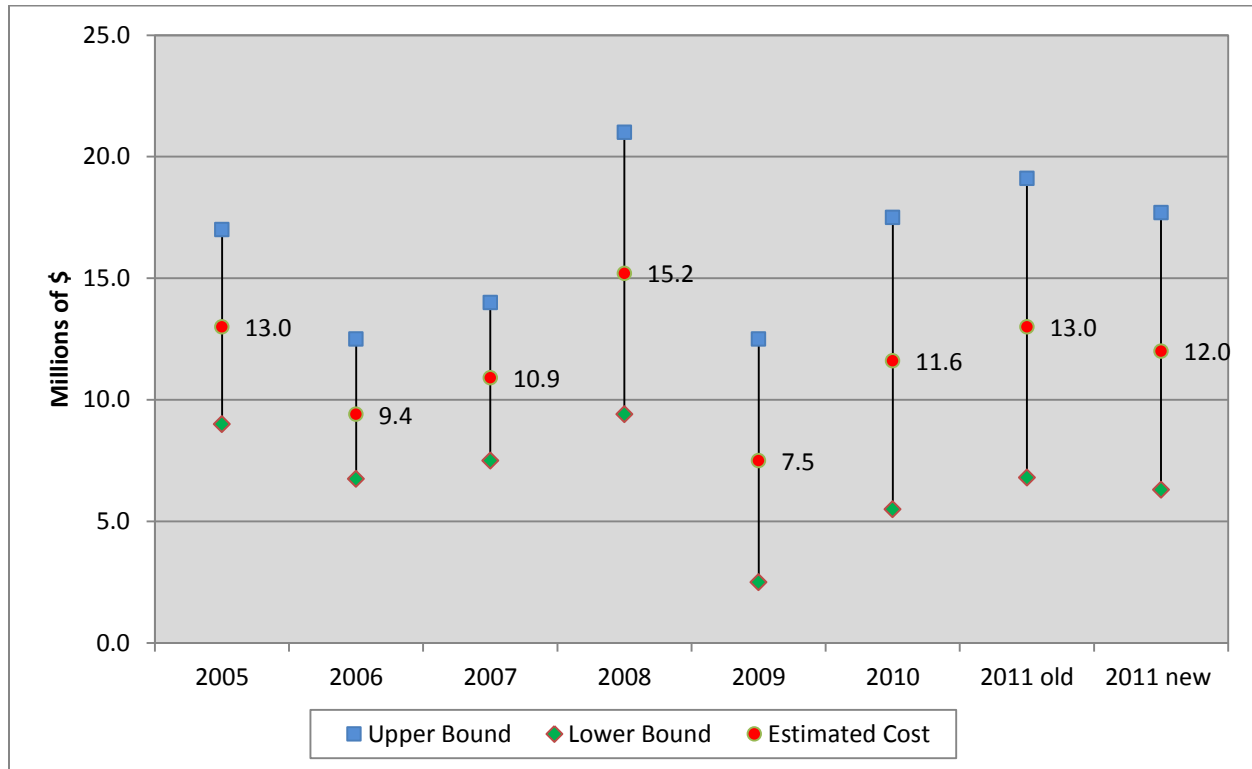


Figure ES-2. Estimated cost of misclassification 2005 through 2011 (\$million)



Implications of the Assessment Process and Results

This Assessment met FNS' requirements to provide estimates of misclassification rates for FDCHs in the CACFP and the resulting erroneous payments, within the standards of precision set by OMB. The 2011 Assessment produced results comparable to those of previous assessments.

The assessment confirms that the vast majority (98 percent) of tiering determinations were accurate. At the same time, the document review indicates that determinations based on income are more error-prone than other determinations, particularly income determinations without tax return documents.

The change in rule expanding the definition of eligible for Tier I to include secondary school eligibility resulted in a small change in overall eligibility. The new rule results included in this report will be the basis for future comparisons. The more important impact of the HHFK Act is that during FY2011 sponsors were required to redetermine tiering for all Tier II FDCHs. This eliminated the problem noticed in earlier assessments that some Tier II FDCHs were eligible for Tier I but not

considered errors since the sponsors weren't required to re-determine eligibility. This rule change had a number of implications for the current and future assessments:

- Increased the number of Tier I FDCHs;
- Reduced the overpayment rate (because some previously incorrect Tier Is are now correct);
- Increased the underpayment rate (because all Tier II were re-determined but their eligibility wasn't always caught);
- Decreased the net overpayment by 36 percent; and,
- Increased the number of correctly tiered FDCHs with some meals reimbursed at the incorrect amount (a higher percentage had their most recent tiering date during the year of the assessment because all Tier II had to be re-determined).

Finally, in considering the implications of this assessment, it is important to acknowledge that tiering determinations are only one of several potential causes of improper payments in the CACFP. If tiering determinations were the sole source of improper payments, the CACFP would fall below the IPIA's reporting threshold, which mandates reports for programs with improper payments that exceed both \$10 million per year and 2.5 percent of total payments. The CACFP has several other potential sources of erroneous payments to FDCHs, including errors in determining eligibility of children in Tier II FDCHs for Tier I meals, meal claiming, errors by providers, and meal claims processing errors by sponsors. Furthermore, this assessment does not address erroneous payments to child care centers or adult day care programs. Thus, the estimates of this assessment understate the full extent of improper payments in the CACFP.

The 2011 *CACFP Assessment of Sponsor Tiering Determinations* was conducted by Westat for the USDA Food and Nutrition Service (FNS). This Assessment is intended to provide FNS with national estimates of the percentage of Child and Adult Care Food Program (CACFP) family day care homes (FDCHs) that were misclassified as Tier I or Tier II in Program Year (PY) 2011, and the associated erroneous payments. FNS is required by the Improper Payments Information Act of 2002 (P.L. 107-300) to report these estimates annually to the Congress.

1.1 The Child and Adult Care Food Program

The Child and Adult Care Food Program (CACFP) provides reimbursements for nutritious meals and snacks served in family day care homes, child care centers, and other participating facilities and programs. In FY2011, the CACFP provided \$2.7 billion in reimbursements for 1.93 billion meals served to an average of 3.42 million participants. About 82 percent of CACFP meals were served to low-income participants eligible for free or reduced-price meals.⁴ Ninety-six percent of meals were served to children, with 31 percent of children's meals served in family day care homes.

A FDCH is a private residence where day care is provided to nonresident children. In FY2011, there were 131,865 approved family day care homes participating in the CACFP.⁵ To participate in the CACFP, a FDCH must meet program requirements and be approved by a sponsoring agency. FDCH providers are required to log meals served to each child on a daily basis. Each month, FDCHs submit meal claims to sponsors to obtain reimbursement for meals served. Sponsors act as fiscal intermediaries, receiving claims from family day care homes and disbursing USDA funds for meal reimbursements.

In FY2011 there were 861 sponsoring organizations for family day care homes in the United States. According to a survey of sponsors in 20 states, about 69 percent of sponsors in the year 2000 were

⁴ Program statistics as of April 26, 2012 were obtained from the FNS National Databank, accessed April 2012.

⁵ This figure is the average of counts in December 2010, March 2011, June 2011, and September 2011. Source: FNS National Databank. FY2011 data, accessed March 2012.

private nonprofit agencies, 10 percent were public agencies, 13 percent were military organizations, and 8 percent were identified as "other" organizations (such as schools or churches).⁶

CACFP Reimbursement for Meals Served in Family Day Care Homes (FDCHs)

Meals served in participating FDCHs are reimbursed according to a two-tiered rate structure (Tier I or Tier II).

- Tier I rates are higher and apply to all meals served in FDCHs that are located in low-income areas (geographic eligibility) or operated by providers whose own household income is at or below 185 percent of the Federal poverty guidelines (FPG) (income eligibility) or already participate in a poverty food program (categorical eligibility). FDCHs that meet the geographic or provider income criteria for Tier I rates are classified as Tier I FDCHs. Those that do not meet Tier I criteria are classified as Tier II FDCHs.⁷
- Tier II homes may receive reimbursement at Tier I rates for meals served to children that have been determined by the sponsor to be categorically eligible or have a household income at or below 185 percent of the FPG.
- Tier II rates are lower and apply to meals served to children in Tier II FDCHs that do not qualify for Tier I rates.

Within each reimbursement tier, there are different rates for breakfast, lunch and supper, and snacks. FDCHs may claim up to two snacks and one meal (breakfast, lunch, or supper) or two meals and one snack each day for each participating child. The rates in effect in FY2011 for all States except Alaska and Hawaii are shown in Table 1-1.⁸

⁶ The type of agency for sponsors is not routinely collected. The most recent data are for 2000 from Bernstein, Lawrence S. and William L. Hamilton, 'Sponsoring Organizations' and the CACFP: Administrative Effects of Reimbursement Tiering. E-FAN-02-003. U.S. Department of Agriculture, Economic Research Service, April 2002. Available at: <http://www.ers.usda.gov/publications/efan02003>.

⁷ Providers must meet Tier I income eligibility criteria to obtain Tier I reimbursement rates for meals served to their own children.

⁸ The CACFP rates are revised effective July 1 of each year. Thus, the rates in effect during Fiscal Year 2011 (October 1, 2010 through September 30, 2011) included the 2010-2011 rates and the 2011-2012 rates announced in July 2011.

Table 1-1. CACFP reimbursement rates for meals served in family day care homes

Type of Meal Served	July 1, 2010-June 30, 2011		July 1, 2011-June 30, 2012	
	Tier I Rate	Tier II Rate	Tier I Rate	Tier II Rate
Breakfast	\$1.19	\$0.44	\$1.24	\$0.45
Lunch and Supper	\$2.22	\$1.34	\$2.32	\$1.40
Snack	\$0.66	\$0.18	\$0.69	\$0.19

*Note: Higher rates apply in Alaska and Hawaii.

In addition to the Tier I and Tier II classification of FDCHs, Tier II homes are classified into three groups, depending on the income-eligibility status of the participating children:

- Tier II high: all children approved for free/reduced-price meals, all eligible meals reimbursed at Tier I rates;
- Tier II mixed: some but not all children approved for free/reduced-price meals, eligible meals reimbursed at a combination of Tier I and Tier II rates;
- Tier II low: no children approved for free/reduced-price meals, all eligible meals reimbursed at Tier II rates.

In FY2011, 81 percent of CACFP family day care homes in the United States were approved as Tier I. Table 1-2 shows the total number and distribution of FDCHs in FY2011, and the distribution among Tier II homes.

Table 1-2. Number and distribution of FDCHs by reimbursement tier, FY2010

Tier	Number of FHCDs	Percent of All FDCHs	Percent of Tier II FDCHs
Tier I	106,556	81%	–
Tier II, High	2,091	2%	8%
Tier II, Mixed	4,954	4%	20%
Tier II, Low	18,264	14%	72%
Total	131,865	100%	

Definitions: Tier II, High – all meals at Tier I rates; Tier II, Mixed – combination of Tier I and Tier II meals; Tier II, Low – all meals at Tier II rates.

Note: Numbers may not add to totals due to rounding.

Source: FNS National Databank, FY2010, accessed March 2011.

1.2 Classification of Family Day Care Homes

Sponsors are responsible for determining the appropriate tiering levels (Tier I or Tier II) of each of their participating FDCHs. FDCHs that meet the criteria for Tier I reimbursement are designated Tier I FDCHs, while all others are designated Tier II.

Criteria for Tier I Eligibility

Eligibility for higher Tier I rates is based on geographic eligibility or provider income eligibility:

- **Geographic Eligibility** -the FDCH is located in a low-income area, defined in one of two ways:
 - **School boundary area** — FDCH is located in the attendance area of any school⁹ in which at least 50 percent of the children enrolled qualify for free or reduced-price (FR/P) meals in the National School Lunch Program (NSLP), see Section 1.3 for more details; or
 - **Census block group (CBG)** — FDCH is located in a CBG in which at least 50 percent of children at or below age 12 live in households with incomes below 185 percent of the FPG.
- **Provider Income Eligibility** - the family day care provider is low income or is categorically eligible.
 - **Income eligibility** — Provider must have household income below 185 percent of the FPG.
 - **Categorical eligibility** — Provider receives benefits from the Supplemental Nutrition Assistance Program (SNAP) (formerly the Food Stamp Program), the Food Distribution Program on Indian Reservations (FDPIR), certain State programs for Temporary Assistance to Needy Families (TANF), or other means-tested program designated by the State.¹⁰

In early 2011 CACFP sponsors were required to evaluate geographic eligibility for Tier I for all FDCHs. To do this, they were assisted by other agencies that supply data needed to assess geographic eligibility.

⁹ As discussed below, before the Healthy Hunger Free Kids Act of 2010 (HHFK Act) broadened geographic eligibility for Tier I status, it was necessary for FDCHs to be located in the attendance area of an elementary school in which at least 50 percent of the children were approved for F/RP meals.

¹⁰ Individual States may designate additional means-tested programs for categorical eligibility, provided that the program has an income limit of no more than 185 percent of the FPG. For example, one State's guardianship assistance program may be used to establish categorical eligibility.

- **School boundary area** – State agencies administering the NSLP were required to provide the State CACFP agency with a list of all schools in the State participating in the NSLP in which 50 percent or more of enrolled children have been determined eligible for free or reduced price meals as of the last operating day of the previous October, or other month specified by the State agency. Lists must be provided by February 15 of each year; or, if data are based on a month other than October, within 90 calendar days following the end of the month designated by the State agency. (7 CFR 210.19)
- **Census block groups** – The Census Bureau created for FNS a special tabulation of the 2000 decennial Census tabulation providing for each CBG the percentage of children at or below age 12 in households with incomes below 185 percent of FPG. These data are available in spreadsheet format from State CACFP agencies or through an interactive mapping program on the CACFP Mapper website.¹¹

Providers that are not geographically eligible for Tier I may apply for Tier I on the basis of income by completing an Income Eligibility Statement (IES) and providing appropriate documentation.¹²

Tier I determinations are valid for a specified time period, depending on the basis of determination:

- Geographic eligibility determined by school data is valid for 5 years;
- Geographic eligibility determined by 2000 Census data is valid for 5 years; and
- Income and programmatic eligibility for Tier I must be reviewed annually.

Family day care homes that do not meet the criteria for Tier I homes are designated as Tier II homes.

Tier I Documentation Requirements

Each Tier I classification must be documented in accordance with FNS guidance.¹³ Documentation of geographic eligibility must verify the FDCH location within the specified school or CBG boundary area, and document the eligibility of the area. Income and categorical eligibility must be verified through supporting documentation from the provider or documented collateral contacts. Sponsors are required to hold documentation on file for as long as the classification is in effect plus

¹¹ The CACFP Mapper website was developed by FairData in association with the Food Research and Action Center, and is available at: <http://www.fairdata2000.com/CACFP/>. Beginning in February 2012 5-year data from the American Community Survey will replace the 2000 decennial census tabulation.

¹² The Income Eligibility Statement (IES) is similar to an application for free or reduced-price school meals, eliciting information about household members and categorical eligibility or income received by each household member. Unlike the school meals application, the IES for the CACFP must be accompanied by documentation of income.

¹³ USDA. Food and Nutrition Service. The Child and Adult Care Food Program (CACFP): Eligibility Guidance for Family Day Care Homes, issued 1997 and subsequently revised. Hard copy provided by FNS.

three fiscal years. As discussed in Chapter 3, FNS guidance for documentation provides the basis for review of sponsor tiering documents and verification of FDCH classification.

1.3 Healthy Hunger Free Kids Act of 2010

The Healthy Hunger Free Kids (HHFK) Act of 2010 expanded the eligibility of FDCHs to qualify as Tier I. Effective retroactive to October 1, 2010, family and group day care homes may be classified as Tier I for purposes of reimbursement under CACFP if the home is located in an area served by *any* public school in which at least 50 percent of the enrolled children are certified eligible for free and reduced-price school meals. This allows a FDCH to qualify based on secondary school catchment area as well as elementary school.

A second change required by the HHFK Act is that CACFP sponsors were required in early 2011 to evaluate geographic eligibility for Tier I for all FDCHs. Historical evaluations had indicated that some Tier II FDCHs were eligible for Tier I, but their sponsors had not been requested to assess their eligibility. These were not considered tiering errors since the sponsors were not required to assess tiering unless requested by the FDCH.

Throughout this report the expanded eligibility under HHFK is referred to as the “new rule”¹⁴ while the rules in existence before October 1, 2010 are referred to as the “old rule.” Historical comparisons of FY2011 against earlier years are most appropriate when the old rule is used for 2011. Estimates for the current year under the Improper Payments Information Act and comparisons of this year to future years should use the new rule.

1.4 Organization of the Report

The purpose of this Assessment is to identify FDCHs that were misclassified as Tier I or Tier II, and estimate the dollar value of erroneous payments associated with those misclassifications. Chapter 2 of this report provides an overview of the methodology for identifying misclassifications, and presents the sampling design and data collection procedures used for the assessment. Chapter 3

¹⁴ This report covers the period August 1, 2010 through July 31, 2011. The new rules went into effect on October 1, 2010. For estimating erroneous payments we used the old rule for August and September 2010, and the new rule from October 2010 through July 2011. Estimates for this Assessment therefore reflect a “hybrid” of the old and new rules. For convenience we refer to the entire period of this Assessment as falling under the new rules. For comparing the results of this 2011 Assessment to the results of future Assessments, in the 2012 Assessment we will also present the results for the 2011 Assessment under the assumption the new rule was in effect for the entire period of the 2011 Assessment.

describes the detailed methodology for assessing sponsor tiering determinations and identifying misclassifications. Chapter 3 also presents the results of each stage of the assessment for the study sample. Nationally representative (weighted) estimates of FDCH misclassifications and erroneous payments are presented in Chapter 4 under both the old rule and new rule, and Chapter 5 concludes the report. Appendix A provides supplementary information on sampling, weighting, and estimation. Appendix B provides the forms used for recruiting sponsors and data collection.

The purpose of this Assessment is to identify family day care home tiering classification errors; i.e., homes classified by sponsors as Tier I that should have been classified as Tier II, and homes classified by sponsors as Tier II that should have been classified as Tier I. For each of these misclassifications, we then estimate the value of erroneous payments due to misclassifications. This chapter has three sections: (1) an overview of the methodology used for verifying sponsor tiering determinations and the key differences from the methodology for the previous Assessments; (2) a description of the sampling design and recruitment of sponsors; and (3) a description of the data collection procedures.

2.1 Overview of the Assessment of Sponsor Tiering Determinations

The assessment of sponsor tiering determinations used two primary methods to validate those determinations:

- Independent verification of geographic eligibility for Tier I by matching FDCHs with school and Census data.
- Review of sponsor tiering determination documents for all Tier I FDCHs not independently verified as geographically eligible for Tier I.

The approach was specifically designed to minimize the burden on sponsors and the cost to FNS of doing the assessment. To this end, we used a set of rules for estimating geographic eligibility for Tier I based on the nearest schools as was done with the previous Assessment. The FNS rules for school-based geographic eligibility require the FDCH to be located within the attendance area of a school (elementary school for the old-rule and any grade level for the new rule) where at least half of the students are approved for F/RP school meals. However, there are no national databases that can be used to identify the exact school attendance area for FDCHs. Instead, we assumed that if all of the three nearest elementary schools for the old rule; or the three nearest elementary schools or for any secondary grade both of the two nearest middle or high schools for the new rule, this satisfied

the F/RP requirement and would be sufficient to confirm that the sponsor's determination of Tier I eligibility was correct.¹⁵

We implemented this approach through the multi-step process shown in Figure 2-1. Step 1 (1a through 1d) consisted of data matches with school and Census data. State lists of schools with their percentage of students approved for F/RP meals were used for the school match. If Step 1 was not conclusive (as described below), the school district was contacted to determine the school attendance area for the FDCH (Step 2). After Steps 1 and 2, sponsors were asked to provide documentation of tiering determination for all FDCHs not verified by school or Census data (Step 3), and those documents were reviewed to determine the final FDCH classification (Step 4).

