

Abt Associates Inc.  
55 Wheeler Street, Cambridge, Massachusetts 02138  
Telephone • Area 617-492-7100  
TWX: 710-3201382

**STUDY OF INCOME VERIFICATION  
IN THE NATIONAL SCHOOL LUNCH  
PROGRAM:**

**Final Report**

Contract No. FNS-53-3198-6-44

**Authors:**

Robert St. Pierre  
Michael Puma  
Michael Battaglia  
Jean Layzer




January 1990

**Prepared by:**

Abt Associates Inc.  
55 Wheeler Street  
Cambridge, MA 02138

**Prepared for:**

John Endahl  
USDA/FNS/OAE  
3101 Park Center Drive  
Alexandria, VA 22302

 Contract Manager	 Quality Control Reviewer	 Management Reviewer
---	---	---

**TABLE OF CONTENTS**

		<u>Page</u>
ACKNOWLEDGEMENTS.....		v
EXECUTIVE SUMMARY.....		vii
CHAPTER 1	STUDY BACKGROUND.....	1
	OVERVIEW OF THE NATIONAL SCHOOL LUNCH PROGRAM.....	1
	APPLYING FOR MEAL BENEFITS.....	3
	SCHOOL LUNCH INCOME VERIFICATION.....	4
	PRIOR RESEARCH RELATED TO SCHOOL LUNCH INCOME VERIFICATION.....	6
CHAPTER 2	STUDY DESIGN.....	11
	OBJECTIVES AND RESEARCH QUESTIONS.....	11
	DESIGN SUMMARY.....	14
CHAPTER 3	FINDINGS: VERIFICATION PROCEDURES.....	19
	SUMMARY OF FINDINGS.....	19
	RESEARCH QUESTIONS.....	19
	RESEARCH FINDINGS.....	20
	Question: How many applications for meal benefits are received? How many are approved? How many applications are selected for verification?.....	20
	Question: What is the locus of verification authority?.....	22
	Question: What sampling methods are used for veri- fication? How do they correspond to Federally prescribed guidelines?.....	26
	Question: What sources of income documentation are accepted by SFAs?.....	45
	Question: When in the school year are all verifica- tion activities completed?.....	47
	Question: What do SFAs do when they find a misre- porting error?.....	47
	Question: What are SFA managers' opinions about income verification?.....	49

**TABLE OF CONTENTS**  
(continued)

		<u>Page</u>
CHAPTER 4	FINDINGS: CHARACTERISTICS OF NONAPPLICANTS AND APPROVED APPLICANTS.....	61
	SUMMARY OF FINDINGS.....	61
	RESEARCH QUESTIONS.....	62
	RESEARCH FINDINGS.....	63
	Question: What are the characteristics of nonapplicant households? How do these characteristics vary by subgroup?.....	63
	Question: What are the characteristics of approved applicant households? How do these characteristics vary by subgroup?.....	66
CHAPTER 5	FINDINGS: ERROR RATES AND FEDERAL SAVINGS.....	85
	SUMMARY OF FINDINGS.....	85
	RESEARCH QUESTIONS.....	87
	RESEARCH FINDINGS.....	91
	Question: What is the overall error rate as detected by current SFA verification procedures?...	91
	Question: What are the net Federal cost savings that result from the changes in benefit status detected by current SFA income verification procedures?.....	94
	Question: What is the audited error rate as measured through In-Home Audits?.....	102
	Question: What are the major reasons for the misclassification of households?.....	113
	Question: How accurate are SFA eligibility and verification determinations?.....	122
	Question: What can be concluded about the nature of error rates?.....	125

**TABLE OF CONTENTS**  
(continued)

		<u>Page</u>
CHAPTER 6	FINDINGS: BARRIERS AND DETERRENCE EFFECTS.....	129
	SUMMARY OF FINDINGS.....	129
	RESEARCH QUESTIONS.....	130
	RESEARCH FINDINGS.....	132
	Question: To what extent do eligible and ineligible households not seek meal benefits because of income verification?.....	132
	Question: Do eligible nonapplicants understand that they can apply for and receive meal benefits?.....	138
CHAPTER 7	FINDINGS: COST AND BENEFIT-COST RATIO.....	143
	SUMMARY OF FINDINGS.....	143
	RESEARCH QUESTIONS.....	144
	RESEARCH FINDINGS.....	149
	Question: What are the costs to SFAs of alternative verification procedures?.....	149
	Question: What is the ratio of benefits to costs for income verification?.....	156
APPENDIX 1.1	Sample Free and Reduced-Price Lunch Applications, Letter to Parents, and Press Release.....	A-1
APPENDIX 2.1	Study Methods.....	A-11
APPENDIX 2.2	80 PSU Master Sample and 50 PSU Subsample.....	A-51
APPENDIX 2.3	Study Instruments.....	A-75
APPENDIX 2.4	SFA Recruitment and Selection Materials.....	A-165
APPENDIX 2.5	Analysis of Survey of Private SFAS.....	A-181

---

## ACKNOWLEDGEMENTS

---

The Study of Income Verification in the National School Lunch Program was a large undertaking involving the work of persons from several public agencies and the cooperation of food service personnel in school districts across the country. While it is not possible to thank every person who has contributed to the study, we want to acknowledge the contributions of several individuals.

Special thanks are due to the School Food Authority managers in over 1,100 school districts that participated in the study. The results from this study are useful largely because of the commitment that the School Food Authority managers have to the National School Lunch Program. Thanks are also due to State Child Nutrition Directors who assembled listings of School Food Authorities to be used in selecting national samples to be interviewed.

Staff of the Office of Analysis and Evaluation, Food and Nutrition Service, U.S. Department of Agriculture had major responsibility for overseeing the project. David Goodwin was responsible for overseeing the design and early stages of the project; Gerald Burns guided the data collection, the analysis, and preparation of a draft report; and John Endahl and Steven Gale oversaw preparation of the final report.

Westat, Inc. of Rockville, Maryland was Abt Associates' subcontractor for on-site data collection. Ronna Cook and Richard Beatty were responsible for the subcontract and their staff did an excellent job of visiting school districts, selecting samples of households to be interviewed, conducting face-to-face interviews, and preparing the data for analysis.

Several staff members at Abt Associates played important roles in the project. Key staff include Robert St.Pierre (Project Director), Jean Layzer (Director of Field Operations), Michael Battaglia (Sampling Statistician), Michael Puma (Senior Policy Analyst), Ellen Lee (Data Base Manager), Marc Moss (Senior Analyst), Cathy Casserly (Analyst), Joan Kooistra (Research Assistant), Kristin Wulfsberg (Research Assistant), and Annette Butler (Project Secretary).

---

**STUDY OF INCOME VERIFICATION IN THE  
NATIONAL SCHOOL LUNCH PROGRAM**

**EXECUTIVE SUMMARY**

---

**STUDY BACKGROUND**

Under contract to the Food and Nutrition Service of the U.S. Department of Agriculture, Abt Associates Inc. of Cambridge, MA and its subcontractor, Westat of Rockville, MD conducted a study of income verification in the National School Lunch Program.

**THE NATIONAL SCHOOL LUNCH PROGRAM**

Through the National School Lunch Program the U.S. Department of Agriculture provides about \$3.5 billion of support to school districts annually. Some of the support is provided in the form of cash reimbursements to school districts for every school lunch served. Additional support is provided for lunches served free or at reduced-price to children from qualifying households.

**APPLYING FOR FREE OR REDUCED-PRICE LUNCHES**

Households can apply for Federally-supported free or reduced-price school lunches (meal benefits) if they think they qualify on the basis of having a relatively low income. Currently, the income eligibility cutoff for free lunches is set at 130 percent of the poverty level and the income cutoff for reduced-price lunches is set at 185 percent of the poverty level. The poverty level is determined by a combination of two factors, household size and household income.

Households apply for free or reduced-price meals by completing an application provided by school districts at the start of each school year. The application calls for households to list the number of persons in the household and the household income. School districts receive the completed applications and use Federal guidelines to decide whether households qualify for meal benefits.

## **INCOME VERIFICATION**

Prior to 1982, school districts were not required to verify the income or household size declared by households that applied for meal benefits. It was assumed that households were correctly reporting their income, and children from households that applied and declared a sufficiently low income were given free or reduced-price meals. From 1982 to the present, the verification of household income for at least some of the approved applications for meal benefits has been part of each school district's responsibilities.

School districts are permitted to verify all approved applications. However, the Department has designed two alternative sampling methods--"random" and "focused". "Random" requires the selection of a random sample of 3 percent of the approved applications on file as of October 31st of each school year. "Focused" is an error-prone strategy which entails the random selection of 1 percent of approved applications from non-food stamp households with reported monthly incomes within \$100 of the income eligibility limits, and  $\frac{1}{2}$  percent of approved applications that submitted evidence of food stamp participation in lieu of income information.