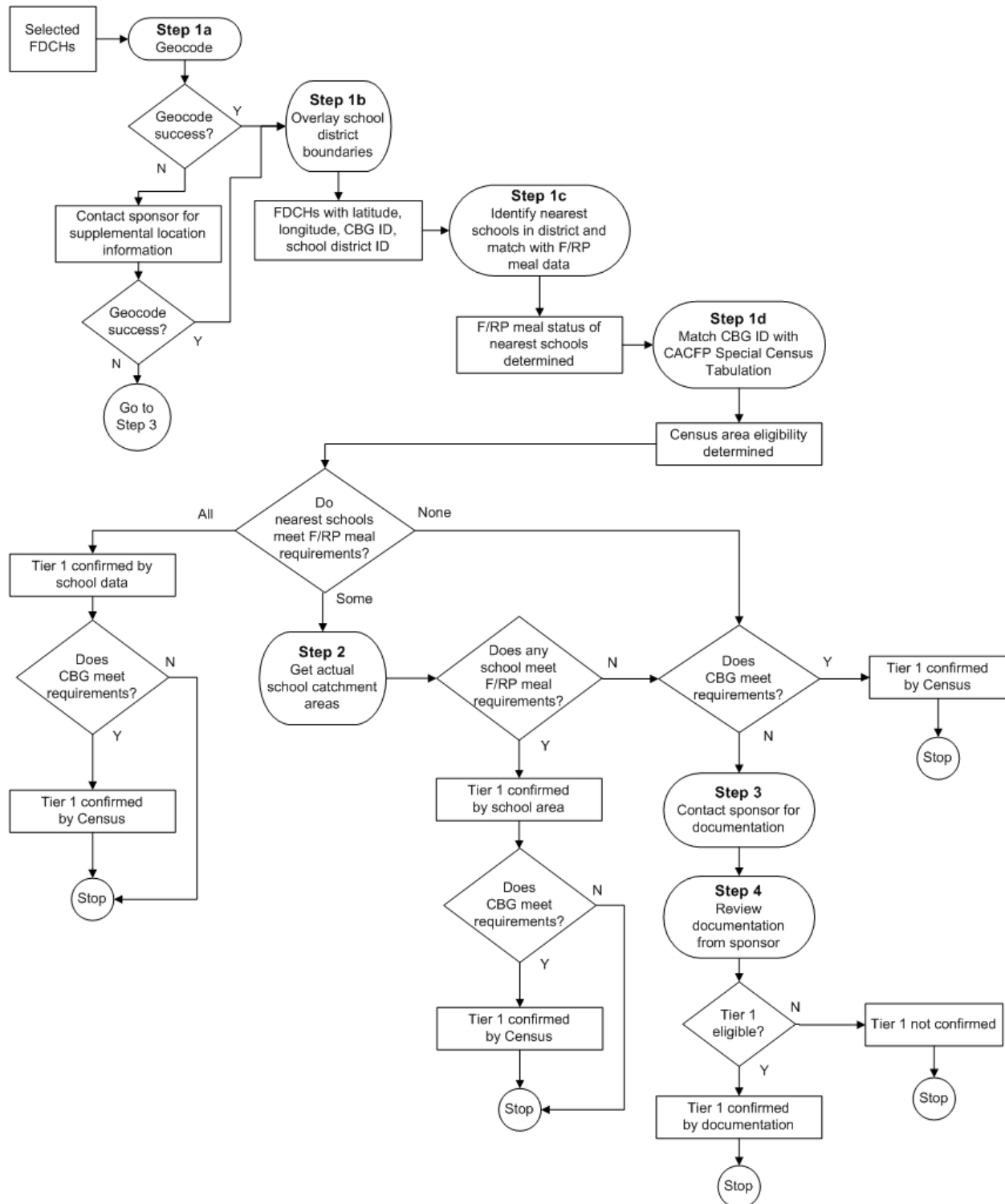
All Tier I FDCHs fell into one of the seven groups, as follows:

- A. All of the nearest schools (3 elementary or 2 middle or high schools) met the F/RP requirement and the CBG was area-eligible (50% of children or more at or below 185% of the FPG).
- B. All of the nearest schools met the F/RP requirement but the CBG was not area-eligible.
- C. Some (but not all) of the nearest schools met the F/RP requirement, and the CBG was area-eligible.
- D. None of the nearest schools met the F/RP requirement, and the CBG was area-eligible.
- E. The correct school for the FDCH, as identified by contacting the school district, met the F/RP requirement, but the CBG was not area-eligible.
- F. Sponsor documents consistent with Tier I eligibility confirmed the determinations for the FDCHs; these determinations were not confirmed by the school and Census match, or the school district contacts.
- G. None of the methods confirmed sponsor determinations of Tier I eligibility, and the FDCH was considered misclassified.

Thus, sponsor determinations of Tier I eligibility were independently confirmed by the school and Census match alone (i.e., without contacting the sponsor or a school district) if the FDCH fell into group A, B, or D. Groups C and E were confirmed by contacting the school district, without requiring sponsor documents.

¹⁵ This rule is based on the assumption that the correct school attendance area for the FDCH belongs to one of the nearest schools. If this assumption is not correct, it is likely that the correct school attendance area is nearby and has approximately the same percentage of F/RP students as those of the three nearest elementary schools. Nearest schools are determined by straight line distances. Less than the desired number of schools might be used if there are fewer schools of this grade level in the given school district.

Figure 2-1. Flowchart for the CACFP tiering verification process



The independent assessment process was the same for Tier II FDCHs. However, Tier II FDCHs were determined to be misclassified if they were independently determined to be eligible for Tier I without requesting sponsor documentation. FNS policy states that an FDCH is not misclassified as Tier II unless (a) it is eligible for Tier I, and (b) the sponsor either makes an incorrect tiering determination or fails to act on a request for a determination from the provider. Since the new rule required that sponsors reclassify all Tier II FDCHs for this Assessment year, there was no need to request documentation of whether the provider had requested a determination from the sponsor.

Comparison of This Assessment with Previous Assessments

Six annual Assessments of sponsor tiering determinations were previously conducted for the years 2005 thru 2010. The 2011 Assessment follows the simplified methodology used in the 2008 thru 2010 Assessments as close as possible. Primary differences include:

- Because of the new rule that expanded school-based eligibility to include all grade levels, not just elementary schools, the nearest school algorithm was modified.
- For comparison of results with previous assessments, we produced two evaluations of tiering levels and two sets of estimates: one for the new rule and one assuming that the rule had not changed.
- As described above, since the new rule required that all FDCHs be evaluated for possible reclassification, it was not necessary to ask sponsors for documentation for Tier II FDCHs to determine if the sponsor had failed to act on an application from the FDCH.

The remainder of this chapter describes the sampling design and data collection.

2.2 Sampling Design

This Assessment used a three-stage probability sample to select a sample of FDCHs from which national tiering determination error statistics were obtained. This Assessment survey pertained to three types of errors that occurred during the survey reference period of August 2010 to July 2011 (referred to as the Program Year):

- The number and percentage of FDCHs that were active and misclassified as Tier I or Tier II;

- The number and percentage of meals reimbursed at the incorrect tier due to misclassification of FDCHs (meals reimbursed as Tier I that would have been reimbursed at Tier II if the FDCH had been correctly classified as Tier II, and vice versa); and
- The total dollar value of erroneous payments and the percentage of total payments to providers made in error, including separate estimates of totals and percentages for overpayments to Tier I FDCHs and underpayments to Tier II FDCHs. The total error is defined as the sum of over and underpayments.

Misclassification of homes as Tier I results in *overpayments* at the higher Tier I reimbursement rates, instead of the lower Tier II rates. Misclassification of homes as Tier II results in *underpayments* at the lower Tier II reimbursement rates, instead of the higher Tier I rates.

It would have been more efficient to select a sample of FDCHs directly but there was no sample frame of FDCHs available. Therefore, a three-stage sample design was used, where the first stage was sampling of states, from which a sample of sponsors were selected at the second-stage, and then at the last stage a sample of FDCHs was selected from selected sponsors. It is desirable to select an equal probability sample of FDCHs as much as possible because it produces more efficient (accurate for a given sample size) estimates. With this goal in mind, a probability proportional to size (PPS, see Kish (1965, page 220)) sampling of states, PPS sampling of sponsors, and simple random sampling of FDCHs, was implemented with the measure of size (MOS) being the number of FDCHs for PPS sampling. If the MOS is perfect and there are no dominating states or sponsors that require a certainty selection, this sample design would give an equal probability sample. However, we will see later that this was not possible to achieve because the MOS was imperfect¹⁶ and there were some certainties. The MOS at the first stage was the number of FDCHs per state in FY2010, as reported in the FNS National Databank in March 2011. Nevertheless, the sample design gave an approximately equal probability sample, and the loss of efficiency due to minor inequality of the sampling probabilities is minimal.

The sample sizes at each stage of sampling were set at the same as for the 2010 survey.¹⁷ Table 2-1 presents these sample sizes. States with more than 1/15th of all FDCHs were given a chance to be selected twice, in which case twice as many sponsors and FDCHs were also selected from the state.

¹⁶ At the first stage the MOS was the total number of FDCHs in a state in FY2010, the most recently available nationally. Sampled states then provided current counts of FDCHs per sponsor, and sampled sponsors provided counts of eligible FDCHs. All three counts were similar but not exactly consistent.

¹⁷ See Logan et al. (2010).

Table 2-1. Sample sizes for the three-stage FNS Tiering Survey

Sampling Stage	Sampling Unit	Sample Size		Comments
		Per State	Total	
1	State	---	15	One state was selected twice
2	Sponsor	4 or 8	60	That state was given a sample size of 8 sponsors
3	FDCH	11 or 22	660	Some large sponsors were given a sample size of 22.

One departure from the sample design used for the previous surveys was that the state sample was selected for three years. The reason for this change was to spread the sample over more states over the three years than when states are selected each year independently. The state sample size for three years was 45, and a PPS sample of 45 was selected using the systematic PPS sampling method after sorting the list of states (48 states and DC excluding Hawaii, Alaska, and outlying territories) by the FNS region.¹⁸ Large states were selected more than once and they will be included in the sample more than one year.

The largest state in terms of the number of FDCHs was selected 5 times in the three year sample, twice for survey years 2011 and 2012, and once for survey year 2013. Another large state was selected once for survey years 2011 and 2012 but twice for survey year 2013. If a state was selected twice in a given year, it was given twice (i.e., 8) the sponsor sample size that would be normally given (i.e., 4). A total of 15 states were selected each year but one state was selected twice, and thus, 14 unique states were selected each year. The number of unique states selected for the three years is 29; if yearly independent selection had been used, the expected number of unique states would have been 25 in three years – this is not a fixed number due to probability sampling. The three largest states were included with certainty for three years. One additional state was also selected for all three years by chance although it had a chance of being selected only twice. One drawback of this strategy of selecting simultaneously for three years is that the measure of size (MOS) used for the second and third year selection will be somewhat less accurate than the MOS that would be used for independent selection; causing some loss in the sampling efficiency. This is due to the variation in distribution of number of FDCHs across states in the different years. However, weighting adjustment through post-stratification will reduce the inefficiency caused by inaccurate MOS for the second and third years (we give more discussion on the post-stratification in Appendix A). At the second stage of sampling, an initial sample of six sponsors (that include two back-ups) was selected from each sampled state. The state that was selected twice in the state selection was given a sponsor sample of 12, twice the usual sample size. The sampling method at the second stage was

¹⁸ The 2005-2007 Assessments excluded Alaska, Hawaii, Guam, and Puerto Rico because of the cost of site visits. The methodology for the 2008-2011 Assessments did not require site visits, but the same sampling frame was used to assure consistency.

also PPS sampling with the MOS being the number of FDCHs for each sponsor. We selected the back-up sample to replace any sponsor that would refuse to participate; however, no sponsors refused to participate.

Some sponsors were selected with certainty, because they had more than one-fourth of the FDCHs in the state. This was quite prevalent as it happened in seven of 14 states. Moreover, five states had only three sponsors selected because one sponsor was selected twice. These sponsors were given twice the FDCH sample size than other sponsors. Altogether 55 unique sponsors were selected from 14 states in the final sample.

Recruitment and Initial Response Rates

Recruitment of sampled sponsors for the assessment began in September 2011. Westat contacted selected sponsors via Federal Express or regular mail (in instances where only a P.O. Box was provided). In addition, state directors were asked to send an email to selected sponsors encouraging participation in the assessment. The sponsor recruitment package (provided as Appendix B) included:

- Letter describing the assessment and the accompanying materials
- Brochure describing the requirements for participation
- Letters of support from The CACFP Sponsor's Association and CACFP National Forum
- Memorandum of Understanding (MOU)
- Instructions, user name, and password for accessing the SharePoint site

Sponsors were offered \$110 to offset the costs of providing information for the assessment, and an additional \$150 if they met all of the deadlines specified by Westat. All honoraria were provided upon completion of data collection after Westat determined that all requested documents were received.

As mentioned earlier, all 55 initially selected sponsors participated in the survey, and no back-up sample was used. The distribution of 55 sampled sponsors in terms of the number of FDCHs is shown in Table 2-2. The table shows that the sampled sponsors tended to be larger in 2011 than in 2010, when the mean number of sampled FDCH sponsors was 639. Considering the large standard

deviation, this much fluctuation is not unusual. It also demonstrates the wide range of sponsor sizes, which resulted in 5 of them being selected for 22 FDCHs rather than the 11 initially anticipated.

Table 2-2. Distribution of the number of FDCHs for the 55 sample sponsors

Minimum	1st Quartile	Median	3rd Quartile	Maximum	Mean	Standard Deviation
11	158	387	876	4,681	710	843

Selection of FDCHs and the Final Response Rate

At the time of recruitment, the 55 sampled sponsors were asked to provide a list of all FDCHs that they sponsored as of July 2011, regardless of whether the FDCH received reimbursement in that month. All 55 sponsors responded.

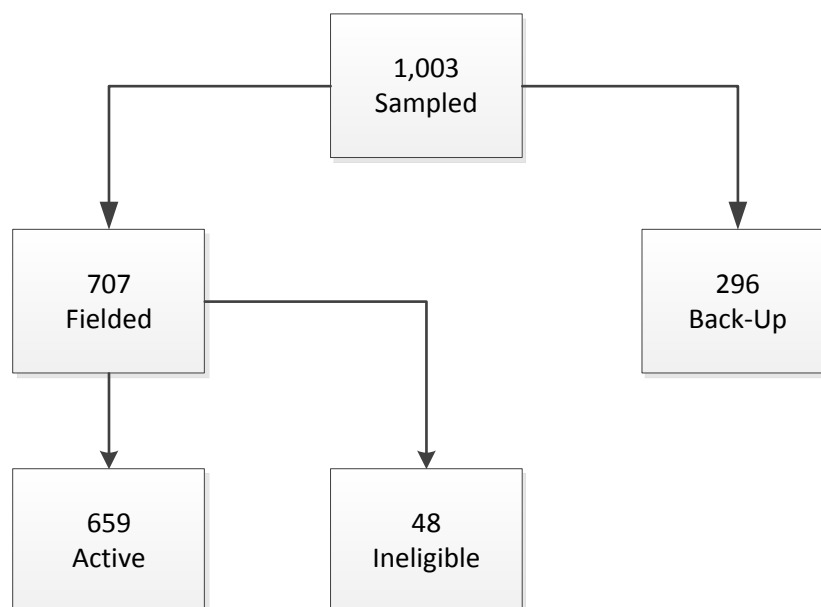
For each sampled sponsor, the sample was allocated between Tier I and Tier II in proportion to the numbers of Tier I and Tier II FDCHs they sponsored. Using simple random sampling, 11 regular sample FDCHs were selected along with 5 back-ups from each sample sponsor unless it was given a sample size twice the normal sample size. For those five sponsors that were selected twice, 22 regular FDCHs and 10 back-ups were selected. Some sponsors have a very small number of Tier II homes, so stratification by tier status was not done for them.

After the sample of FDCHs was selected, two subsequent data requests were sent to sponsors (as discussed in Section 2.3, which describes the data collection). Sponsors were asked to provide meal counts for sampled FDCHs for the reference period August 2010 to July 2011.

If a FDCH in the regular sample was determined to be inactive (have no meal reimbursements) for the reference period of the assessment, the FDCH was replaced with a selection from the back-up sample. The back-up sample selected was enough to replace those ineligible (inactive) cases for most of the sponsors. However, two sponsors needed additional back-ups. One of the two sponsors had a very low eligibility rate (less than 30 percent in the initial sample of 16), and we selected 45 more back-up FDCHs for the sponsor, of which we used 21. For another sponsor, we had to select just three more back-ups because we ran out of the originally selected five back-ups to get 11 eligible homes. These are exceptions, and the back-up sample strategy worked well for the other 53 sample sponsors.

At the end, we selected 1,003 FDCHs of which 707 were fielded, and 659 were active and provided data (see Figure 2-2). We planned to get 660 but one FDCH was found to be inactive at the last moment and was not replaced to keep up the data collection schedule. The 48 (=707-659) ineligible FDCHs represent 6.8 percent of the whole fielded sample. Considering the sample of FDCHs is roughly an equal probability sample, we expect a similar rate of ineligibility for the sample frame we used. This rate is higher than the rate of 4.2 percent observed in 2010 but lower than the 2009 rate.¹⁹

Figure 2-2. FDCH sample results



A final round of data collection was conducted to obtain documentation about tiering determinations for FDCHs that were not verified as geographically eligible for Tier I through a match with school and Census data. Information was requested for 69 Tier I FDCHs. The response rate for the final round of data collection was 100 percent, yielding a final sample of 659 FDCHs.

Sampling Weights and Estimation

Each FDCH in the sample received a base sampling weight equal to the inverse of its probability of selection. Thus, the weight reflected the probability of selecting the state, the probability of selecting the sponsor (given that the state had been selected), and the probability of selecting the FDCH (from the sponsor's list of FDCHs in the particular tier, given that the sponsor had been selected). The selection probabilities for FDCHs took into account the presence in the sample of FDCHs that

¹⁹ See Logan, et al (2010).

were found to be inactive for the reference period, so that the weights would allow projection from the sample to the universe of active FDCHs.

The total number of FDCHs reported across all sponsors by the states as of August 2011 generally differed from the corresponding totals in the FNS National Databank for FY2011. Similarly, the numbers of FDCHs on the sponsors' lists (as of August 2011) differed from the corresponding numbers reported by the states. Because this assessment aims to provide estimates for FY2011, the base sampling weights were adjusted by post-stratification to two control totals: the FY2011 total number of Tier I homes and the total number of Tier II homes (as reported in the FNS National Databank as of March 2012, after eliminating the states and territories that had been excluded from the sampling frame for this assessment).

The final weights assigned to the responding FDCHs were used to obtain estimates of various population parameters and standard errors of these estimates. For obtaining the misclassification rates for Tier I, Tier II, and all FDCHs, weighted estimates were computed for the number of misclassified FDCHs by tier and overall and the corresponding total number of FDCHs. The ratios of these numbers provide the national estimates for the misclassification rates by tier and overall.

Weighted sample data also were used to estimate (by tier and overall) the percentage of meals reimbursed in error and the percentage of reimbursements paid in error due to misclassification of FDCHs. To obtain estimates of total meals reimbursed in error, these estimated percentages were multiplied by the national total of meals for FY2011 obtained from the FNS National Data Bank. Similarly, the estimated percentages of reimbursements paid in error were multiplied by the total reimbursements paid in FY2011, also based on FNS data. These calculations and their rationale are discussed further in Chapter 4 and in Appendix A.

Standard errors for the totals and percentages of FDCHs misclassified were computed using Westat's complex survey analysis system, WesVar, which takes into account the multistage sampling design used for the selection of FDCHs in the sample (including stratification and clustering of sampling units at various stages of sampling).

Appendix A provides more detail of the estimation procedures.

2.3 Data Collection

Data collection for the assessment began in June 2011 and continued through March 2012. Data were collected from FNS, State Child Nutrition Agencies, and CACFP sponsoring organizations. Family day care homes were not contacted for the assessment.

Data Collected from FNS

FNS provided administrative data on FDCHs and meal reimbursements for FY2010 and FY2011 from its National Data Bank. As noted, the FY2010 counts of FDCHs by State were used as the measure of size for selecting States; FY2011 data were not complete at the time of sampling but were used later as the control totals to adjust the sampling weights.

The FY2011 data on meal reimbursements from the National Databank were used to determine State-level percentages of meals in Tier II homes that were reimbursed at Tier I rates. As noted above, Tier II homes may claim Tier I meals for children that have been certified as income-eligible. Thus, for misclassified Tier I homes, we cannot assume that all meals were reimbursed in error, because some children might individually qualify for the higher Tier I reimbursement if given the opportunity to apply. Lacking information about individual children in misclassified Tier I homes, we applied the State-level percentages of Tier I meals in Tier II FDCHs when estimating the number of meals reimbursed in error in homes misclassified as Tier I. The rationale for this methodology is further explained in detail in Section 4.3. In addition, FY2011 total meal counts were used in the estimation of total meals reimbursed in error (as described above).

Data Collected from State Agencies

The 14 selected States were asked to provide two types of data for the assessment: a list of CACFP sponsors in their State, and the "State list of schools" which is provided to CACFP sponsors for the purpose of determining FDCH eligibility for Tier I. The data request was mailed to State agencies in August 2011.

Lists of Sponsors

States were asked to provide a list of CACFP sponsors of family day care homes to serve as the frame for sampling sponsors. The requested elements of the list included sponsor name, address,

telephone number, and number of Tier I and Tier II homes. The total number of sponsors per State ranged from 6 to 92. Four States had 9 or fewer sponsors, seven States had 12 to 25 sponsors, and three States had 28 or more sponsors. After data were received from State agencies, the second stage of sampling was conducted to select 60 sponsors for the assessment.

State List of Schools

State CACFP agencies are required to provide to sponsors, by February 15 of each year, a list of schools in the State with each school's percentage of students approved for free or reduced-price (F/RP) meals. We requested this list for each school year from 2006-07 through 2010-11 (5 years). One state was not able to provide the school lists for school years before 2010-11 but had participated in previous assessments. For this state, the previously submitted lists were obtained through FNS. The submitted school lists had the following characteristics:

- 10 of the 14 States provided these lists in electronic data files suitable for matching. The other 4 States provided the lists in unstructured PDF or Word files that needed to be converted into data files suitable for matching.
- 9 of the states included district ID and school ID numbers which made matching of the schools with the CCD file significantly less time consuming and more accurate. The other 5 states required matching by name alone which was problematic because names were often spelled differently and/or changed in the five school years covered by the assessment.
- In 5 States, the list is comprehensive, including schools of all grade levels, 7 states provided lists with only elementary schools for the first four years and all schools for SY2010-11, 1 state provided a mix of all schools and elementary only and 1 state provided elementary only for all five school years.²⁰
- 3 states provided lists of schools with FR/P percentages and included schools both above and below the 50 percent cutoff, 8 states provided a list that includes only schools that met the F/RP requirement, and 3 states proved a mix of these across the five school years.
- 13 states provided school district information for each school, 1 state only provided the school name and the city in which it was located which made matching significantly more difficult.
- 3 states included schools on their list that were not general attendance schools such as private religious schools and schools run by correctional agencies in the state. These schools were excluded from the analysis.

²⁰ We called the state coordinator who explained that they felt the new rule would hurt FDCHs in their state as so they decided to only use elementary schools in SY 2010-11.

- 1 state included a large number of schools run by the Bureau of Indian Education (BIE). Since parents with Native American children could send them to these schools, they were included as candidate schools in the nearest school algorithm.

For each State, the five lists (one for each year 2006-07 to 2010-11) were merged into a single list of schools active at any time over the past five years, with an indication of whether or not the school met F/RP requirements for each year.

Data Collected from CACFP Sponsoring Organizations

The 55 selected sponsors were contacted via Federal Express or regular mail (in instances where only a P.O. Box was provided) and recruited to participate in the assessment. In addition, state directors were asked to send an e-mail to selected sponsors encouraging participation. As discussed in the sampling section, they were asked at the time of recruitment to provide Westat with a list of the homes that they sponsored, including, name, street address, city, state, zip code, Tier I/Tier II status, method used for tiering determination, and most recent certification date for the home. After agreeing to participate, sponsors were contacted up to two additional times to provide information about the FDCHs that were sampled for the assessment:

- Monthly meal counts for selected FDCHs
- Copies of tiering determination documents for FDCHs not independently verified as Tier I through data matching.

Table 2-3 indicates the number of requests and responses for each round of data collection from sponsors. Appendix B contains the data collection materials for each of the three contacts with sponsors.

Table 2-3. Data collection from CACFP sponsors and response rates for 2011 Assessment

Data Collection from CACFP Sponsors	Number of Sponsors/ Contacts	Number of Responses or Completes	Response/ Completion Rate
Sponsor mailing #1 – request list of FDCHs	55	55	100%
Sponsor mailing #2 – request tiering dates and meal claims	55	55	100%
Sponsor mailing #3 – request tiering documents			
No mailing – all Tier I homes verified by data matching	25	NA	
Requested documents	30	30	100%
FDCHs with documents requested	69	69	100%

Meal Counts and Tiering Dates for Selected FDCHs

After sampling was complete, a second mailing to sponsors requested monthly counts of meals reimbursed for the reference period of August 2010 to July 2011. Monthly meal counts were requested as separate counts of breakfasts, lunches and suppers, and snacks, broken down between Tier I-eligible and Tier II-eligible meals. Counts of meals actually reimbursed by the sponsor were used.

If an FDCH in the primary sample was determined to be inactive (have no meal reimbursements) for the reference period of the assessment, the FDCH was replaced with a selection from the back-up sample. As shown in Figure 2-2, 48 (6.8 percent) were replaced because they were inactive..

Tier II FDCHs could have been reimbursed for meals at Tier I, Tier II, or both rates (concurrent Tier I and Tier II reimbursements), depending on whether some or all meals were served to Tier I-eligible children. In addition, Tier I FDCHs could have both Tier I and Tier II meal reimbursements during the data collection period if they had changed tiering status during the period.²¹ The distribution of FDCHs by types of meal reimbursements (as approved by sponsors) is shown in Table 2-4.

²¹ Tier status was measured as of August 2011, the date when sponsors provided their list of FDCHs for sampling.

Table 2-4. Number of sample FDCHs by type of meal reimbursements reported for 2011 Assessment

Type of Meal Claims	Tier I FDCH		Tier II FDCH	
	Number	Percent	Number	Percent
Tier I claims only	536	96.4%	2	1.9%
Tier II claims only	0	0.0%	79	76.7%
Tier I and Tier II claims, concurrent ^a	4	0.7%	20	19.4%
Tier I and Tier II claims, not concurrent	16	2.9%	2	1.9%
Total	556	100.0%	103	100.0%

^a "Concurrent" Tier I and Tier II claims occur when both Tier I and Tier II children are served in the same month.

Source: 2011 CACFP Assessment of Sponsor Tiering Determinations. Data are unweighted. Claims were reported for August 2010 through July 2011.

Tiering Determination Documents for FDCHs Not Independently Verified as Tier I

A final round of data collection obtained information about tiering determinations for FDCHs that were not verified as geographically eligible for Tier I through a match with school and Census data. Information was requested for 69 Tier I FDCHs. The response rate for the final round of data collection was 100 percent, yielding a final sample of 659 eligible FDCHs.

The final data request for copies of tiering documents was sent to sponsors after completion of the independent assessment of geographic eligibility for Tier I, which is described in Chapter 3. Sponsors were asked to provide documents as specified below for Tier I FDCHs. Copies of the documentation on file were requested for the most recent tiering determination prior to August 2011.²² This would include one or more of the following:

- School data - boundary information and school F/RP percentage or other available school eligibility documentation included in the FDCH's files
- Census data - block group code and percentage of children in households with income at or below 185% of poverty
- Household income or categorical eligibility information – Income Eligibility Statement listing household members and their income, and/or information about participation in

²² If this determination was done between August 1, 2010 and July 31, 2011, documentation for **both** that determination and the previous determination were requested.

programs that confer categorical eligibility. Also copies of documents used to verify Tier I income eligibility, such as wage stubs, income tax forms, or benefits letters.

Information about the types of documentation provided by sponsors is provided in Chapter 3.

Methodology and Results of Assessment of Sponsor Tiering Determinations

3

The purpose of this Assessment was to identify FDCHs that were misclassified as Tier I or Tier II, and estimate erroneous payments due to misclassifications. This chapter describes the detailed methodology for using the information collected (as described in the previous chapter) to verify sponsor tiering determinations. The chapter also presents the tiering determination results for the unweighted study sample. We defer until the next chapter the presentation of results weighted up to represent national totals.

As shown in Figure 2-1, the first step in the assessment was to independently verify geographic eligibility for Tier I by matching FDCH address information with school and Census data. If needed, school district contacts were then used in a further attempt to independently verify Tier I eligibility. These steps independently verified sponsor tiering determinations for 87.7 percent of sampled Tier I FDCHs under the old rule and 89.9 percent under the new rule.

Tier I FDCHs not verified through data matching were assessed by reviewing sponsors' documentation of tiering determinations. Sponsor documents confirmed the sponsors' determinations for an additional 10.1 percent of sampled Tier I FDCHs under the old rule and 9.2 percent under the new rule. There were 12 misclassified Tier I FDCHs under the old rule and 5 under the new rule. There were 4 misclassified Tier II FDCHs under the old rule and 8 under the new rule. Thus, the unweighted misclassification rates for the sample were 2.2 percent for Tier I under the old rule with 0.9 percent under the new rule, 3.8 percent for Tier II under the old rule with 7.8 percent under the new rule, and 2.4 percent overall under the old rule with 2.0 percent under the new rule.

Below, we explain how these results were obtained and provide additional unweighted sample statistics for the assessment. Readers are cautioned that these unweighted results are provided for descriptive purposes, not as national estimates. National estimates of key measures and their confidence intervals are provided in Chapter 4.

3.1 Independent Verification of Geographic Eligibility for Tier

The first step in assessing geographic eligibility was to geocode FDCH addresses to obtain latitude and longitude coordinates, and Census block group (CBG) code. This step is depicted at the top of Figure 2-1. Geocoding was accomplished using Westat's in-house geocoding process. Seven FDCH addresses could not be geocoded to street address because the address contained a post office box, did not have a specific street number, or there was a data entry error in recording the address.²³ In the previous two assessments, between 20 and 40 FDCH address could not be precisely geocoded. The improvement with this assessment is due to explicitly requesting non-P.O. Box addresses and the additional attention to the quality of the address information received from sponsors.

After geocoding was complete, the "Census match" involved a simple merge of FDCHs with Census data by CBG code.²⁴ The school match was more complicated because there are no readily available databases identifying school attendance areas and is described in detail below. The steps in the school match were (1) identify the school district where the FDCH was located; (2) within the school district, identify the schools nearest to the FDCH; and (3) determine if all, some, or none of the nearest schools were area-eligible for Tier I, i.e., they had at least 50 percent of children eligible for F/RP meals. If all of the nearest schools (all 3 of the nearest elementary schools for the old rule; either all 3 elementary schools or both of the nearest schools for any specific secondary grade for the new rule) were area-eligible for Tier I, or if the CBG was area-eligible, then the FDCH was verified as Tier I by the data matching process.

School Match Process

The school match required several sources of information. To identify school district jurisdictions, FDCH locations were mapped with geographic information system (GIS) software using the latitude and longitude coordinates obtained from the geocoding process.²⁵ School district boundary information was obtained from the US Bureau of Census and also mapped in GIS software.²⁶ The school district boundaries were overlaid on FDCH locations to identify the school district where

²³ Sponsors were able to provide supplemental address information for all seven of these FDCHs so that they could be included in the verification process.

²⁴ FNS provided the *Special Tabulation of Census Block Groups for CACFP*, prepared by the US Bureau of Census. For each CBG, the file contains the state, county, Census tract, and Census block group FIPS codes and the percentage of children under age 13 in households with income below 185 percent of the FPL.

²⁵ ArcGIS version 10.0 and PostGIS 2.0 were used for this Assessment.

²⁶ US Bureau of Census, Geography Division., *2010 TIGER/LINE Shapefiles*. Available at <http://www.census.gov/geo/www/tiger/tgrshp2010/tgrshp2010.html>. Accessed November 2011.

each FDCH was located. Some states have different school districts for elementary and secondary levels and, because of the new rule, two school districts were assigned to FDCHs in these states. Of the 14 states in this assessment, 5 had elementary and secondary districts, or a mix of elementary, secondary and unified districts.

After identifying the school districts containing FDCHs in the assessment sample, we assembled a list of public schools in those districts. Two sources of information were used to construct the list of schools:

- US Department of Education, Common Core of Data (CCD) Public Elementary/Secondary School Universe Survey: School Years 2009-10 and 2010-11.
- State lists of schools provided to the CACFP, with F/RP percentage, for each school year from SY2006-07 to SY2010-11.

The CCD file provides a master list of all schools in the nation with information on grade level, whether the school is a charter or magnet school, and latitude and longitude coordinates. Only schools with a grade in the 1-12 range were included (PK-K only schools were dropped). Magnet and charter schools do not have defined boundary areas, so they were also dropped.

The State lists of schools either contained a list of all schools with the F/RP percentages needed to determine CACFP area eligibility for each school or only included schools that meet the F/RP percentage requirement. Because Tier I area eligibility based on school data is effective for 5 years, State school lists were obtained for the past 5 school years. The CCD and State lists of schools were combined to create a single master list of schools with latitude, longitude, and F/RP eligibility flags for each of the past five years.

The school match identified up to three nearest elementary schools and up to two additional secondary schools for each grade for each FDCH within the school district(s) where the FDCH was located.²⁷ This was accomplished by calculating the distance from each FDCH to every school in the district(s), and then assigning the nearest schools until the required number of schools were assigned or there were no more schools at that grade level in the school district. The school match used the combined CCD list of schools active in SY2009-10 and SY2010-11 matched with eligibility information for all five years.²⁸ For the initial match, eligibility for Tier I (as of the tiering date

²⁷ Fewer than three elementary schools or two secondary schools were identified if the school district had fewer than target number of schools for that grade level.

²⁸ If Tier I eligibility was based on a school that closed before SY 2009-10 and, thus, was not included in the CCD for SY 2009-10 or SY 2010-11, eligibility was checked by contacting the school district.

provided by the sponsor) was determined based on schools' percentages of children eligible for F/RP meals for that school year.

Categorizing the Outcomes of the School and Census Match

FDCHs were categorized according to the results of the school and Census match. CACFP program guidance specifies that school data should be used to determine geographic eligibility for Tier I when available, but Census data may be used in several circumstances.²⁹ For this assessment, both types of data were used to confirm Tier I eligibility, as was done for the previous assessments.

The categories of match outcomes are shown in the flowchart in Figure 2-1 and described in Table 3-1. The school match was conclusive if the school data indicated that all of the nearest schools were area-eligible. If the school match indicated that "some" or "none" of the nearest schools were area-eligible, then additional steps were taken to confirm the FDCHs eligibility for Tier I.

Table 3-1. Categorizing the outcomes of the school and census match

School Match Result	Census Block Group Area Eligibility	Outcome
All nearest schools area-eligible	Yes	Tier I verified by school and Census data
All nearest schools area-eligible	No	Tier I verified by school data only
Some nearest schools area-eligible		School district contacted via website or phone to identify the school attendance areas for each grade level for the FDCH. If Tier I eligibility is not verified, documentation requested from sponsor.
None of the nearest schools area-eligible	Yes	Tier I verified by Census data only
None of the nearest schools area-eligible	No	Documentation requested from sponsor.

If some of the nearest schools were area-eligible in the school match, then we used one of two methods to identify the school attendance area for the FDCH: district website searches and school district contacts. Tier I was verified if the school attendance area had at least 50 percent of students eligible for F/RP meals in the school year corresponding to the FDCH's most recent tiering

²⁹ Census data may be used when: a) the FDCH is located in the attendance area of a school in which 40 to 49 percent of children are eligible for free or reduced-price meals; b) the school district has a school choice policy or the FDCH is located in the attendance area of a school whose population is affected by busing; or c) the school attendance area is geographically large and obscures smaller pockets of poverty. (Source: FNS CACFP Policy Memorandum 08-2007, June 15, 2007.)

determination. FDCHs not verified as Tier I proceeded to the request for documentation of the sponsor's tiering determination.

Tables 3-2 and 3-3 present the results of the school and Census data match. FDCHs were categorized into three groups, based on these results. Group 1 comprised the FDCHs that were verified as Tier I by Census, the school match, or both; this group included 425 Tier I FDCHs by the old rule and 445 by the new rule and 1 Tier II FDCHs by the old rule and 2 by the new rule.

Groups 2 and 3 in Table 3-2 comprised the FDCHs that were not verified by the school and Census data matching. These FDCHs required further steps in the assessment process.

For Group 2 (111 FDCHs by the old rule and 94 by the new rule), school district contacts were required to determine the attendance area because some, but not all, of the nearest schools were area-eligible. The remaining 37 Tier I FDCHs are in Group 3. Their tiering determination could not be independently verified because the above procedures did not identify that the CBG or school boundary qualified for Tier I. These FDCHs that sponsors claimed as Tier I required sponsor documentation.

Table 3-2. Results of tiering verification by data matching

	Rule	Tier I FDCHs		Tier II FDCHs		Total Number
		Number	Percent	Number	Percent	
Total FDCHs	Old	554	100.0%	105	100.0%	659
	New	556	100.0%	103	100.0%	659
Group 1:						
Verified as Tier I by schools ^a and Census	Old	192	34.7%	0	0.0%	192
	New	215	38.8%	0	0.0%	215
Verified as Tier I by schools ^a only	Old	170 ^b	30.7%	0	0.0%	170
	New	190	34.3%	1	1.0%	191
Verified as Tier I by Census only	Old	63	11.4%	1	1.0%	64
	New	40	7.2%	1	1.0%	41
Total - verified as Tier I by data match	Old	425	76.7%	1	1.0%	427
	New	445	80.3%	2	1.9%	447
Group 2:						
School district contact required	Old	92	16.6%	19	18.1%	111
	New	74	13.4%	20	19.0%	94
Group 3:						
Unable to verify Tier I with data matching ^c	Old	37	6.7%	85	81.0%	121
	New	37	6.7%	81	77.1%	118

Notes:

- An FDCH was verified as Tier I by school data under the old rule if all of the nearest elementary schools met F/RP meal requirements and under the new rule if all of the nearest schools for any single grade level met F/RP meal requirements.
- As a result of contacting a school district to check new-rule eligibility, an FDCH that had previously been verified as Tier I eligible under the old-rule was determined to be ineligible.
- Includes homes where the school district has an open choice policy in addition to those where none of the nearest schools met F/RP meal requirements; and where the FDCH is not Census eligible.