## **PURPOSE OF THIS STUDY**

Although income verification has been part of the school lunch program since 1982, the Department of Agriculture has not had systematic information on the implementation or effectiveness of verification activities. This study was designed to provide information to the Department in several areas: (1) a description of verification procedures; (2) a description of the characteristics of households that did and did not apply for meal benefits; (3) a determination of the magnitude of misreporting detected through school verification activities, reasons for errors, and the Federal cost savings achieved through verification; (4) a determination of the amount of misreporting that is deterred by verification and the extent to which verification provides a barrier to program participation by eligible households; and (5) a determination of the costs and benefit-cost ratio of verification activities.

## RESEARCH APPROACH

Income verification was started in the 1981-82 school year, following passage of the 1981 Omnibus Budget Reconciliation Act, and verification requirements have been changed in subsequent school years. Because little was known about the status of income verification in school districts, the procedures that school districts use to verify income, and the costs and effects of verification, the design for this study called for a series of cross-sectional surveys to collect descriptive data from school districts as well as from program participants and nonparticipants. Several one-time surveys were conducted during the spring of 1987:

- A mail survey was conducted in 1,156 public school districts and 160 private schools to obtain basic information on the verification procedures used by school districts and the outcomes of those procedures.
- A telephone survey was conducted in 424 public school districts (a subsample of the 1,156 that participated in the mail survey). This survey was used to collect more detailed information on verification procedures as well as data on the costs of conducting income verification.
- In-home audits were conducted in 2,791 households that were approved to receive free or reduced-price meals, selected from a further subsample of 98 of the 424 school districts that participated in the telephone survey. These face-to-face interviews were used to collect descriptive information on applicants for meal benefits, on applicant misreporting, and on reasons for not responding to school district verification requests. Three groups of households had their income verified through in-home audits in the spring of 1987: (1) a sample of households already verified by school districts with no resulting benefit change; (2) a sample of households that did not respond to the school districts' verification requests; and (3) a sample of households never verified by school districts.
- A telephone survey of 796 households that did not apply for meal benefits was conducted in the same subsample of 98 public school districts. Two groups of nonapplicant households were interviewed to provide information on



deterrence and barrier effects: (1) those who were ineligible for meal benefits; and (2) those who were eligible but chose not to apply.

- Existing data files maintained by the subsample of 98 public school districts were abstracted for each applicant household that received an in-home audit, as well as for selected other households. These 5,045 record abstractions were used to obtain the income data declared on free and reduced-price lunch applications as well as income data from documentation provided as part of the school districts' income verification activities.

## FINDINGS

The major study findings are grouped into the following areas: verification procedures, characteristics of nonapplicants and approved applicants, error rates and Federal savings, barriers and deterrence effects, and costs and the ratio of benefits to costs. This summary focuses on findings from public school districts.

### VERIFICATION PROCEDURES

Federal income verification regulations allow school districts a fair amount of discretion in how to implement income verification, for example, in the methods used to select the verification sample, the size of the sample used, and the procedures for reviewing supporting documentation. Prior to this study, there were no national data on the ways in which school districts actually carry out income verification.

### How Many Applications for Meal Benefits are Received? How Many are Approved? How Many are Selected for Verification?

An estimated 31.3% of the entire public school student population in grades kindergarten through 12 (about 12.36 million students) were in households which submitted applications for free or reduced-price NSLP meal benefits in the 1986-87 school year. Based on the eligibility determinations made by school districts, 94.1% of these applications encompassing 11.63 million students were approved. Thus, 29.5% of all public school children in kinder-

garten through the twelfth grade were approved to receive free or reduced-price meals.

Nationwide, public school districts verified 6.4% of all approved applications in the 1986-87 school year. This is a higher percentage than might be expected given the 1.5% - 3% sample sizes associated with the Federally-prescribed "focused" and "random" sampling methods.

**What Sampling Methods are Used for Verification?  
How do They Correspond to Federally-Prescribed  
Guidelines?**

Based on reports from school districts, it is estimated that 82.9% of all school districts in the nation used random sampling, 10.3% used focused sampling, and 6.8% verified all applications (Exhibit 1).

However, school districts use many variants of these sanctioned sampling methods. In-depth discussions with a sample of school districts led to a more detailed classification of sampling methods and revealed that, nationwide, 71.4% used random sampling (63.5% sampled 3% of the approved applications and 7.9% sampled more than 3%), 6.4% used focused sampling (4.0% sampled according to regulations and 2.4% selected a focused sample larger than required), and 6.5% verified all applications.

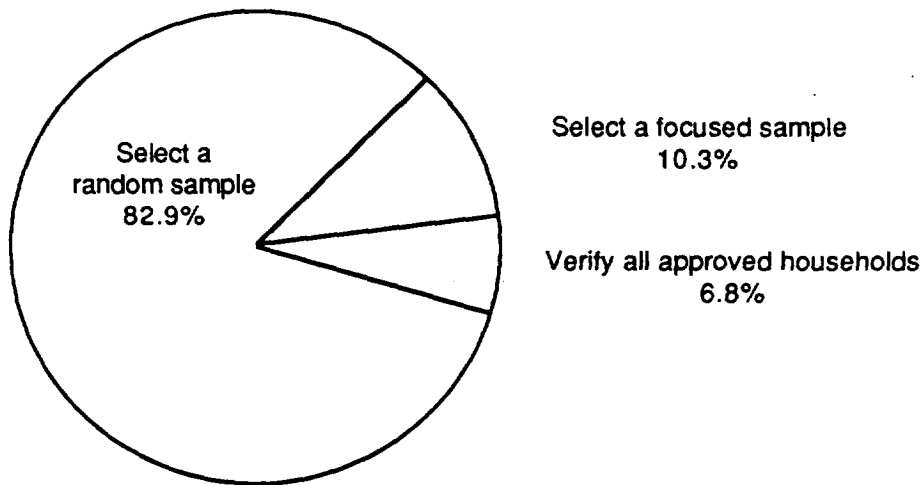
In addition, 15.7% of all school districts used some form of "targeted sampling". This means that part or all of the verification sample was targeted to some group or groups that the school district felt ought to be verified. Specific examples of targeted groups include families with reported zero income, families with mistakes on the application, families new to the district, families with a foster child, food stamp families, minorities, and "suspicious" families. An estimated 3.6% of all school districts used targeted sampling exclusively, another 7.1% of all school districts combined a random 3% sample with the selection of a supplementary targeted sample, and 5.0% of all school districts combined the prescribed focused sample with some sort of targeted sample. Some portion of this targeted sampling is in violation of program regulations because it sometimes targets verification to particular population subgroups.

Thus, the methods used by school districts to select verification samples were much more complex than the

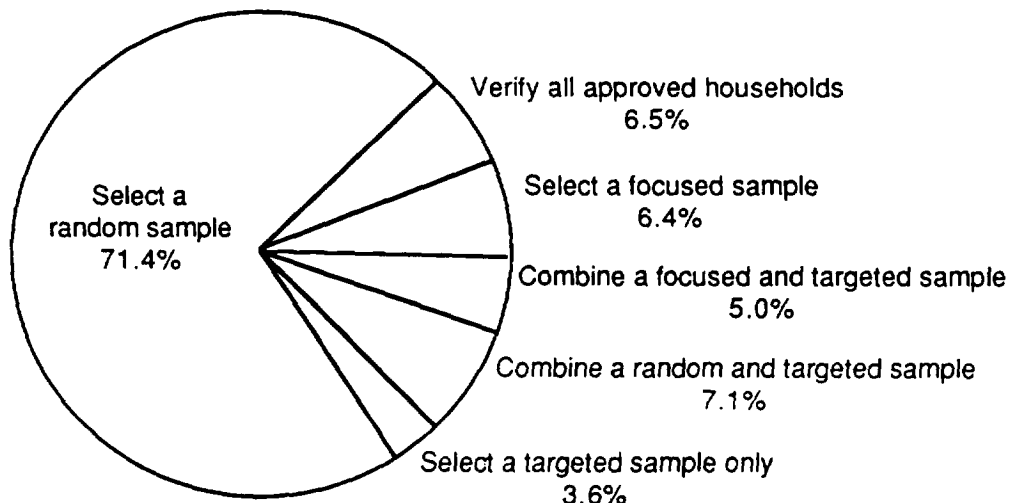
## Exhibit 1

### PERCENTAGE OF SCHOOL DISTRICTS USING DIFFERENT METHODS OF SELECTING A SAMPLE OF HOUSEHOLDS TO VERIFY (SCHOOL YEAR 1986-87)

#### As Initially Reported by School Districts



#### As Modified Based on In-Depth Discussions



Some applicants had difficulty understanding the application form. An estimated 15.1% of approved applicants (1.76 million households) had some difficulty in reading the application, and 6.7% (.78 million households) did not understand the directions on the application. Of the latter group, about one-third felt the application was not in a language they understood (.27 million households).