Source: 2011 CACFP Assessment of Sponsor Tiering Determinations. Data are unweighted.

Table 3-3 shows that school district contacts were able to confirm the tiering status for 55 of the 74 Tier I FDCHs (61 of 92 under the old rule). They also identified 6 FDCHs that had incorrectly been made Tier II (3 under the old rule). The remaining Group 2 Tier I FDCHs required sponsor documentation, along with Group 3 Tier I.

Table 3-3. Outcome of school district contacts

	Rule	Tier I FDCHs		Tier II FDCHs		Total Number
		Number	Percent of Group	Number	Percent of Group	
Group 2:						
School district contact required	Old	92	100.0%	19	100.0%	111
	New	74	100.0%	20	100.0%	94
Verified as Tier I by school district contact	Old	61	66.3%	3	15.8%	64
	New	55	74.3%	6	30.0%	61

Source: 2011 CACFP Assessment of Sponsor Tiering Determinations. Data are unweighted.

The results of all independent verification attempts including data matching and school district contacts are shown in Table 3-4. A total of 486 Tier I FDCHs by the old rule and 500 by the new rule were independently verified, so sponsor documentation was not needed for 87.7 percent of the Tier I sample by the old rule and 89.9 by the new rule. This left 68 Tier I FDCHs by the old rule and 56 by the new rule that were not independently verified and required sponsor documentation.

Independent verification identified 4 Tier II FDCHs by the old rule and 8 by the new rule that were misclassified (3.8 percent by the old rule and 7.8 by the new rule). Documentation review procedures and results are presented in the next section.

Table 3-4. Final status of FDCHs after data matching and school district contacts

	Rule	Tier I FDCHs		Tier II FDCHs		Total Number
		Number	Percent	Number	Percent	
Eligible for Tier I by schools or Census	Old	486	87.7%	4	3.8%	490
	New	500	89.9%	8	7.8%	508
Not eligible for Tier I by schools or Census	Old	68	12.3%	101	96.2%	169
	New	56	10.1%	95	92.2%	151
Total	Old	554	100.0%	105	100.0%	659
	New	556	100.0%	103	100.0%	659

Source: 2011 CACFP Assessment of Sponsor Tiering Determinations. Data are unweighted.

Five of the Tier I FDCHs that could be confirmed by school boundaries were not identified until after mailing #3 was sent, thus sponsors were contacted for documentation on 61 FDCHs. There were 8 additional FDCHs whose tiering wasn't clear under the old rule, sponsors were also contacted about them but only with respect to the old rule. In total sponsors were asked about 69 FDCHs.

3.2 Verifying Tier I Eligibility Through Review of Sponsor Documents

The school and Census matches streamlined the process of assessing sponsor tiering determinations for FDCHs that were geographically eligible for Tier I. All FDCHs with a sponsor-approved Tier I status not verified by the data matches and school district contacts were assessed by reviewing sponsor documentation from the most recent tiering determination.

This section describes the request for tiering determination documents, the document review process, and the algorithms for assessing the tiering determination. Following this description, the results of the document review are presented.

Request for Tiering Determination Documents

For 69 FDCHs, Westat requested copies of the documentation on file for the most recent tiering determination prior to July 31, 2011.

This documentation included one or more of the following:

- School data - boundary information and school F/RP percentage or other available school eligibility documentation included in the file for the FDCH;
- Census data - block group code and percentage of children in households with income at or below 185% of poverty;
- Household income or categorical eligibility information - (a) Income Eligibility Statement (IES) listing household members and their income, and/or information about participation in programs that confer categorical eligibility; and (b) copies of documents used to verify Tier I income eligibility, such as wage stubs, income tax forms, or benefits letters.

For the assessment, sponsors were asked to complete a fact sheet that was preprinted with the names of FDCHs that required documentation. They were instructed to indicate the method of tiering used most recently before August 2011; to indicate whether or not a redetermination had been done between August 1, 2010 and July 31, 2011; and to attach copies of documents from their files. If a redetermination had been done during that period, sponsors were to provide documentation for both the redetermination and the previous determination.

Document Review Process

Documentation was obtained for all 69 Tier I FDCHs for which documentation was requested. Information from the fact sheets was used to identify the detailed documents to be reviewed. All documentation was reviewed by senior project staff to determine whether the information provided confirmed the sponsor's determination. In those instances where there were questions or concerns, the project director made the final determination of whether the documentation confirmed that the FDCHs were correctly classified.

Algorithms for Assessing Tiering Determinations Using Sponsor Documents

The purpose of the tiering assessment algorithms was to confirm that the sponsor's tiering determination was correct and consistent with the FNS rules applicable to determinations made on that basis (geographic, program, or income). For Tier I FDCHs, the following general rules were used to confirm tiering determinations:

- Documentation required for the type of eligibility (geographic, program, or income) must be present;
- Documentation must meet FNS standards for the information provided (e.g., signature provided when required); and
- Documentation must be consistent with the eligibility determination by the sponsor (e.g., documented income is 185 percent of the FPG or less).

Separate algorithms were used for each type of determination supported by documents provided by sponsors: school, Census, program certification, and provider income.

The algorithm for assessing determinations based on **school documents** required all of the following conditions to confirm Tier I eligibility:

- 1) Valid documentation that the FDCH was located in the attendance area of the identified school:
 - a document was provided for the school attendance area (school boundary map, page from school directory, Web site printout, letter from school official, or memorandum to file from contact with school official);
 - the document was dated after June 1, 2006;

- FDCH address was identified on the document (not needed if the document was a memorandum to the file); and
 - the document was signed (only needed if the document was a letter from a school official or a memorandum to the file).
- 2) Valid documentation of area-eligibility for the school identified:
- a document was provided for the school F/RP percentage (copy of State school list, printout from a State Web site, or letter from a school official);
 - the document was dated after June 1, 2006; and
 - if the document was a letter from a school official, it was signed.

This algorithm identified procedural errors, i.e., instances when the sponsor did not provide sufficient valid documentation to verify the Tier I eligibility of the FDCH. The existence of a procedural error was not sufficient to find that the FDCH was actually misclassified. A sponsor could make a correct determination but fail to provide adequate documentation. In keeping with the basic rules of the assessment, therefore, we used the information provided by the sponsor with other resources in an attempt to independently verify the Tier I eligibility of FDCHs with procedural errors in determinations based on school documents.

- If the school attendance documentation provided by the sponsor lacked sufficient detail to locate the FDCH in the attendance area of the identified school, online resources such as Google Maps and school district web sites, as well as notes from any previous school district contact, were used to verify the location of the FDCH and to determine the correct school attendance area.
- If the sponsor did not provide documentation of area-eligibility for the identified school, we independently verified eligibility using the date of the determination and a copy of the State school list.

The algorithm for assessing determinations based on **Census documents** required all of the following conditions to confirm Tier I eligibility:

- the CBG code was provided;
- a document was provided indicating that the FDCH address was in the CBG;
- the address on the document corresponded to the FDCH address provided by the sponsor; and
- a document was provided showing, the percentage of children in households with income less than or equal to 185% of the FPG for the CBG.

The algorithm for assessing determinations based on means-tested **program certification documents** required all of the following, conditions to confirm Tier I eligibility:

- 1) Provider submitted a valid Income Eligibility Statement (IES):
 - the provider name and address on the IES matched our files;
 - the IES was signed by the provider;
 - the date of signing of IES was between July 31, 2010 and July 31, 2011;
 - a Social Security Number (SSN) was provided, or the provider indicated that she did not have a SSN; and
 - the program indicated on IES was Food Stamps, TANF, or other program accepted for provider eligibility for Tier I in the State.
- 2) Provider submitted valid documentation of current eligibility for the program indicated on the IES:
 - the document was a certification letter or other document acceptable under FNS guidance; and
 - the date of the document indicated current eligibility as of the date of the IES.

There were two algorithms for assessing determinations based on provider income, depending on whether a tax return (i.e., an Internal Revenue Service Form 1040) or other documents were provided. Both algorithms required the following conditions to confirm Tier I eligibility:

- provider submitted an IES;
- provider name and address on the IES matched our files;
- IES was signed by provider;
- date of signing of IES was between July 31, 2010 and July 31, 2011;
- Social Security Number (SSN) was provided or provider indicated that she did not have a SSN;
- total income on the IES was greater than zero and equal to or less than 185 percent of the FPG for the household size indicated on the IES.³⁰

³⁰ Under FNS guidance, a provider reporting zero gross household income may be approved for Tier I for 45 days, as long as the provider explains how household expenses are met. The number of months of reimbursements after Tier I determination was checked to ensure that none of the providers was operating under a temporary approval when sampled.

For determinations based on a Form 1040, the algorithm also required the following:

- gross income on the Form 1040 was equal to or less than 185 percent of the FPG for the household size indicated on the IES³¹
- all adults listed on the IES were listed on the Form 1040, or else had other acceptable income documentation.

For determinations based on other income documentation, the algorithm required determining that valid documentation was provided for each item of income reported on the IES. The standard IES format requires separate reporting of each type of income (earnings, Social Security/pension, child support, other) for each household member. The algorithm required the following conditions to confirm Tier I eligibility (in addition to the IES criteria):

- acceptable documentation for each item of income reported on the IES (dated, third-party source or supported by receipts or sworn statement);
- total income on all documents was equal to or less than 185 percent of the FPG for the household size indicated on the IES.

To make this determination, the reviewer used the following procedure:

- Identify all persons in the household with reported income;
- For each person, determine the items of income reported;
- For each reported item of income, determine if an acceptable document was provided;
- For each item of documentation, review the amount of income and how frequently it was received.

This information was used to compute the total household income and percentage of the FPG indicated by the documentation.

For determinations based on income documentation other than IRS Form 1040, the algorithm had two specific requirements regarding income from family day care, following FNS policy. First, the provider had to report income from family day care, or else indicate that this self-employment resulted in a loss or no net income. Under FNS policy, receipt of payment for day care services is not a requirement for CACFP participation, but even zero income from day care must be declared

³¹ In computing gross income for this test, a negative amount for business income was changed to a zero, consistent with FNS policy. Income that is tax-exempt but reported on the IRS 1040 was counted in gross income according to FNS policy.

on the IES.³² Second, a statement of provider income and expenses other than an IRS Schedule C was accepted only if the statement was prepared by a third party, if receipts were provided, or if the documentation indicated that the sponsor had verified the statement. The provider's ledger of payments for day care was considered acceptable, but a statement affirming that receipts for expenses were available upon request was not accepted in lieu of copies of the receipts (unless there was indication that the sponsor had reviewed the receipts). If receipts for expenses were not provided, Tier I eligibility was evaluated on the basis of the provider's gross revenues from day care and other income.

3.3 Final Results of Assessment of Sponsor Tiering Determinations

Below, we present the results of the documentation review for Tier I FDCHs, a summary of the sources of misclassification, and the overall results for the study sample.

Documentation Review Results for Tier I FDCHs

The results of the documentation review for the Tier I FDCHs in the sample are shown in Tables 3-5 and 3-6 together with the results of the independent verification with school and Census data. A total of 56 Tier I FDCHs by the old rule and 51 by the new rule were verified with sponsor documents.

As with previous Assessments, income documents were the most common form of documentation, they were used to verify 33 FDCHs under the old rule and 30 FDCHs under the new rule. Other forms of eligibility documentation were less common. Documentation of geographic (school or census) eligibility was provided for 29 Tier I FDCHs by the old rule, 20 by the new rule, of which 17 were verified by the old rule, 15 by the new rule. Program certification documents were provided for six Tier I FDCHs, all of which were verified.

³² If a provider reports zero income from day care, other household income must be reported and documented (except in the case of 45-day approvals as previously discussed).

Table 3-5. Tier I verification results by source of determination

Source of Determination	Rule	Number of FDCHS	Percent of FDCHs in Tier
Independently Verified by Area-Eligibility			
Verified as Tier I by schools ^a and Census	Old	192	34.7%
	New	215	38.7%
Verified as Tier I by schools ^a only	Old	170 ^b	30.7%
	New	190	34.2%
Verified as Tier I by school district contact	Old	61	11.0%
	New	55	9.9%
Verified as Tier I by Census only	Old	63	11.4%
	New	40	7.2%
Subtotal: Independently verified by area-eligibility	Old	486	87.7%
	New	500	89.9%
Verified by Sponsor Documents			
Verified by area-eligibility documents	Old	17	3.1%
	New	15	2.7%
Verified by program certification documents	Old	6	1.1%
	New	6	1.1%
Verified by income documents	Old	33	6.0%
	New	30	5.4%
Subtotal: Verified by sponsor documents	Old	56	10.1%
	New	51	9.2%
Total Tier 1 Verified	Old	542	97.8%
	New	551	99.1%
Misclassified Tier I ^c	Old	12	2.2%
	New	5	0.9%
All Tier 1	Old	554	100.0%
	New	556	100.0%

Notes:

- An FDCH was verified as Tier I by school data under the old rule if all of the nearest elementary schools met F/RP meal requirements and under the new rule if all of the nearest schools for any single grade level met F/RP meal requirements.
- As a result of contacting a school district contact to check new-rule eligibility, an FDCH that had previously been verified as Tier I eligible under the old-rule was determined to be ineligible.
- Tier I FDCHs were considered misclassified if they could not be independently verified as Tier I and the sponsor provided documentation that did not support Tier I eligibility.

Source: 2011 CACFP Assessment of Sponsor Tiering Determinations. Data are unweighted.

Table 3-6. Sources of Tier I misclassification

Source of Determination	OLD RULE			NEW RULE		
	Number of Misclassified FDCHs	Total with this Source	Errors as % of FDCHs with this Source	Number of Misclassified FDCHs	Total with this Source	Errors as % of FDCHs with this Source
School	10	27	37%	3	18	17%
Census	2	2	100%	2	2	100%
Program	0	6	0%	0	6	0%
Income	0	33	0%	0	30	0%
Totals	12	68	18%	5	56	9%

Source: 2011 CACFP Assessment of Sponsor Tiering Determinations. Data are unweighted.

Final Overall Results for the Sample

As indicated in Table 3-7, the assessment confirmed sponsor tiering determinations for 101 Tier II FDCHs by the old rule and 95 by the new rule (96 percent by the old rule and 92 by the new rule). Tier II FDCHs represented 16 percent of the sample.

Table 3-7. Tier II and overall verification results by source of determination

Outcome	OLD RULE		NEW RULE	
	Number of FDCHs	% of Tier II FDCHs	Number of FDCHs	% of Tier II FDCHs
Tier II eligible for Tier I by Census only	1	1.0%	1	1.0%
Tier II eligible for Tier I by school only	3	2.9%	7	6.8%
Tier II eligible for Tier I by both	0	0%	0	0%
Total Tier II eligible for Tier I	4	3.8%	8	7.8%
Confirmed Tier II	101	96.2%	95	92.2%
Total Tier II	105	100%	103	100%

Source: Unweighted estimates from 2011 sample data.

Combining the results for Tier I and Tier II, Table 3-8 shows the assessment confirmed sponsor tiering determinations for 643 FDCHs by the old rule and 646 by the new rule (98 percent under both rules). There were 16 misclassified FDCHs by the old rule and 13 by the new rule.

These are unweighted estimates. Estimates of national misclassification rates are presented in Chapter 4, along with estimates of the impacts of misclassification errors: the number and percentage of meals reimbursed at the wrong tier, and the erroneous payments (total and percentages of reimbursements).

Table 3-8. Overall verification results

Outcome	Number of FDCHs	% of All FDCHs
Total FDCHs verified – old rule	643	97.6%
Total FDCHs verified – new rule	646	98.0%
Tier I FDCHs misclassified – old rule	12	1.8%
Tier I FDCHs misclassified – new rule	5	0.8%
Tier II FDCHs misclassified – old rule	4	0.6%
Tier II FDCHs misclassified – new rule	8	1.2%
Total FDCHs misclassified – old rule	16	2.4%
Total FDCHs misclassified – new rule	13	2.0%
Total FDCHs in sample	659	100.0%

Source: Unweighted estimates from 2011 sample data.

National Estimates of Misclassification Errors and Costs

4

In this chapter, we present the national estimates of the key measures for the CACFP Assessment of Sponsor Tiering Determinations for 2011:

- Number and percentage of FDCHs misclassified by sponsors
- Number and percentage of meals reimbursed in error due to misclassification of FDCHs
- Amount and percentage of reimbursements paid in error due to misclassification of FDCHs (overpayments and underpayments)

These national estimates were computed using the sample data presented in Chapter 3 and the adjusted sampling weights described in Chapter 2. For each of these estimates, we also present the lower and upper limits of the 90 percent confidence intervals, taking into account the sampling design. Appendix A provides further details on our estimation procedures.

As discussed in Section 1.3, the HHFK Act changed the rules for Tier I eligibility effective October 1, 2010. Since the 2011 Assessment covers the period from August 1, 2010 to July 31, 2011, FDCH sponsors were operating under the old rules for the first two months of the assessment and under the new rules for the remaining 10 months of the 2011 Assessment. The 2011 Assessment represents an anomalous year for several reasons:

- The results of the 2011 Assessment are not directly comparable to those of the previous Program Assessments of CACFP Sponsor Tiering Determinations, since part of any differences in estimates between 2011 and previous assessments may be attributable to the rule change and part of the difference may be due to real changes in sponsors' tiering determinations.
- The rule change creates definitional changes. A sponsor might have misclassified a home in a previous determination that was still in effect in September and October 2011, but correctly classified the home under the reclassification that was required by the HHFK Act, and vice versa. We have therefore made two sets of estimates: 1) errors under the **actual rule** in effect during each month of the year (i.e., old rule for September and October 2010, and new rule from November 2010 through July 2011 (from here on we refer to this “hybrid” as the **new rule**; and 2) error assuming that the **old rule** had been in effect for the entire 12 months of the 2011 Assessment. The old rule estimates are comparable to those in previous assessment reports.

- With two separate rules in effect, it is possible for a FDCH to have been correctly classified by its sponsor in both periods, misclassified in one of the two periods and correctly classified in the other, or incorrectly classified in both periods. To avoid double counting, this study used a FDCH's classification July 2011 (the last month of the assessment) to determine if it was correctly or incorrectly classified by its sponsor.
- The situation is different when estimating payment errors. To estimate the number of meals misclassified and the amount of improper payments this study used a FDCH's classification status for each month separately. Thus, for a FDCH that was correctly classified as Tier II in August and September 2010, but misclassified as Tier I after the new rule went into effect, only those meals and reimbursements for the period October 1, 2010 through July 31, 2011 were considered erroneous.

4.1 National Totals for CACFP FDCHs

To provide context for the estimates in this chapter, Table 4-1 provides the total number of homes, number of meals, and reimbursements for the contiguous U.S. in FY2011, by tier and overall.

(Alaska, Guam, Hawaii, Puerto Rico, and the Virgin Islands are excluded because they were not in the sampling universe for the assessment.) All data in Table 4-1 are actual national totals obtained from State reports collected and summarized in the FNS National Data Bank (NDB).³³

In FY2011, within the continental U.S., a total of 106,556 Tier I FDCHs served 475 million meals, and 25,309 Tier II FDCHs served 106 million meals. Total reimbursements were \$670.4 million for Tier I FDCHs and \$83.4 million for Tier II FDCHs (as estimated by this assessment).