There appears to be some problem with understanding of verification notices. An estimated 5.1% (18,000 households) did not understand the verification notice. Of these, 32.2% felt the verification notice did not clearly identify the types of documents needed, 10.5% felt the notice was not given in a language they understood, and 42.2% felt the notice used words they did not understand.

#### **ERROR RATES AND FEDERAL SAVINGS**

A key part of this study involved the collection and analysis of several sets of data related to the magnitude and types of errors made in the provision of free and reduced-price meal benefits in the National School Lunch Program.

#### **What is the Overall Error Rate as Detected by Current School District Verification Procedures?**

Projection of the results of school district income verification activities to all participants in the National School Lunch Program yields a nationally representative error rate of 11.1% due to detected\* errors (see Exhibit 2). An additional 10.1% of households were assumed to be in error because they were selected for verification but did not respond to the school districts' verification requests. Thus, the nationally projected total error rate is 21.2% (11.1% + 10.1%).

The estimate of 11.1% error due to misreporting agrees almost exactly with the 11.0% estimate from

---

\*A detected error is defined as a discrepancy between a household's income eligibility category based on information provided on the application for free and reduced-price meals and the same household's income eligibility category based on the school district's verification activities.

minimum that is required by Federal regulations. Many school districts sampled a larger number of applications than is required. However, some also were in violation of regulations by targeting verification to particular population subgroups. The inclusion of some form of targeted sample was part of the verification process for a substantial (15.7%) percentage of school districts, containing an estimated 5.85 million students.

### **CHARACTERISTICS OF APPROVED APPLICANTS**

This study collected descriptive data on three groups of applicants for meal benefits: (1) approved applicants not selected for verification by school districts; (2) approved applicants who were selected for verification by school districts but who did not respond to the verification request; and (3) approved applicants who were verified by school districts and whose benefits did not change as a result.

#### **What are the Characteristics of Applicant Households?**

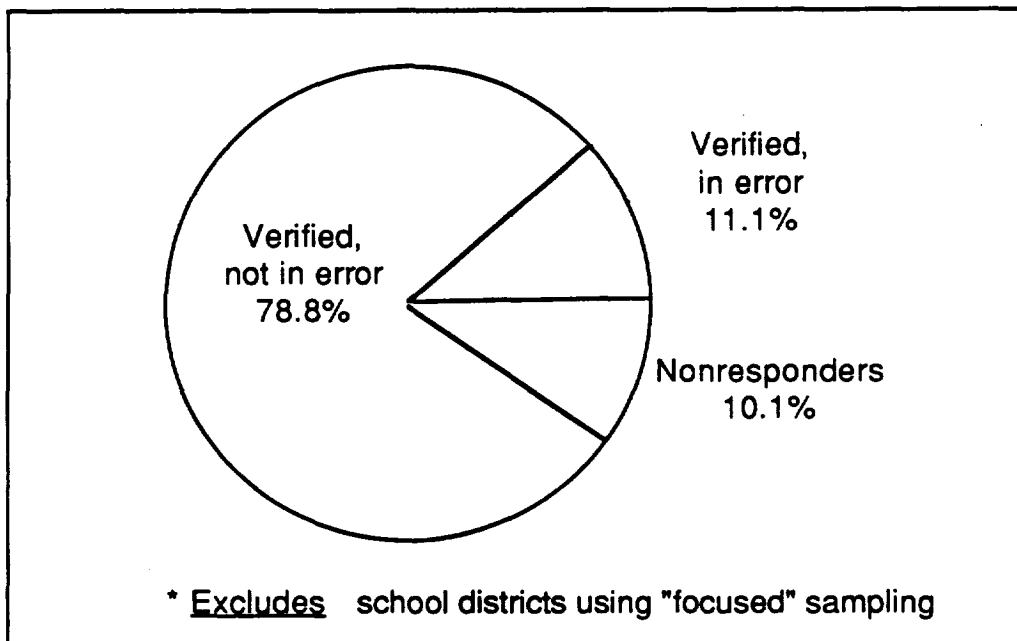
An estimated 91.0% of the households approved for meal benefits were satisfied with the National School Lunch Program for financial, nutritional, and other reasons.

Households that applied and were approved to receive meal benefits but did not respond to their school district's verification request had markedly different characteristics than other approved households. Nonresponders tended to be better educated, were more likely to be married, had higher incomes, and were less likely than other households to be the recipient of benefits from the Food Stamp Program or the Women, Infants and Children Program. The finding that nonresponders have greater incomes lends support to the view that they may have underreported their household income at the time of application and therefore were correctly discouraged from responding by the request for documentation during verification.

An estimated 20.1% of nonresponders did not know that meal benefits would be terminated if they did not comply with the verification request. And, an estimated one-third (33.4%) of all nonresponders to verification did not remember being asked to show proof of their income.

**Exhibit 2**

**NATIONAL PROJECTION OF ERROR RATES\*  
(SCHOOL YEAR 1986-87)**



the Income Verification Pilot Project\*\* and is close to the 9.6% estimate from the U.S. General Accounting Office's study of income verification.\*\*\* However, the estimate of 10.1% error due to nonresponse is substantially higher than the 3.0% estimate from the pilot project, and is lower than the 19.4% estimate from the General Accounting Office's study. The differences are likely due to the fact that the Income Verification Pilot Project and the General Accounting Office studies were based on small, non-representative samples of school districts, while the present study is based on a large, nationally representative sample.

The nationally representative error rates of 11.1% due to misreporting and 10.1% due to nonresponse are somewhat lower than the rates actually found by all school districts (12.2% due to misreporting, 11.4% nonresponders, 23.6% total error) because some school districts use "focused" sampling to select households for verification. Since the focused sampling procedure is designed to generate a higher-than-expected error rate, data from school districts using focused sampling were excluded from the calculation of nationally representative error rates.

**What are the Federal Cost Savings That Result From the Changes in Benefit Status Detected by Current School District Income Verification Procedures?**

The estimated Federal cost saving associated with the errors detected through income verification as currently implemented by public school districts was \$18.05 million. Of this amount, \$10.57 million (58.6%) was associated with benefits denied for failure to respond to the request for income documentation, while 7.48 million (41.4%) was associated with benefit changes attributable to detected errors (Exhibit 3).