Table 4-1. Contiguous United States FDCH totals for FY2011

	Tier I	Tier II
Number of FDCHs	106,556	25,309
Number of meals	475 million	106 million
Reimbursements	\$670.4 million	\$83.4 million

Source: FNS National Data Bank totals for contiguous US (sample universe for the assessment).

³³ The 2005-2007 Assessments based all national estimates on weighted sample data. Starting with the 2008 Assessment, the known national totals from the NDB are provided, and estimates from sample data have been adjusted to conform as closely as practical to known national totals. See Appendix A for details on these adjustments.

4.2 National Estimates of Misclassification Errors

Our national estimates of misclassification rates for FDCHs in 2011 are 0.91 percent for Tier I and 7.18 percent for Tier II, resulting in an overall rate of 2.11 percent of all FDCHs misclassified due to sponsor tiering determination errors. These misclassification rates and their 90 percent confidence intervals are shown in Table 4-2, which also presents estimates of the number of misclassified FDCHs by tier and the total overall number of misclassified FDCHs. Given the total number of FDCHs, this misclassification rate implies that 966 Tier I FDCHs and 1,816 Tier II FDCHs were misclassified. Note that for expositional purposes, this section only presents estimates under the new rule. However, for comparison to error rate estimates from the previous seven Assessments we have included error rates calculated assuming that the old rule had been in effect for the entire 12-month period (these estimates are shown in black and referred to as *old rule*).

Table 4-2. Estimated misclassification rates by tiering status in 2011

Tier as Determined by Sponsor	Percentage of FDCHs Misclassified (90% Confidence Interval)	Number of FDCHs Misclassified (90% Confidence Interval)
Tier I – old rule	2.17% (1.29% to 3.62%)	2,300 (1,367, 3,846)
Tier I – new rule	0.91% (0.48% to 1.71%)	966 (510, 1,823)
Tier II – old rule	3.88% (1.72% to 8.51%)	997 (442, 2,186)
Tier II – new rule	7.18% (4.45% to 11.38%)	1,816 (1,126, 2,879)
All – old rule	2.50% (1.58% to 3.94%)	3,296 (2,081, 5,192)
All – new rule	2.11% (1.39% to 3.19%)	2,782 (1,834, 4,204)

Source: Weighted estimates from 2011 sample data.

4.3 National Estimates of Meals Reimbursed in Error Due to Misclassification of FDCHs

For misclassified FDCHs, the number of meals reimbursed in error is the difference between the number actually reimbursed at Tier I rates and the number that would have been reimbursed at Tier I rates if they had been correctly classified. Meals reimbursed at Tier I rates that should have been

reimbursed at Tier II rates resulted in overpayments; meals reimbursed at Tier II rates that should have been reimbursed at Tier I rates resulted in underpayments.

Estimation of Percentages of Meals Reimbursed at Incorrect Rate

Recall that Tier II FDCHs may claim meals for eligible children at the Tier I rates. If a FDCH is classified as Tier II, parents can apply for free meals for their participating children, and the sponsor determines whether they are eligible. On average across the nation, 8 percent of Tier II FDCHs were classified as Tier II-high in FY2011, that is, all of the children they served were eligible for Tier I (high) rates; and 20 percent were classified as Tier II-mixed, because they served a mix of Tier I and Tier II children.

It follows that when a FDCH is misclassified, not all of the meals served were reimbursed in error. For a FDCH misclassified as Tier I, meals served to children who would have been individually eligible were not reimbursed at Tier I rates in error, but any meals served to children who would not have been individually eligible were reimbursed at the incorrect (Tier I) rate. Conversely, for a FDCH misclassified as Tier II, any meals served to children deemed individually eligible for free meals were reimbursed at the correct rate, but, since all meals should have been reimbursed at Tier I rates, the meals for children not individually deemed eligible for free meals were reimbursed at the incorrect (Tier II) rate.

For individual FDCHs misclassified as Tier I, we cannot determine the exact number of meals for which each FDCH was reimbursed in error. Because the FDCH was misclassified as Tier I, no applications for free meals were submitted by parents. Therefore, we cannot know the number of eligible children served by the FDCH and thus the number of meals that would have been correctly reimbursed at Tier I rates.

To estimate the expected numbers of Tier I and Tier II meals for which FDCHs misclassified as Tier I would have been reimbursed if those FDCHs had been correctly classified, we used the average percent of Tier I meals served at Tier II FDCHs in each of the States in the sample. We assumed for each meal type (breakfasts, lunches or suppers, and snacks) that the average across 12 months in that State for Tier II FDCHs provide the best predictor of the expected percentage of meals by tier for the FDCHs misclassified as Tier I. We estimated:

- i) The statewide proportion (denoted by ST_PR_m) of meals for a specified type of meal m in Tier II FDCHs that were reimbursed at the higher Tier I rate

- ii) The statewide proportion of meals for a specified type of meal in Tier II FDCHs that were reimbursed at the lower Tier II rate, which is one minus the proportion in i), that is $1 - ST_PR_m$.

The State average percentages were obtained from FY 2011 meal counts in the FNS National Data Bank. These percentages are shown in Table 4-3. As the table shows, the percentages varied substantially across the States, thus the need to use separate percentages in the computation. The national averages were 17.8 percent for breakfasts, 18.8 percent for lunches and suppers, and 18.5 percent for snacks.

Table 4-3. Tier I share of meals by meal type at Tier II FDCHs by state, FY 2011

State	Tier I Breakfasts	Tier I Lunches/Dinners	Tier I Snacks
1	23.1%	22.2%	23.1%
2	8.7%	9.5%	9.2%
3	5.8%	6.8%	6.4%
4	14.4%	17.0%	15.4%
5	11.1%	11.6%	11.4%
6	50.5%	56.4%	55.1%
7	13.5%	12.8%	12.1%
8	10.0%	14.4%	14.0%
9	31.3%	32.0%	32.1%
10	6.2%	7.9%	7.3%
11	28.8%	35.4%	33.2%
12	16.8%	20.2%	18.5%
13	60.3%	66.0%	65.6%
14	7.7%	9.4%	7.9%
National Average	17.8%	18.8%	18.5%

Source: FNS National Data Bank, as of March 2012. Actual averages computed for each State and Nation from aggregate data for FY 2011. National average excludes Alaska, Guam, Hawaii, and Puerto Rico.

To estimate the meal counts by tier and type that we would expect if the misclassified Tier I FDCHs had been correctly classified, we multiplied the State percentages for each meal type m by each FDCH's total meals of that type as follows:

$$EN_2m = AN_1m * (1 - ST_PR_m)$$

where EN_2m is the expected count of Tier II meals for meal type m (if the FDCH had been correctly classified), and AN_1m is the actual counts of Tier I meals reimbursed for meal type m . So,

EN_{2m} is the estimated number of meals reimbursed in error at the Tier I meal rate for meal type m .³⁴

For FDCHs misclassified as Tier II, the computation of meals reimbursed in error was simpler. Had it not been misclassified, all meals reimbursed at Tier II rates would have been reimbursed at Tier I rates. Thus, the number of meals reimbursed in error equaled the number of meals reimbursed at Tier II rates. If we denote AN_{2m} as the actual counts of Tier II meals for meal type m , it is the number of meal type m meals reimbursed in error if the Tier II FDCH was misclassified.

The above computations yield the number of meal type m meals (EN_{2m}) that should have been paid at Tier II rates but were not for the misclassified Tier I FDCHs and the number of meal type m meals (AN_{2m}) that should have been paid at Tier I rates but were not for the misclassified Tier II FDCHs.

The national percentages of meals reimbursed in error were computed using the weighted totals of meals reimbursed in error by FDCHs in the sample and the total of all meals reimbursed, by tier and overall. We then computed the percentage for each tier and overall, using the ratio of the estimated meals reimbursed in error to the estimated total meals.

Table 4-4 presents national estimates of the number and percentage of meals claimed in error in FY2011.

³⁴ This example simplifies the actual computation slightly for exposition. The Program Year (PY) 2011 reimbursement rates applied to meals reimbursed for August 2010 through June 2011; PY 2012 rates applied to July 2011 meals. Therefore, we computed the number of misclassified meals separately for the two program years, so that the appropriate rates could be used in computing the cost of misclassification.

Table 4-4. National estimates of meals claimed in error, FY2011

Tier as Determined by Sponsor	Percentage of Meals Claimed in Error Due to Misclassification of FDCHs (90% CI)	Millions of Meals Claimed in Error Due to Misclassification of FDCHs (90% CI)
Tier I – old rule	3.51% (1.79% to 5.24%)	16.69 (8.51 to 24.87)
Tier I – new rule	2.80% (1.27% to 4.32%)	13.29 (6.03 to 20.54)
Tier II – old rule	1.25% (0.00% to 3.11%)	1.32 (0 to 3.29)
Tier II – new rule	3.07% (0.26% to 5.87%)	3.25 (0.28 to 6.22)
All – old rule	3.10% (1.57% to 4.62%)	18.01 (9.59 to 26.43)
All – new rule	2.85% (1.41% to 4.28%)	16.53 (8.70 to 24.37)

Estimation of Total Meals Reimbursed in Error

A ratio estimation procedure (Cochran, 1977 page 35) was used to estimate the total meals reimbursed in error. For each tier, we multiplied the percentage of meals paid at the incorrect tier rate (from sample data, as described above) by the actual national total count of meals (from FNS data) to estimate the total number of meals paid at the incorrect rate. We summed the Tier I and Tier II totals to estimate the overall total. To estimate the lower and upper limits for the confidence interval of the total meals paid at the incorrect rate, the lower and upper limits of the percentages by tier were multiplied by the national totals. The confidence intervals for the totals for all FDCHs were computed using the estimated variances of Tier I and Tier II totals. Further details of these computations are provided in Appendix A.³⁵

Approximately 3 percent of meals were claimed at the incorrect reimbursement rate. This corresponded to 16.53 million meals, 13.29 million overpayments and 3.25 million underpayments. These estimates have substantial confidence intervals, e.g., from 6.03 million to 20.54 million meals for Tier I.

³⁵ These ratio estimates were superior to direct estimates of the totals from the sample data. As discussed in Appendix A, we determined that using sample data alone would result in underestimates of the totals, but that the sample-based *percentages* of meals reimbursed at the incorrect rate were valid and unbiased estimates.

4.4 Costs of Misclassification Errors

The costs of misclassification errors (i.e., the erroneous payments) include overpayments to FDCHs misclassified as Tier I and underpayments to FDCHs misclassified as Tier II. For each meal reimbursed at the wrong rate due to misclassification, the cost equals the difference between the Tier I and Tier II rate. Overpayments represent costs to taxpayers, while underpayments represent costs to FDCH providers. For this assessment, we treat both overpayments and underpayments as costs when we compute the total cost of misclassification errors. As with the counts of meals reimbursed at the incorrect rate, we first estimated the percentages of reimbursements paid in error due to misclassification of FDCHs, and then we estimated the national total costs of misclassification error by applying that percentage to total costs based on the FNS National Databank.

Estimation of Percentage of Reimbursements Paid in Error

The amount of reimbursements paid in error was computed for each misclassified home in the sample, and then the weighted total of these amounts was computed. As previously discussed, the number of meals paid at the incorrect rate was computed separately for breakfasts, lunches and suppers, and snacks. Costs were summed across meal types to compute the total cost for each misclassified FDCH. The weighted total cost of misclassification errors was divided by the estimated total reimbursements to estimate the percentages of reimbursements paid in error, both by tier and overall.

The estimated national costs of misclassification errors were 1.41 percent of reimbursements for Tier I FDCHs and 3.00 percent for Tier II FDCHs, resulting in an overall cost of 1.58 percent of reimbursements to all FDCHs (Table 4-5). The 90 percent confidence intervals for these estimates, as shown in Table 4-5, were less than plus or minus 1 percentage points for Tier I and 2.79 for Tier II; overall the 90 percent confidence interval was plus or minus 0.81 percentage points. Thus, overall estimates meet the Office of Management and Budget (OMB) standard, which requires 90 percent confidence intervals plus or minus 2.5 percentage points or less.³⁶

³⁶ Office of Management and Budget Circular A-123. Appendix C, August 10, 2006.

Table 4-5. National estimates of the percentage of costs and total costs of misclassifications, FY2011

Tier as Determined by Sponsor	Percentage of Reimbursements Paid in Error Due to Misclassification of FDCHs (90% CI)	Millions of \$ in Reimbursements Paid in Error Due to Misclassification of FDCHs (90% CI)
Tier I – old rule	1.78% (0.90% to 2.67%)	\$11.96 (\$6.02 to \$17.90)
Tier I – new rule	1.41% (0.63% to 2.19%)	\$9.48 (\$4.24 to \$14.71)
Tier II – old rule	1.21% (0.00% to 3.03%)	\$1.01 (\$0 to \$2.53)
Tier II – new rule	3.00% (0.21% to 5.78%)	\$2.50 (\$0.18 to \$4.82)
All – old rule	1.72% (0.86% to 2.58%)	\$12.97 (\$6.84 to \$19.10)
All – new rule	1.58% (0.77% to 2.38%)	\$11.98 (\$6.25 to \$17.71)

Costs of misclassification were calculated separately for meals claimed in August 2010 thru June 2011 and in July 2011 when new reimbursement rates took effect. These costs were then combined to produce the totals for the assessment period.

For Tier I FDCHs, the percentage of reimbursement dollars paid in error was half of the 2.80 percent of meals reimbursed in error (in Table 4-4). This difference is due to the fact that the overpayment is a fraction of the reimbursement for each meal reimbursed in error. For example, the Tier I rate for lunch or supper was \$2.22 and the Tier II rate was \$1.34 (using 2010-2011 rates, as shown in Table 1-1); thus the cost of a lunch or supper reimbursed at the wrong rate was \$0.88, or about 40 percent of the Tier I rate. The ratio of the overpayment to the Tier I reimbursement varies by type of meal.

Estimation of Total Costs of Misclassification of FDCHs

For the total costs of misclassification, as for the total meals reimbursed in error, we used a ratio estimation procedure. For each tier, we multiplied the percentage of reimbursements paid in error (from sample data, as described above) by the national total reimbursements (from the NDB) to estimate the total cost of misclassification errors. We combined these totals to estimate the overall total. To estimate the lower and upper limits of the total costs of misclassification, the lower and

upper limits of the percentages by tier were multiplied by the national totals by tier. Further details of these computations are provided in Appendix A.

The estimated national FY2011 costs of misclassification errors were \$9.48 million for Tier I FDCHs and \$2.50 million for Tier II FDCHs, resulting in a total cost (overpayments plus underpayments) of \$11.98 million for all FDCHs. The 90 percent confidence intervals for these estimates, as shown in Table 4-5, were from \$4.24 million to \$14.71 million for Tier I FDCHs, \$0.18 million to \$4.82 million for Tier II FDCHs, and from \$6.25 million to \$17.71 million for all FDCHs.

4.5 Comparison of Results with Estimates from Previous Assessments

The 2011 Assessment is the seventh annual assessment of sponsor tiering, determinations for CACFP FDCHs. Because of the interest in trends over time, in this section we compare the 2011 results with the results of previous assessments.

Figure 4-1 compares the estimated misclassification as a percentage of total reimbursements to all FDCHs (i.e., the improper payment rate) for 2005 thru 2011. The estimates for 2011 are slightly greater than estimates for 2010, but they are in line with those of previous years. The fluctuations in estimates of misclassification errors for the seven years of assessments are consistent with what we would expect in the presence of sampling error. However, it must be recalled that the rules in effect for the 2011 Assessment were different from those of the six previous Assessments.

Figure 4-2 shows that the estimated cost of misclassification would have been \$13.0 million if the rules had not changed, which is below the previous high of \$15.2 million (Program Year (PY) 2008). Looked at another way, payment errors due to sponsors' misclassification of FDCHs would have increased by \$1.4 million (\$13.0 minus \$11.6) from PY 2010 to PY2011 had it not been for the rule changes that were contained in the HHFK Act. The actual increase in payment errors was only \$0.4 million. The apparent effect of the rule changes which made it easier for FDCHs to qualify for Tier I was a reduction in payment errors of approximately \$1.0 million. While it is likely that not all of this reduction in payment errors was attributable to the rule changes, it would seem that the loosening of the requirements for a FDCH to qualify for Tier I did have a meaningful effect on reducing payment error rates.

Figure 4-1. Estimated misclassification as a percentage of reimbursements: 2005 through 2011

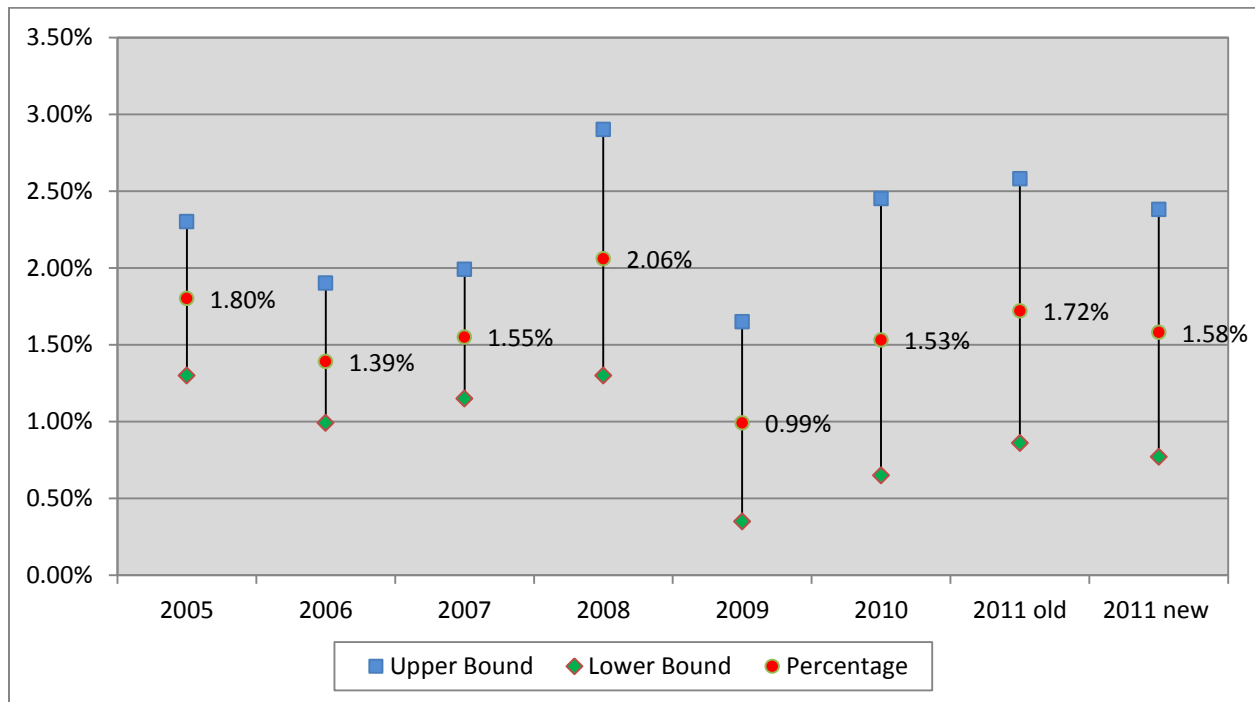
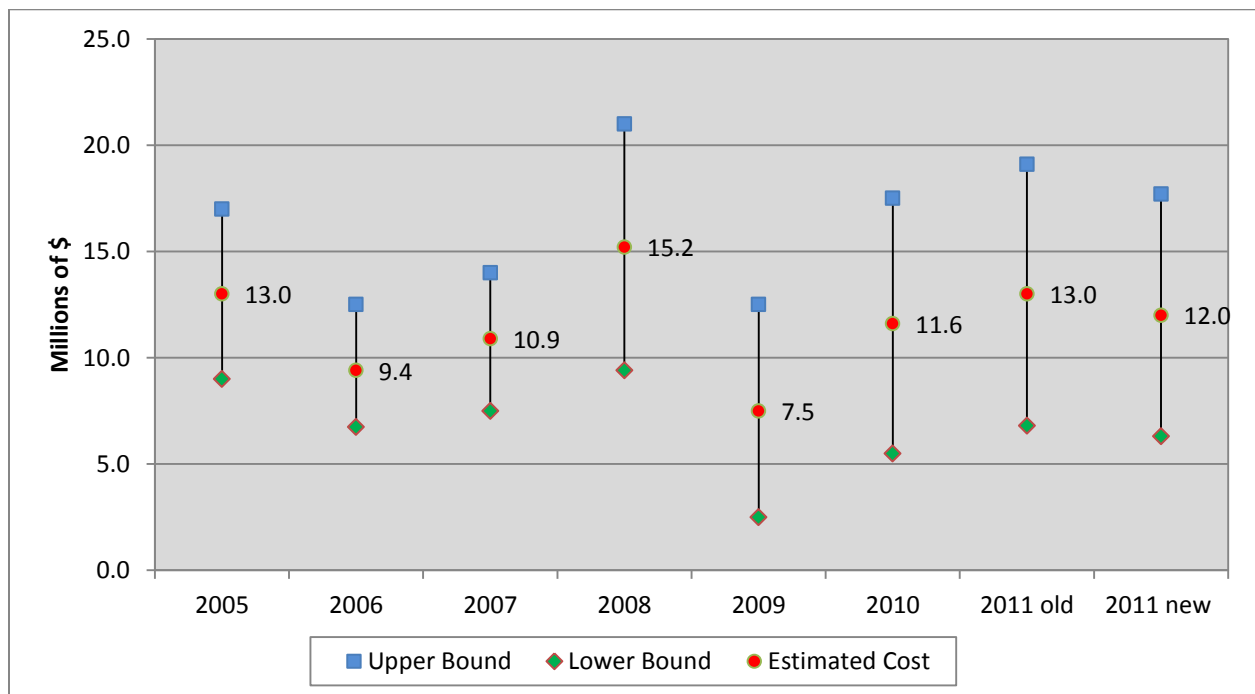