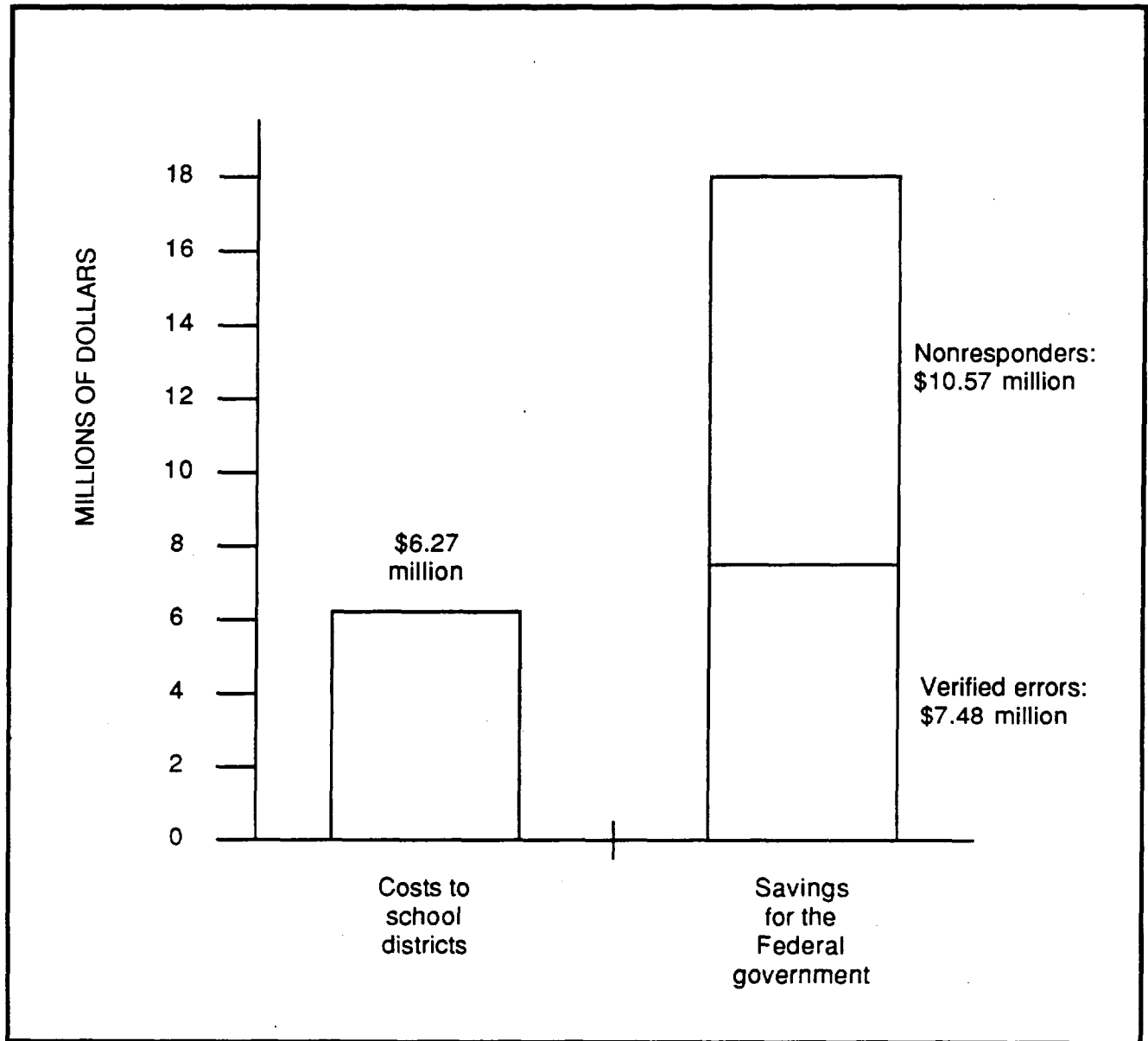
---

\*\*Income Verification Pilot Project, Phase II, Results of Quality Assurance Evaluation, 1982-83 School Year. Silver Spring, MD: Applied Management Sciences, Inc., April 1984.

\*\*\*School Meal Programs: Options for Improving the Verification of Student Eligibility. Washington, DC: U.S. General Accounting Office, ACED-86-122BR, March 1986.

**Exhibit 3**

**COSTS AND SAVINGS ATTRIBUTABLE TO INCOME VERIFICATION  
(SCHOOL YEAR 1986-87)**





### What is the Audited Error Rate as Measured Through In-Home Audits?

Income and household size were the subject of an independent audit for three groups of households in spring 1987. The first group that was examined consisted of a sample of households that had been verified by school districts in fall 1986, and whose benefits did not change as a result of that verification. Between the time of the school district verification in fall 1986 and the in-home audit in spring 1987, 15.1% of this group had income and/or household size changes that were sufficiently large to alter their meal benefit status. Put another way, 15.1% of the group that school districts verified in the fall of 1986 and found to be correctly classified were found to be misclassified by the spring of 1987.