Figure 4-2. Estimated cost of misclassification 2005 through 2011 (\$million)



In percentage terms, the changes between PY2010 and PY2011 follow a similar pattern. Absent the rule changes, the payment error rate would have increased from 1.53 percent to 1.72 percent. The actual increase was only from 1.53 percent to 1.58 percent, a difference of only 0.05 percentage points. In particular, the estimated overall erroneous payment rate of 1.58 percent for 2011 is near the middle of the range of estimates from previous assessments, which vary from 0.99 percent (for 2009) to 2.1 percent (for 2008). The estimates for 2011 (new and old rule) are not significantly different from the estimates for any other year, even at the 10 percent level of significance. Therefore, we cannot rule out the explanation that year-to-year differences in estimates are random and due to sampling error.

The pattern of fluctuations without a clear trend and the general lack of significant differences support the inference that estimates using the current methods are comparable to those produced with the more resource-intensive methods of the 2005 thru 2007 assessments. The assessments were designed to provide an estimate of the improper payments rate (i.e., the cost of misclassification as a percentage of all CACFP reimbursements) with a 90 percent confidence interval of ± 2.5 percentage points.

This assessment is intended to provide FNS with national estimates of the percentage of Child and Adult Care Food Program (CACFP) family day care homes (FDCHs) that were misclassified as Tier I or Tier II in Fiscal Year (FY) 2011, and the associated erroneous payments. During FY2011, there were 131,900 FDCHs participating in the CACFP in the contiguous United States (the sampling universe for the assessment), including 106,556 Tier I FDCHs and 25,309 Tier II FDCHs. Reimbursements to FDCHs totaled \$753.8 million. Thus, even a relatively modest percentage of FDCHs misclassified would lead to millions of dollars in erroneous payments.

5.1 Methods and Results

For this assessment, we attempted to verify sponsors' determinations of tiering status for a sample of 660 FDCHs, selected from the lists of 55 sponsors located in 14 States. All but one of the FDCHs in the final sample received reimbursement for meals at some time between August 2010 and July 2011. We first attempted to independently verify Tier I eligibility for all sampled FDCHs using matches to school and Census data for the year in which tiering was most recently determined. Tier I FDCHs were verified without any additional data collection under the old rule if all three of the nearest elementary schools (by straight-line distance) were area-eligible (i.e., at least 50 percent of students were approved for F/RP meals), or if the FDCH was located in a Census Block Group (CBG) that was area-eligible (with at least 50 percent of children at or below 185 percent of the Federal Poverty Guidelines, or FPG). If some but not all of the nearest schools were area-eligible, we contacted school districts or used their websites to determine the correct school attendance area for the FDCH, and then determined whether this school was area-eligible. Using these methods, we verified sponsors' determinations for 486 Tier I FDCHs, 87.7 percent of the Tier I sample.

Estimates under the new rule followed the same procedure with one modification. In addition to the three nearest elementary schools, the two nearest secondary schools for each grade from 6 through 12 were identified. If all the schools for any single grade were eligible then the FDCH was eligible. Using the new rule, we verified sponsors' determinations for 500 FDCHs, 89.9 percent of the Tier I sample.

For Tier I FDCHs not verified through data matching we reviewed sponsors' documentation of tiering determinations. These documents confirmed the sponsors' determinations for 51 Tier I FDCHs (56 under the old rule).

We verified 101 of the 105 Tier II FDCHs under the old rule (96.2 percent) and 95 of the 103 under the new rule (92.2 percent). We identified 12 misclassified Tier I FDCHs and 4 misclassified Tier II FDCHs under the old rule and 5 and 8, respectively, under the new rule.

Using the survey weights, we estimated that, nationwide, 0.91 (2.17) percent of Tier I FDCHs and 7.18 (3.88) percent of Tier II FDCHs were misclassified in FY2011 under the new (old) rule. As a result of these misclassifications, 2.80 (3.51) percent of meals served by Tier I FDCHs were reimbursed at the higher Tier I rate instead of the lower Tier II rate, and 3.07 (1.25) percent of meals served by Tier II FDCHs were reimbursed at the Tier II rate instead of the Tier I rate. The estimated costs of misclassification errors were overpayments of 1.41 (1.78) percent to Tier I FDCHs and underpayments of 3.00 (1.21) percent to Tier II FDCHs.

In total, we estimate that 2,782 (3,296) FDCHs were misclassified and 16.53 (18.01) million meals were reimbursed at the incorrect rate. \$9.48 (\$11.96) million was overpaid; \$2.50 (\$1.01) million underpaid; \$11.98 (\$12.97) million was improperly or erroneously paid; with a net overpayment of \$6.98 (\$10.95) million.

The estimates of the cost of misclassification for 2011 are slightly higher than the estimates for 2010, but within the range of the estimates from prior assessments. The fluctuations in estimates of misclassification errors for the seven years of assessments are consistent with what we would expect in the presence of sampling error.

The one exception is that the percentage of Tier II FDCHs under the new rule with misclassified meals was significantly higher than in the previous year (7.18 percent compared to 1.39 percent). The main reason for this appears to be the requirement under the Healthy Hunger-Free Kids Act that sponsors redetermine the tiering status for all Tier II FDCHs. The 2010 Assessment found a number of Tier II FDCHs that qualified for Tier I reimbursements but since the FDCH had not requested a redetermination the sponsor had not made an error. In 2011 these are considered errors if not captured by the sponsor.

5.2 Implications of the Assessment Process and Results

This Assessment met FNS's requirements to provide estimates of misclassification rates for FDCHs in the CACFP and the resulting erroneous payments, within the standards of precision set by OMB. The 2011 Assessment produced results comparable to those of previous assessments.

The assessment confirms that the vast majority of tiering determinations – 97 percent in 2011 under the old rule, 98 percent under the new rule – were accurate. At the same time, the document review indicates that determinations based on income are more error-prone than other determinations, particularly income determinations without tax return documents.

The change in rule expanding the definition of eligible for Tier I to include secondary school eligibility resulted in a small change in overall eligibility. The new rule results included in this report will be the basis for future comparisons. The more important impact of the HHFK Act is that during FY2011 sponsors were required to redetermine tiering for all Tier II FDCHs. This eliminated the problem noticed in earlier assessments that some Tier II FDCHs were eligible for Tier I but not considered errors since the sponsors weren't required to re-determine eligibility. This rule change had a number of implications for the current and future assessments:

- Increased the number of Tier I FDCHs;
- Reduced the overpayment rate (because some previously incorrect Tier Is are now correct);
- Increased the underpayment rate (because all Tier II were re-determined but their eligibility wasn't always caught);
- Decreased the net overpayment by 36 percent; and,
- Increased the number of correctly tiered FDCHs with some meals reimbursed at the incorrect amount (a higher percentage had their most recent tiering date during the year of the assessment because all Tier II had to be re-determined).

Finally, in considering the implications of this Assessment, it is important to acknowledge that tiering determinations are only one of several potential causes of improper payments in the CACFP. If tiering determinations were the sole source of improper payments, the CACFP would fall below the IPFA's reporting threshold, which mandates reports for programs with improper payments that exceed both \$10 million per year and 2.5 percent of total payments. The CACFP has several other potential sources of erroneous payments to FDCHs, including errors in determining eligibility of

children in Tier II FDCHs for Tier I meals, meal claiming errors by providers, and meal claims processing errors by sponsors. Furthermore, this Assessment does not address erroneous payments to child care centers or adult day care programs. Thus, the estimates of this Assessment understate the full extent of improper payments in the CACFP.

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Sampling, Weighting, and Estimation

The base sampling weight of a FDCH is equal to the inverse of the probability of selection for the three-stage sampling design. Thus, those weights reflect the probability of selecting the state, the probability of selecting the sponsor (given that the state had been selected), and the probability of selecting the FDCH (from the sponsor's list of FDCHs in the particular tier, given that the sponsor had been selected). The sampling method, called probability proportional to size (PPS), was used at the first and second stage of sampling to select respectively states and sponsors. The number of FDCHs was used as measure of size (MOS) for both stages. In the third stage FDCHs were selected by simple random sampling (SRS) within the combination of sponsor and tier. When the number of Tier II homes is very small compared to the Tier I, in a given sponsor, then the selection is done without stratifying by tier. More specifically, the base sampling weight for FDCH m in tier k within sponsor j in state i can be written as:

$$w_{ijkm} = \frac{1}{f_{1i} \times f_{2ij} \times f_{3ijkm}}$$

in which f_{1i} is the probability of selection for state i , f_{2ij} is the probability of selection for sponsor j (given that state i has been selected), and f_{3ijkm} is the probability of selection for FDCH m in tier k (given that sponsor j in state i has been selected).

A.1 Selection Probabilities for States

The first stage sampling corresponds to the selection of states among the 48 contiguous continental states and the District of Columbia (DC). Every year 15 states are selected to be part of the survey. To reduce the overlap between samples over time, we decided to select 3-year sample (2011, 2012, and 2013) and allocate it annually to get 15 states per year.

Selection of the 3-year sample

For selecting a sample of 45 states, the probability of selection for a particular state is:

$$P(\text{state } i \text{ in 3 year sample}) = \frac{45 \times (\text{Number of FDCHs in state } i)}{\text{Total number of FDCHs}}. \quad (1)$$

Where the numbers of FDCHs are from the FNS National Databank for FY2010, omitting from the total number in the denominator those states and territories that had been excluded from the sampling frame for this assessment (i.e., Alaska, Guam, Hawaii, and Puerto Rico). For 12 states, the number of FDCHs was large enough that their selection probability, according to formula (1), was greater than 1; those states were selected with certainty to be part of the 3-year sample. Some states

were selected (hit) more than once, and therefore among the 49 states (including DC) in the frame, only 29 unique states were selected.

Selection of the annual (1-year) sample

The 45 occurrences (hits) of the 29 states in the sample were assigned to one of the three years (2011, 2012, or 2013) using systematic sampling. The 3-year sample was sorted by state to ensure that the states selected at least 3 times are guaranteed to be in each of the 3 annual samples - they are certainty units for the annual samples.

The final probability of selection for the annual sample is:

$$P(\text{state } i \text{ in annual sample}) = P(\text{state } i \text{ in 3 year sample}) \times \frac{1}{3}.$$

Three large states in terms of MOS were selected with certainty in each of the three annual samples. All the other states were selected with non-certainty for any given year.

A.2 Selection Probabilities for Sponsors

Let n_i be the required number of sponsors to be selected in state i . A larger sample of sponsors than required was selected to ensure that there was enough backup sample in case of nonresponse to the survey by some selected sponsors. If the assumed response rate is r , then the number of sponsors selected with probability proportional to size (PPS) where size is defined as the number of FDCHs of each sponsor is $n_i^* = n_i/r$ (where $r < 1$). The probability of selection for sponsor j in state i when n_i^* sponsors are selected is

$$P(\text{sponsor } j \mid \text{state } i) = \frac{n_i^* \times (\text{Number of FDCHs of Sponsor } j)}{\text{Number of FDCHs in state } i}. \quad (2)$$

The sample of n_i^* sponsors was divided into two samples at random. The first sample, called the main sample, contained n_i sponsors, which would be released first, and the second sample contained $n_i^* - n_i$ sponsors treated as a reserve or backup sample. As a result of forming the two samples at random, the overall probability of selecting sponsor j in the first main sample is

$$P(\text{sponsor } j \mid \text{state } i) = \frac{n_i \times (\text{Number of FDCHs of Sponsor } j)}{\text{Number of FDCHs in state } i}. \quad (3)$$

If a sponsor in the main sample refused to participate, a replacement sponsor was selected at random from the reserve sample and added to the sample. The selected sample is now $(n_i + 1)$ with one sponsor being treated as a non-respondent. Under this scheme the probability of selecting a sponsor is the same as above except that n_i is replaced by $(n_i + 1)$.

For this stage of selection, the numbers of FDCHs came from the lists of sponsors provided by the states as of May or June 2011. The target sample size was 4 (i.e. $n_i = 4$), and two more were selected as backups as much as possible (i.e. $n_i^* = 6$) with an exception for a large state, which was hit twice in state selection, and thus, given a double sample size (i.e. $n_i^* = 12$ and $n_i = 8$). In a few states, we could select only 5 sponsors with a single backup. Some sponsors were selected with

certainty due to their dominating size relative to the other sponsors in the same state (12 in all), and some of them were selected twice so that their FDCH sample size was doubled. In total, 83 unique sponsors were selected for the 2011 FNS Tiering sample, among which 28 were backups. The main sample of 55 unique sponsors was released first and all responded, so no backup was used.

Generally, the base sampling weights of each respondent is adjusted to account for nonrespondents to the survey. In this survey, however, no nonresponse adjustment to the weights was needed because all the sponsors responded to the survey. The correct sponsor weight is simply the inverse of (3) with sample size being the number of respondents.

A.3 Selection Probabilities for FDCHs

At the third stage, a simple random sample (SRS) of 11 FDCHs was selected for each sponsor plus 5 backups for a total of 16 FDCHs per sponsor. For the sponsors selected twice because of their large size relatively to the others in a given state, 22 FDCHs were selected plus 10 backups. One selected sponsor had only 11 FDCHs, and therefore all the FDCHs were selected with certainty to be part of the regular sample. Unlike the sponsor selection, it was necessary to use the backups to compensate for ineligible (inactive) homes in many situations. In fact, for two sponsors it was necessary to select extra backups to replace more than expected number of ineligible homes. For one of such sponsors, 3 more backups were selected on the top of the 5 backups originally drawn but the other sponsor was an extreme case, for which 45 extra backups were selected and 21 of them were used to get 11 active FDCHs. We will use the term “screening” for filtering inactive FDCHs from the sample.

On the basis of the lists of FDCHs that the participating sponsors provided (as of August 2011), the number of FDCHs to be selected from the sponsor was further allocated between Tier I and Tier II in rough proportion to the sponsor’s numbers of FDCHs in the two tiers. For 19 sponsors in nine states, the fraction of FDCHs in Tier II was so small that no tier stratification was used, and no Tier II FDCHs were selected from them through random sampling. With those allocations as the sample sizes for the sponsors with tier stratification, at the third stage a simple random sample of FDCHs was selected from each combination of sponsor and tier. For a particular combination of sponsor (j) and tier (k) all FDCHs have the same probability of selection. For example, assume that a certain sponsor has 267 Tier I FDCHs and 50 Tier II FDCHs; the sample includes 9 Tier I FDCHs and 2 Tier II FDCHs. For this sponsor, the 9 FDCHs selected in Tier I have $f_{3ij1m} = 9/267$, and the 2 FDCHs selected in Tier II have $f_{3ij2m} = 2/50$.

The sponsors were asked to list all FDCHs that they sponsored as of August 2011, so it was possible that some FDCHs were inactive during the reference period. In the primary sample of 660 FDCHs after screening, one sponsor was still found to be inactive at the last minute of data collection and not replaced leading to a total of 659 final FDCH respondents. In the calculation of the base sampling weight, these inactive FDCHs found during screening and in the primary sample were considered part of the sample; that is, the numerator of f_{3ijkm} was equal to the combined number of active and inactive FDCHs. (The inactive FDCHs, however, were not used in estimation.) This approach is a standard way of handling ineligible sample units and allows that the inactive FDCHs in the sample represent the inactive FDCHs in the sponsor’s universe of FDCHs, whereas the active FDCHs in the sample represent the universe of active FDCHs.

A.4 Post-stratification

The total number of FDCHs reported by the states as of May or June 2011 generally differed from the corresponding totals in the FNS National Databank for FY2010. Similarly, the numbers of FDCHs on the sponsors' lists (as of August 2011) differed from the corresponding numbers reported by the states. Because this assessment aims to provide estimates for FY2011, the base sampling weights were adjusted by post-stratification to two control totals: the total number of Tier I FDCHs and the total number of Tier II FDCHs in the FNS National Databank for FY2011 (as of March 2012). The control totals excluded the states and territories that had been excluded from the sampling frame for this assessment (Alaska, Guam, Hawaii, and Puerto Rico). The weights obtained through the post-stratification are the final weights used for estimation.

A.5 Estimation Procedures

The final weights assigned to each responding FDCH were used to obtain estimates of various population parameters and standard errors of these estimates. For computing standard errors, three self-representing certainty states were treated as strata, and all other non-certainty states were put into another stratum. These are not real strata used in sampling but formed for variance estimation, and for that reason they are called variance strata. The three states selected with certainty were assigned to variance stratum 1, variance stratum 2 and variance stratum 3 respectively, and the remaining 11 states were assigned to variance stratum 4.

Misclassification Rates

The misclassification rates for Tier I and Tier II were computed as follows.

The final weight for a FDCH is written as w_{ijkm} , where i denotes the state, j denotes the sponsor, k denotes the tier, and m denotes the FDCH. Let $y_{ijkm} = 1$ if the FDCH m in tier k within sponsor j in state i is misclassified and equal to zero otherwise.

The estimated number of FDCHs misclassified in tier k is given by

$$c_k = \sum_i \sum_j \sum_m w_{ijkm} y_{ijkm}$$

The misclassification rate for tier k is given by the proportion

$$r_k = \frac{c_k}{\hat{N}_k}$$

where $\hat{N}_k$ is the estimated total number of FDCHs in tier k computed as follows:

$$\hat{N}_k = \sum_i \sum_j \sum_m w_{ijkm}$$

The misclassification rate for all FDCHs is given by the proportion.

$$r = \frac{\sum_{k=1}^2 c_k}{\hat{N}}$$

where $\hat{N} = \sum_{k=1}^2 \hat{N}_k$ is the estimated total number of FDCHs in Tier I and Tier II.

Total Meals Reimbursed in Error: Estimates from Sample Data

Let q_{ijkm} represent number of meals reimbursed in error to FDCH m in tier k within sponsor j in state i . Let q_1 represent estimated total number of meals reimbursed in error to FDCHs misclassified as Tier I. q_1 is then given by

$$q_1 = \sum_i \sum_j \sum_m w_{ij1m} q_{ij1m}$$

And q_2 , estimated total number of meals reimbursed in error to FDCHs misclassified as Tier II is given by

$$q_2 = \sum_i \sum_j \sum_m w_{ij2m} q_{ij2m}$$

Estimated total number of meals reimbursed in error to either Tier I or II FDCHs is then equal to $q = q_1 + q_2$.

Note that $q_{ijkm} = 0$ if the FDCH was not misclassified.

Estimation of Percentage of Meals Reimbursed in Error

The estimated percentage of meals served by misclassified Tier I FDCHs is obtained by dividing the estimated total number of meals reimbursed in error by the estimated total number of meals reimbursed to FDCHs in Tier I. Let u_{ijkm} represent the total number of meals reimbursed to FDCH m in tier k within sponsor j in state i , and let u_k represent the estimated total number of meals reimbursed to FDCHs in tier k . u_1 , the estimated total number of meals reimbursed to Tier I FDCHs, is given by

$$u_1 = \sum_i \sum_j \sum_m w_{ij1m} u_{ij1m}$$

and u_2 , the estimated total number of meals reimbursed to Tier II FDCHs, is given by

$$u_2 = \sum_i \sum_j \sum_m w_{ij2m} u_{ij2m}$$

The percentage of total number of meals reimbursed in error to Tier I FDCHs is estimated by the ratio MR_1 multiplied by 100, where

$$MR_1 = \frac{q_1}{u_1}$$

Similarly, the percentage of total number of meals reimbursed in error to Tier II FDCHs is estimated by the ratio MR_2 multiplied by 100, where

$$MR_2 = \frac{q_2}{u_2}$$

Total Overpayments and Underpayments to FDCHs: Estimates from Sample Data

Let p_{ijkm} represent erroneous payments made to FDCH m in tier k within sponsor j in state i . Let p_k represent estimated total payments made in error to FDCHs misclassified as Tier k . p_1 , estimated total overpayments made to FDCHs misclassified as Tier I is given by

$$p_1 = \sum_i \sum_j \sum_m w_{ij1m} p_{ij1m}$$

And p_2 , estimated total underpayments to FDCHs misclassified as Tier II is given by

$$p_2 = \sum_i \sum_j \sum_m w_{ij2m} p_{ij2m}$$

Estimated total erroneous payments are then equal to $p = p_1 + p_2$.

Estimation of Percentage of Payments in Error

The estimated percentage of payments made to misclassified Tier I FDCHs is obtained by dividing the estimated total overpayments by the estimated total payments made to FDCHs in Tier I. Let t_{ijkm} represent the total payments made to FDCH m in tier k within sponsor j in state i , and let t_k represent the estimated total dollars paid to FDCHs in tier k . t_1 , the estimated total amount paid to Tier I FDCHs, is given by

$$t_1 = \sum_i \sum_j \sum_m w_{ij1m} t_{ij1m}$$

and t_2 , the estimated total dollars paid to Tier II FDCHs, is given by

$$t_2 = \sum_i \sum_j \sum_m w_{ij2m} t_{ij2m}$$

The percentage of reimbursements to Tier I FDCHs paid in error is estimated by the ratio ER_1 multiplied by 100, where

$$ER_1 = \frac{p_1}{t_1}$$

Similarly, the percentage of reimbursements to Tier II FDCHs paid in error is estimated by the ratio ER_2 multiplied by 100, where

$$ER_2 = \frac{p_2}{t_2}$$

Ratio Estimation Procedure for Final Estimates of Total Meals Reimbursed in Error and Erroneous Payments

As in the past assessments, the sample estimate of total meals for which FDCHs received reimbursement underestimated the known totals from the FNS data. Therefore, using weighted sample data without adjustment would yield underestimates of total meals reimbursed in error and costs of misclassification errors.

Careful consideration of the nature of the sampling frames for the FNS reports and our assessment indicated that these frames differed in how they deal with FDCHs that do not claim meals in all twelve months of a fiscal year. It was reported that in 2008, this subtle difference in sampling frame induced a difference in the estimates of the number of meals between the weighted sample data and the FNS National Databank information of 11 percent for Tier I FDCHs and 7 percent for Tier II FDCHs.³⁷ We also observed similar underestimation in 2011. As in the past, this concern led us to adoption of a ratio estimator which takes the FNS National Databank numbers as exactly correct. We discuss that method here. The same method was used in the 2008 through 2010 assessments. The report of the 2008 assessment provides an explanation for why the sample data underestimate the national total meal counts and reimbursements.³⁸

Estimation of Total Meals Reimbursed in Error

To produce revised national estimates of meals reimbursed in error and the associated costs of sponsor classification errors, we used a standard ratio-estimation procedure. This procedure assures that the national estimates of total meals served and total payments based on the sample data are consistent with the national totals as reported in the FNS National Data Bank.³⁹ Specifically, we proceeded as follows.

First, we used the weighted sample data to estimate the percentage of meals reimbursed at the wrong tier, MR_1 for Tier I and MR_2 for Tier II, as described above.

³⁷ See section A.6 of Logan et al. (2011).

³⁸ Ibid.

³⁹ We acknowledge the possibility that the FNS totals are affected by non-sampling error.

Second, we estimated the totals of meals reimbursed at the wrong tier (denoted as NME_1 and NME_2) using the national totals of FY2011 meals reimbursed to Tier I and Tier II FDCHs (denoted as FM_1 and FM_2) as reported by FNS and included in the National Data Bank. To do this, we multiplied the FNS national total (from the FNS National Data Bank; not the estimate derived directly from our survey) by the appropriate percentage estimated from weighted sample data (MR_1 or MR_2). For Tier I, the calculation used the following formula:

$$NME_1 = FM_1 \times MR_1 \quad (4)$$

The estimate of total correct Tier I meals is the difference between the total meals (FM_1) and the estimated meals reimbursed in error (NME_1). We used similar calculations to estimate the total meals reimbursed in error (NME_2) and correctly for Tier II FDCHs, and we summed the estimates for Tier I and Tier II to estimate the totals for all FDCHs. Then the estimated total number of meals reimbursed in error is given by

$$NME = NME_1 + NME_2 \quad (5)$$

Estimation of Total Costs of Misclassification of FDCHs

We used the same procedure to estimate the national total costs of misclassification for Tier I and Tier II FDCHs, denoted as NCM_1 and NCM_2 . First, we used the weighted sample data to estimate the percentage of reimbursements paid in error for each tier, ER_1 and ER_2 as shown above. We then estimated the total reimbursements paid in error using the totals of all FY2011 FDCH reimbursements by tier (from the FNS National Data Bank), denoted as FR_1 and FR_2 . For Tier I, the calculation used the following formula:

$$NCM_1 = FR_1 \times ER_1 \quad (6)$$

The analogous calculation was used to estimate NCM_2 , the national cost of misclassification for Tier II FDCHs. Then the estimated total cost of misclassification is given by

$$NCM = NCM_1 + NCM_2 \quad (7)$$

A.6 Standard Errors of Estimation

Standard errors for the totals, ratios, and percentages of FDCHs misclassified were computed using Westat's complex survey analysis system, WesVar, which takes into account the multistage sampling design used for the selection of FDCHs in the sample (including clustering of sampling units at various stages of sampling). Standard errors were used to compute the lower and upper bounds for the 90 percent confidence intervals of estimates using the student t-distribution – these intervals are symmetric about the estimates. However, we used the Wilson 90 percent confidence interval for percentages of misclassified FDCHs because it has superior coverage property for proportions than the usual symmetric t-based interval. The Wilson interval is not symmetric and does not produce a nonsensical negative lower bound or greater than 100 percent upper bound as the symmetric interval can. Unfortunately, the Wilson interval is not available for the ratios, and their confidence interval based on the t-distribution can go out of the natural bounds. When this happens, the bound

is usually replaced by the natural bound (e.g., a negative lower bound by zero). This happened for the lower 90 percent confidence interval for estimated percentages of meals reimbursed in error and reimbursements paid in error, and their corresponding total meal counts and total reimbursements in error for Tier II.

All computations of standard errors were done under the assumption that primary sampling units were sampled with replacement. The primary sampling units (PSUs) in variance strata 1, 2, and 3 (the certainty states) are sponsors, whereas the primary sampling units in variance stratum 4 (the non-certainty states) are states. Under this assumption, variances are computed based only on the PSU level estimates and generally are slight overestimates of the variance. Variance estimation without this assumption is more complex and would require second order probabilities of selection at first and subsequent stages. Generally slight overestimation is well accepted in practice as the statistical inference based on a slight overestimate of variance gives a slightly conservative result. For example, a confidence interval is slightly longer, and the null hypothesis of a statistical test is slightly less likely to be rejected.

The confidence intervals for total meals reimbursed in error and total costs of misclassification used the confidence intervals for the estimated percentages of meals and reimbursements and the totals from FNS National Data Bank (NDB), which were known with certainty. For example, the computation of the confidence interval for total meals reimbursed in error (NME_k) for Tier k FDCHs was as follows:

$$\begin{aligned} NME_LOW_k &= FM_k \times MR_LOW_k \\ NME_HIGH_k &= FM_k \times MR_HIGH_k \end{aligned}$$

where,

NME_LOW_k = lower bound of total meals reimbursed in error due to misclassification for Tier k FDCHs

FM_k = total meals reimbursed to Tier k FDCHs from FNS NDB

MR_LOW_k = lower bound error rate (percentage of meals reimbursed in error) for Tier k FDCHs

NME_HIGH_k = upper bound of total meals reimbursed in error due to misclassification for Tier k FDCHs.

MR_HIGH_k = upper bound error rate (percentage of meal reimbursed in error) for Tier k FDCHs

The standard error for the estimated overall total meals reimbursed in error (NME) is given by

$$\begin{aligned} & \sqrt{\hat{V}(NME_1) + \hat{V}(NME_2)} \\ &= \sqrt{FM_1^2 \times \hat{V}(MR_1) + FM_2^2 \times \hat{V}(MR_2)} \end{aligned}$$

where $\hat{V}(MR_1)$ and $\hat{V}(MR_2)$ are variance estimates for MR_1 and MR_2 , which are obtained from WesVar. The 90 percent confidence interval is then computed using the usual formula with the appropriate t-value.

The confidence intervals for NCM_1 , NCM_2 , and NCM are computed in the same way.

Appendix

B

Data Collection Materials

Mailing #1 Documents



An Employee-Owned
Research Corporation

1600 Research Boulevard
Rockville, MD 20850-3129
tel: 301-251-1500
fax: 301-294-2040
www.westat.com

<DATE>

«Contact_Person»

«Sponsor_Name»

«Address»

«City», «State1» «Zip»

Dear «Contact_Person»:

The USDA Food and Nutrition Service (FNS) needs your help for the **2011 CACFP Assessment of Sponsor Tiering Determinations**. FNS collects information each year to estimate the accuracy of tiering determinations by CACFP sponsors for family day care homes, as required by the Improper Payments Information Act. Westat is conducting the 2011 assessment for FNS. You may have heard about this assessment from your State Child Nutrition Director.

As explained in the enclosed brochure, you are one of 60 sponsors nationwide that have been randomly selected to represent all CACFP sponsors in this year's assessment. Your participation is crucial to ensure scientifically valid findings. I am writing to explain the assessment and to ask you to participate.

In brief, here's what we ask you to do by **<DATE>**:

1. Read and sign the enclosed Memorandum of Understanding (MOU), which explains the requirements of the assessment and how your data will be protected and used. Please keep one signed copy of the MOU for your own records.
2. Compile a list of all family day care homes (FDCH) that you sponsor, including their name, street address (**no PO Boxes**), city, state, zip code, Tier I/Tier II status, method used for tiering determination, and most recent certification date for the home.
3. Return the MOU to Westat using the enclosed pre-paid envelope. Using our secure website at <https://www.cacfp-assessment.com> you may either manually enter the information requested in Step 2 or upload a Word or Excel file containing the data. Directions for accessing and using the website are included. If you prefer to send the list on a CD or on paper, please use the enclosed pre-paid envelope.

Once we receive your list of FDCHs, we will select a sample of about <#> homes that you sponsor. In early October we will send you the list of homes and ask for their counts of meals approved for reimbursement for August 2010 through July 2011. Westat will attempt to verify the tier status of each home using Census and school information. About a month after we receive your meal counts, we will let you know if we are not able to verify the Tier I eligibility for any of your sampled homes

and will ask you to send us the documentation of your tiering determination for that home. **We will not contact family day care homes.**

Section 305 of the Child Nutrition Reauthorization Act (CNR) now requires participation in assessment and evaluation studies conducted on behalf of USDA/FNS. However, in recognition of your time and effort, we will provide a \$110 honorarium to sponsors that complete all parts of the assessment and an additional \$150 if you meet all of the deadlines specified during each mailing. In this packet, you will find letters of support for the *CACFP Assessment of Sponsor Tiering Determinations* from the CACFP Sponsors Forum and The CACFP Sponsor's Association. These organizations recognize the importance of documenting the integrity of the CACFP.

Westat will not reveal the identities of participating sponsors or selected family day care homes to USDA/FNS. Information provided by sponsors will be kept confidential, to the extent provided by law, and results will be reported only at the national level.

USDA/FNS and Westat need your participation to assure that this assessment fairly and accurately represents the integrity of the CACFP. We thank you in advance for your time and cooperation in this important study. If you have any questions about the study, please feel free to call the toll-free help line at 1-888-219-0554, or send an e-mail to CACFP@Westat.com.

Sincerely,

A handwritten signature in black ink, appearing to read "David Marker".

David Marker
Project Director

Enclosures:

1. Program Assessment Brochure
2. Letters of Support
3. Memorandum of Understanding
4. User Name and Password
5. Instructions for Website
6. FedEx label for returning documents/data

							ID: _____
Instructions: The table below shows the information we need for <u>each of the FDCHs you sponsor</u>.							
Please provide the following: (a) FDCH name, (b) street address, (c) city, (d) state abbreviation, (e) zip code, (f) whether the FDCH is a Tier I or Tier II home, (g) method of tiering determination used, and (h) date of most recent tiering determination or review before August 1, 2011.							
You may use this form, which is available in the Mailing #1 folder on the secure website at https://www.cacfp-assessment.com to provide your data. Alternatively, you may generate the report yourself and upload an Excel file, a delimited text file (CSV or tab-delimited) or a Word file containing the data.							
FDCH Name (a)	Street Address (NO PO Boxes) (b)	City (c)	State (d)	Zip Code (e)	Tier I or Tier II (f)	Method of Tiering Determination Used (g)	Date of Most Recent Tiering Determination (Before 08/01/11) (h) _ _ / _ _ / _ _ M M D D Y Y
			_ _			School data 1	
			_ _		Tier I 1	Census data. 2	_ _ / _ _ / _ _
			_ _		Tier II. 2	Provider Income. 3	Y
			_ _			Program Participation. . 4	
			_ _			School data 1	
			_ _		Tier I 1	Census data. 2	_ _ / _ _ / _ _
			_ _		Tier II. 2	Provider Income. 3	Y
			_ _			Program Participation. . 4	
			_ _			School data 1	
			_ _		Tier I 1	Census data. 2	_ _ / _ _ / _ _
			_ _		Tier II. 2	Provider Income. 3	Y
			_ _			Program Participation. . 4	
			_ _			School data 1	
			_ _		Tier I 1	Census data. 2	_ _ / _ _ / _ _
			_ _		Tier II. 2	Provider Income. 3	Y
			_ _			Program Participation. . 4	

Return this information to Westat using the secure website located at <https://www.cacfp-assessment.com> or the provided envelope. If you have a question about how to provide this information, please send an e-mail to CACFP@Westat.com or call us toll-free at 1-888-219-0554.

Frequently Asked Questions

1. When do I get the honorarium?

- » Westat will send you a check when we receive the requested information. You will receive \$110 if you provide all of the requested data. If you meet all of the deadlines, you will receive an additional \$150.

2. What if all my information is on paper and I can't send you a data file?

- » We like to get EXCEL or delimited text (CSV or tab-delimited) files because it's less work for us! We can also accept WORD files. But if all you have is paper, you can enter the information using the template on our secure website or mail it to us and we will compile a file.

3. If I participate once, do I have to do it again?

- » Each year, an independent sample of sponsors and homes is selected for assessment. If you are a large sponsor, there is a chance you will be selected in multiple years. It's important that you participate!

4. Will Westat contact the selected homes?

- » NO. We will obtain all of the information for the Assessment from you.

For more information

Call 888-219-0554

(toll-free)

Or send e-mail to

CACFP@Westat.com



1600 Research Boulevard
Rockville, MD 20850
Phone: 301-251-1500
Fax: 301-294-2040

CACFP Assessment of Tiering Determinations



Assessment conducted for the
Food and Nutrition Service.



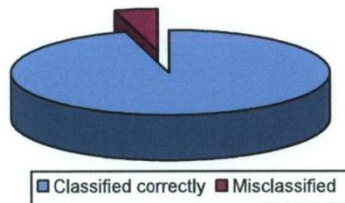
About the Assessment

Each year the USDA Food and Nutrition Service (FNS) is required to report to Congress the percentage of CACFP family day care homes that are misclassified as Tier I or Tier II, and the resulting improper payments.

Error rates are low in the CACFP!

In 2010, only 3.5 percent of homes were misclassified and 2.8 percent of payments were associated with errors.

CACFP Family Day Care Homes, 2010



CACFP provides over \$755 million in meal benefits annually, and so the Improper Payments Information Act of 2002 requires continued measurement of error rates.

The study of CACFP tiering determinations has become easier! Sponsors can now upload their files to a secure website. Sponsors will only be able to view their own data. You can also download templates for entering your data or to view items included in each mailing.

Your Role in the Assessment

You are one of 60 sponsors nationwide that have been randomly selected this year to represent all CACFP sponsors. Your participation is crucial to ensure scientifically valid findings.

Westat will not visit you or intrude on your operations. We will provide you with a secure website where you can upload files. We'll also provide pre-paid envelopes for mailing. You will receive up to \$260 honorarium for your effort.

Westat will collect the following from Sponsors:

1. Signed Memorandum of Understanding. This document confirms your participation.
2. List of homes that you sponsor, tiering status, method used, most recent tiering determination date. This information is needed so that we can draw a sample of your homes for the Assessment and begin verifying their status.
3. Meal counts for the sampled homes. We will send you the list of sampled homes. For each selected home, we will need the monthly counts of approved Tier I and Tier II breakfasts, snacks, and lunches/dinners for the period from August 2010 to July 2011. Use our secure website or mail us the information.
4. Certification documents. We will let you know if we were unable to verify a home and need more information from you. We anticipate that most homes can be verified as Tier I based on Census or school information, so few homes will need followup.

Due dates vary depending upon when you receive our request. Deadlines will be included with each request.

What should you do next?

- ✓ **First, read and sign the Memorandum of Understanding.** This is an important document that tells us that you understand:
 - a) the requirements of the assessment,
 - b) the honorarium that you will receive for completing the assessment, and
 - c) how your data will be protected and used.

» *Sign both copies, keep one for yourself, and return one copy in the envelope provided.*

- ✓ **Second, compile a list of all family day care homes that you sponsor.** This list should include all homes that you currently sponsor, regardless of whether they received reimbursements for the most recent month.

For each home, include: name of home, street address (**no PO boxes**), Tier I or Tier II status, method used to determine tiering, and most recent determination date.

- » Enter data or upload it in a *WORD* or *EXCEL* file using our secure website. If you prefer to mail the data, use the prepaid envelope.

- ✓ **Third, let us know if you have questions.** We want to work with you to reduce your burden and to make this a successful assessment! We can be reached at:

888-219-0554

Or

CACFP@Westat.com



July 7, 2011

Dear Colleague,

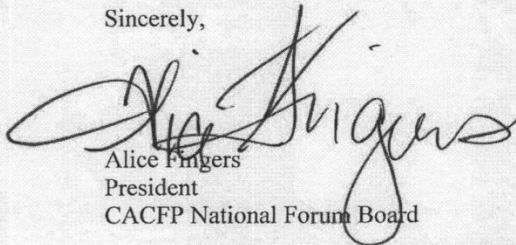
I am writing on behalf of the National CACFP Sponsors Forum to encourage you to participate in the CACFP Program Assessment of Sponsor Tiering Determinations. You are one of approximately 60 sponsors that have been selected randomly to participate in this study.

As you may know, USDA must report to Congress estimated of the percentage of family day care homes that are misclassified as Tier I or Tier II, and the resulting improper payments. In previous years, error rates have been quite low - in 2009 only about 3.5% of homes were misclassified. This year the study is being conducted by Westat. Fred Glantz is working with Westat and has conducted many studies of the CAFD for USDA, and in each study worked cooperatively with the National Sponsors Forum to minimize the burden placed on sponsors and homes and to produce accurate, unbiased results.

This year, Westat has designed the annual CACFP Program Assessment of Sponsor Tiering Determinations to reduce the burden on sponsors and speed the delivery of results to the USDA. Unlike some previous years, this year's study will not involve on-site visits to sponsors to review their tiering documentation. In fact, the tiering status of most of the homes selected will be verified independently using only census information or school eligibility - all that will be required from you is the names and addresses of about 20 of your home that will be randomly selected by Westat. What's more, you will receive a \$110 honorarium in recognition of your time and effort, which you will receive from Westat after completing their assignment of your homes. You will receive an additional \$150 if you meet all the deadlines for providing information to Westat.

This study is important - it has helped establish the integrity of the CACFP. The National Sponsors Forum encourages you to participate in this study. Remember, you are one of only 60 sponsors across the country randomly selected to represent all CACFP sponsors.

Sincerely,



Alice Fingers
President
CACFP National Forum Board

President, Alice Fingers ♦ Vice President, Glenda Overfelt ♦ Secretary, Shameyrae Miller ♦ Treasurer, Carolyn Morrison
Martha Campolito ♦ Ipek Taffe ♦ Shelly Beiting ♦ Sheilah Mevis ♦ Susana Reza ♦ Jerry Bowers ♦ Paula James ♦ Pam Ward ♦ Jodi Kuhn
Sonia Cotto-Moreno ♦ Edward Cooney ♦ Michael Morath ♦ Geraldine Henchy ♦ Linda Geigle ♦ Helen Blank ♦ Ed Mattson



August 2011

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Food Research Action Center

The Improper Payments Information Act of 2002 (Public Law 107-300) requires Federal agencies to determine the amount of erroneous payments in Federal programs and to periodically conduct detailed assessments of vulnerable program components. The *CACFP Program Assessment of Sponsor Tiering Determinations* is a program assessment developed to produce a national estimate of the share of CACFP Family Day Care Homes that are misclassified into the wrong reimbursement tier. Similar studies to this one have been conducted in recent years and found a very low error rate of misclassifications. Good news for the CACFP!

It is vitally important that we continue to demonstrate that the CACFP is meeting the goals of the program and doing this with a high degree of integrity. One way to accomplish this is through the results of this year's *CACFP Program Assessment of Sponsor Tiering Determinations*, which we are confident will once again show a low error rate of misclassifications and therefore resulting improper payments.

TSA is very pleased that Westat and USDA will again use a process that minimizes the burden to the sponsors who participate. Some improvements to the procedure that were first made in 2008 include:

- No on-site reviews.
- Verification of the tier status by first using census information and school eligibility, requiring only that you supply names, addresses, and tiering dates of the selected group.
- Requesting additional documentation only if this information does not support the tier classification. (This would typically be if the provider was classified for Tier I based on household size and income.)
- An honorarium paid to participating sponsors for their time and effort.
- Reporting only misclassifications and the resulting improper payments and not including procedural errors.

The TSA Board of Directors encourages you to participate in this important study and thanks you in advance for your cooperation. We will post its results on our website when they are published.

Sincerely,
Linda Leindecker, President
The CACFP Sponsors Association (TSA)

CACFP Assessment of Tiering Determinations

MEMORANDUM OF UNDERSTANDING BETWEEN WESTAT AND «Sponsor_Name», «State»

This MEMORANDUM OF UNDERSTANDING is entered into by «Sponsor_Name» (SPONSOR) and Westat.

A. PURPOSE OF AGREEMENT:

Westat and SPONSOR hereby agree to the terms of an exchange of information between SPONSOR and Westat. The USDA Food and Nutrition Service (FNS) has contracted with Westat to conduct the CACFP Program Assessment of Tiering Determinations (the Assessment). This annual Assessment is required by the Improper Payments Act of 2002. The sampling approach used by the Assessment provides an alternative to comprehensive federal reporting requirements. Section 305 of the Child Nutrition Reauthorization Act (CNR) requires participation in assessment studies on behalf of USDA/FNS.

For Westat, this agreement assures that the SPONSOR consents to participate and understands the requirements and honorarium for participating in the study.

For SPONSOR, this agreement provides assurance that information provided to Westat will be safeguarded and used only for specific research purposes directly connected to the administration of the CACFP. None of the information provided by SPONSOR to Westat will be released in a way that will identify SPONSOR or individual homes to USDA or any third party, unless required by law.

B. WESTAT AGREES TO:

1. Provide clear instructions to SPONSOR and pre-paid mailing envelopes for sending information to Westat.
2. Provide a toll-free telephone number, dedicated e-mail address, and secure website for SPONSOR to use when contacting Westat.
3. Provide timely feedback, within 3 business days of receipt, if Westat is unable to read a data file, fax, or other document, or if Westat deems the data incomplete.
4. Provide a \$110 honorarium to SPONSOR in recognition of the effort of participating in the study. Westat will provide an additional \$150 honorarium if SPONSOR meets all specified deadlines.

C. SPONSOR AGREES TO:

Provide the following to Westat:

1. **List of family day care homes.** SPONSOR will provide a list of all homes under sponsorship as of August 2011, regardless of whether the home received CACFP reimbursements for July 2011. The list must include the following data elements:
 - Name of home or name of provider
 - Street address (**not PO Box**) of home including city and zip code
 - Tier I or Tier II status as determined by SPONSOR
 - Method used to determine tiering status
 - Most recent certification date for the home

SPONSOR will upload the requested information in a WORD or EXCEL file onto Westat's secure website, enter the data using the templates provided on the secure website, or send it to Westat using the pre-paid envelope provided by Westat.

2. **Monthly meal counts for selected homes.** Westat will select a sample of homes (ranging from about 15-30 homes) from the list that SPONSOR provides and send the list of sampled homes to SPONSOR in early October. For each sampled home, SPONSOR will provide to Westat monthly counts of meals approved for reimbursement for the twelve-month period from August 2010 through July 2011. For sampled FDCH whose tiering status was redetermined as a result of the Child Nutrition Reauthorization 2010 – Area Eligibility for FDCH (allowing non-elementary schools), SPONSOR will provide the

tiering status, date, and method used for BOTH the redetermination and the previous determination.

- 3. Documentation of tiering determination.** Westat will attempt to independently verify the Tier I eligibility of the selected homes using Census and school data. If Westat is unable to verify Tier I eligibility for a home, Westat will ask SPONSOR to provide copies of the complete documentation of tiering determination for that home.

D. HONORARIUM:

Westat will pay an honorarium to SPONSOR in recognition of the expected costs and effort of participating in the Assessment. The amount of the honorarium is \$110 payable upon receipt of the final data (documentation of tiering determination) or when SPONSOR is notified that no further data are needed. SPONSOR will receive an additional \$150 if they meet all of the specified deadlines for submitting information to Westat. Each deadline will be clearly specified in the letter from Westat requesting the information.

Please tell us who we should make honorarium checks payable to: _____

E. DISCLOSURE OF INFORMATION AND PROTECTION OF CONFIDENTIALITY:

Westat will keep all information provided by SPONSOR confidential, to the full extent allowed by law, and will use the information only for the purposes of the Assessment. Westat will use the data to prepare a final Assessment report, in which all data will be reported in an aggregated form and information cannot be linked to individual sponsors or homes. The information provided by SPONSOR under this agreement will be protected against unauthorized access or disclosure:

- a) The information subject to this agreement shall be used only to the extent necessary to assist in the valid needs for this specific Assessment and shall be disclosed only for the purposes as defined in this agreement.
- b) Westat will not use the information for any purposes not specifically authorized under this agreement.
- c) All members of the Westat project team with access to data provided by sponsors will sign data confidentiality agreements. Data will be stored in locked cabinets or password-protected files.
- d) Westat will not identify participating sponsors, providers, or the location of providers in any publications or data files provided to the Food and Nutrition Service, USDA.
- e) Under these restrictions, Westat will provide data files to FNS, which plans to use the files to replicate the research and to release a public-use data set. Non-FNS users will be asked to sign a pledge that they will not combine the public-use data with other data in a way that may identify sponsors or providers.

F. DURATION OF AGREEMENT

The confidentiality provisions of this agreement shall remain in effect indefinitely. All other provisions shall be in effect for one year from the date of signature.

PRINCIPAL CONTACTS:

Westat Contact

David Marker, Project Director
Westat
1600 Research Blvd.
Rockville, MD 20850

Phone: 888-219-0554

FAX: 301-610-4900

E-Mail: CACFP@Westat.com

SPONSOR Contact

Name: _____

Address: _____

City, State, Zip: _____

Phone: _____

E-Mail: _____



SIGNATURE

DATE

SIGNATURE

DATE

Mailing #2 Documents



[DATE]

«Contact»
«Sponsor»
«Address»
«City», «State» «Zip»

Dear «Contact»:

On behalf of the Food and Nutrition Service (FNS) and Westat, I want to thank you for agreeing to participate in the **2011 CACFP Assessment of Sponsor Tiering Determinations**. Your participation is crucial to ensure scientifically valid findings.

Enclosed you will find a list of the CACFP family day care homes under your sponsorship that we have selected for this year's assessment. **Please provide the following information for each selected home by November 3, 2011:**

1. **Monthly counts of meals** approved for reimbursement during August 2010-July 2011. We need separate counts of breakfasts, lunches or suppers, and snacks, broken down between Tier I-eligible and Tier II-eligible meals. You may provide a report with this information or copies of approved claims. Please see the attached instructions.
2. If meal counts for a home are not available for any of the 12 specified months, **please provide an explanation** on the list of homes or in an attached note.

Please go to the secure study website located at <https://www.cacfp-assessment.com> to submit monthly meal counts in a data file (preferably in Excel) or to enter the information directly into our template. If you prefer to use the template, make sure that you clearly identify the provider's name and address. If you need to send hardcopies or the information on a CD, please use the enclosed FedEx materials.

Once again, we remind you that Westat **will not contact family day care homes**, and we will not reveal the identity of cooperating sponsors or homes selected for the assessment (other than notifying State agencies of their sponsors that were selected).

Thank you in advance for your time and cooperation with the assessment. As specified in the Memorandum of Understanding, we may contact you for information again in about one month. If you have any questions, please call us toll-free at 1-888-219-0554, or send an e-mail to CACFP@Westat.com. Your agency will receive a check for \$110 at the end of your data collection and an additional \$150 if you meet all of the specified deadlines.

Sincerely,

David Marker
Project Director

Instructions: The table below lists the family day care homes that have been selected for the 2011 CACFP Assessment of Tiering Determinations. Based on information you provided earlier, we have completed columns 2 – 3 for you.

If these columns are blank, please identify whether each FDCH is a Tier I or Tier II home and the date of the most recent tiering determination or review before August 1, 2011.

Selected family day care homes

[illegible]

«FDCH_FirstName» «FDCH_LastName»
 «fdch_address1», «fdch_city», «fdch_state» «fdch_zip»

Instructions: For this home, please provide the number of approved CACFP meals for each month from August 2010 through July 2011. Provide separate counts for Tier I and Tier II meals and for each type of meal: breakfast, lunch or supper, and snacks.

At the bottom of the form, please indicate the number of months for which meal claims are provided. If this number is less than 12 for the listed home, explain in the space provided. If you prefer to attach a report or documentation for this home, you may do so.

Monthly meal counts

Month	Tier I Eligible Meals		Tier II Eligible Meals	
August, 2010	Breakfast: Lunch or Supper Snacks:		Breakfast: Lunch or Supper Snacks:	
September, 2010	Breakfast: Lunch or Supper Snacks:		Breakfast: Lunch or Supper Snacks:	
October, 2010	Breakfast: Lunch or Supper Snacks:		Breakfast: Lunch or Supper Snacks:	
November, 2010	Breakfast: Lunch or Supper Snacks:		Breakfast: Lunch or Supper Snacks:	
December, 2010	Breakfast: Lunch or Supper Snacks:		Breakfast: Lunch or Supper Snacks:	

Monthly meal counts (continued)

Month	Tier I Eligible Meals		Tier II Eligible Meals	
January, 2011	Breakfast: Lunch or Supper Snacks:		Breakfast: Lunch or Supper Snacks:	
February, 2011	Breakfast: Lunch or Supper Snacks:		Breakfast: Lunch or Supper Snacks:	
March, 2011	Breakfast: Lunch or Supper Snacks:		Breakfast: Lunch or Supper Snacks:	
April, 2011	Breakfast: Lunch or Supper Snacks:		Breakfast: Lunch or Supper Snacks:	
May, 2011	Breakfast: Lunch or Supper Snacks:		Breakfast: Lunch or Supper Snacks:	
June, 2011	Breakfast: Lunch or Supper Snacks:		Breakfast: Lunch or Supper Snacks:	
July, 2011	Breakfast: Lunch or Supper Snacks:		Breakfast: Lunch or Supper Snacks:	
Total Number of Months of Claim Data Provided: _____				
Explanation if Less Than 12 Months of Claim Data Provided: _____				

Mailing #3 Documents



An Employee-Owned
Research Corporation

1600 Research Boulevard
Rockville, MD 20850-3129
tel: 301-251-1500
fax: 301-294-2040
www.westat.com

<date TBD>

«Contact»

«Sponsor»

«Address»

«City», «State» «Zip»

Dear «Contact»:

Westat is nearing completion of the **2011 CACFP Assessment of Sponsor Tiering Determinations**. Your participation has been appreciated! We have one final request for information from you before we can complete the assessment.

Enclosed you will find a list of the CACFP family day care homes (FDCHs) under your sponsorship that we selected for the assessment and were unable to verify as Tier I using Census or school data. These FDCHs may not have been verified due to an error on our part in matching to school and Census data, or because the provider applied for Tier I status on the basis of income or program participation. We list these FDCHs on the next pages.

We ask you to complete the enclosed form for each of the listed FDCHs. Please **provide the following information for each listed FDCH by <2 weeks from date>**, using the secure website located at <https://www.cacfp-assessment.com> or by using the enclosed FedEx materials:

- The method of tiering determination used;
- Provide the names(s) of the school(s) whose attendance area(s) include(s) the FDCH;
- Copies of the documentation that you have on file for the most recent tiering determination **before August, 2011**. **Note: If you completed a redetermination between 8/1/2010 and 7/31/2011 for any of the FDCHs listed on the enclosed form you will need to provide documentation for both the redetermination and the previous determination.**

Documentation will include one or more of the following:

- School data - boundary information and school FRP percentage or other available school eligibility documentation included in the FDCH's file.
- Census data - block group code and percentage of children in households with income at or below 185% of poverty
- Household income or categorical eligibility information - application form listing household members and their income, and/or information about participation in programs that confer categorical eligibility. Include copies of documents used to

verify Tier I income eligibility, such as wage stubs, income tax forms, or benefits letters.

- If you have not provided documentation, please provide an explanation.

Once again, we remind you that Westat **will not contact family day care homes** and we will not reveal the identity of homes selected for the assessment. All documents of tiering determinations provided to Westat will be kept confidential as provided under the Memorandum of Understanding between your agency and us.

Thank you in advance for your time and cooperation with the assessment. If you have any questions, please call us toll-free at 1-888-219-0554, or send an e-mail to CACFP@Westat.com.

Sincerely,

A handwritten signature in black ink that reads "David Marker". The signature is written in a cursive, flowing style.

David Marker
Project Director

Family Day Care Homes

Instructions: For each FDCH listed below, please check the appropriate box(es) to indicate the method of tiering determination used most recently before **August, 2011**. Please provide copies of all documents associated with the tiering determination. **NOTE:** If you completed a redetermination **between 8/1/2010 and 7/31/2011**, provide documentation for **BOTH** the redetermination and the previous determination. Documents will vary according to the method of determination and may include:

- If school data were used - street address (not PO box or rural route), school boundary map, State list of schools indicating FRP percentage for school, letter from school official, printed copy of website information.
- If Census data were used - street address (not PO box or rural route), block group boundary map, documentation showing that block group is income-eligible.
- If provider income or categorical eligibility was used - copy of form used by provider to list household members and their income, or information about participation in Food Stamps/SNAP, TANF, or other program approved for Tier I determinations. Also include copies of documents used to verify income or categorical eligibility - for example, food stamp/SNAP certification letter, income tax form, or wage stubs.

Name of Provider (a)	Method of Tiering Determination Used (b)	Redetermination Between 8/1/2010 and 7/31/2011? (c)	School(s) Whose Attendance Area Includes the FDCH (d)	Explanation If Documentation is Not Provided (e)
	☐ School data ☐ Census data ☐ Income ☐ Program participation	Yes ☐ No ☐		
	☐ School data ☐ Census data ☐ Income ☐ Program participation	Yes ☐ No ☐		
	☐ School data ☐ Census data ☐ Income ☐ Program participation	Yes ☐ No ☐		

Family Day Care Homes (continued)

Name of Provider (a)	Method of Tiering Determination Used (b)	Redetermination Between 8/1/2010 and 7/31/2011? (c)	School(s) Whose Attendance Area Includes the FDCH (d)	Explanation If Documentation is Not Provided (e)
	☐ School data ☐ Census data ☐ Income ☐ Program participation	Yes ☐ No ☐		
	☐ School data ☐ Census data ☐ Income ☐ Program participation	Yes ☐ No ☐		
	☐ School data ☐ Census data ☐ Income ☐ Program participation	Yes ☐ No ☐		
	☐ School data ☐ Census data ☐ Income ☐ Program participation	Yes ☐ No ☐		
	☐ School data ☐ Census data ☐ Income ☐ Program participation	Yes ☐ No ☐		

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