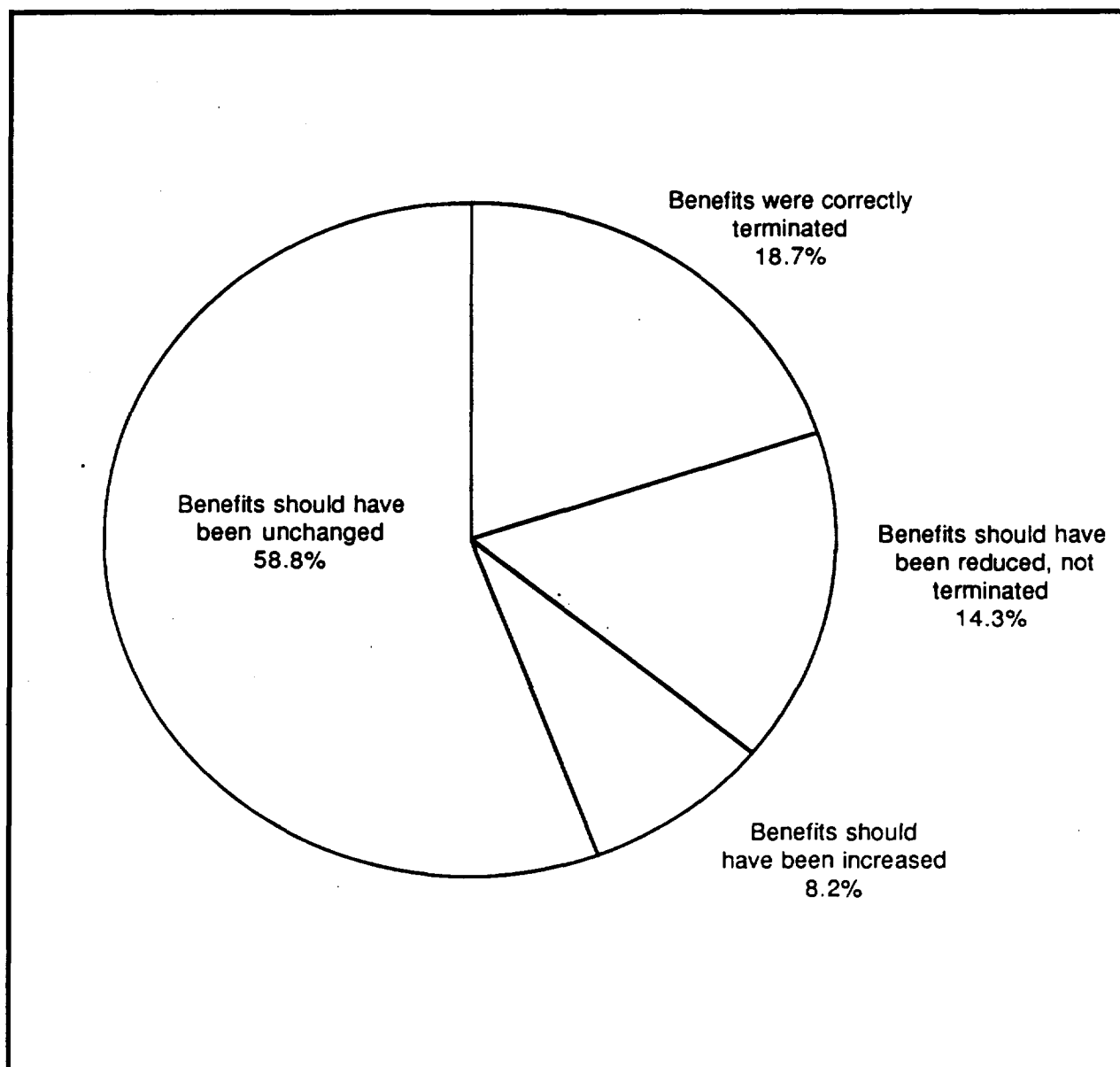
The second audited group was a sample of households that were never selected for verification by school districts. At the time of the in-home audit in spring 1987, 24.8% of the students in these households were found to be erroneously classified.

The third audited group was a sample of households that did not respond to the school districts' verification requests in fall 1986. The audited error rate of 41.2% for nonresponders is much less than the 100.0% error rate that is assumed for nonresponders (according to program regulations, all nonresponders must have their meal benefits terminated). The 41.2% error rate for nonresponders can be decomposed into three parts: 18.7% of nonresponders correctly had their benefits terminated (free to paid or reduced-price to paid), 14.3% should have had their benefits reduced but not terminated (free to reduced-price), and 8.2% of nonresponders qualified for an increase in benefits (reduced-price to free) rather than having their benefits terminated (Exhibit 4).

At the time of the in-home audit in the spring of 1987, almost half of the nonresponder households (48.3%) reported that children in the household were receiving free or reduced-price meals. That is, about half of the nonresponding households, which presumably should have had their benefits terminated at the end of the verification period, reported in the spring that they were receiving meal benefits.\* This has serious implications not only on the estimate of Federal savings resulting from income verification, but also for program implementation. To the extent that nonresponders do not

**Exhibit 4**

**RESULTS OF IN-HOME AUDITS  
WITH HOUSEHOLDS THAT DID NOT RESPOND TO  
SCHOOL DISTRICT VERIFICATION REQUESTS  
(SCHOOL YEAR 1986-87)**



have their meal benefits terminated, the estimated savings associated with the denial of benefits to nonresponders are overstated.

### What are the Major Reasons for Misclassification?

Substantial changes in household income occurred during the year. An estimated 61.5% of all households verified by school districts (whether or not their benefits were changed) had a change in monthly income of \$50 or more between the time of application and the time of verification. About 36.5% experienced an increase in income of \$50 or more per month, while 25.0% experienced a decrease of \$50 or more.\*

When compared with information provided on the application, the above monthly changes in income result in a change in benefit status for 24.0% of those households with income changes of \$50 or more (14.3% from free to reduced-price, 1.8% from reduced-price to free, 4.1% from reduced-price to paid, and 3.8% from free to paid).

There were also changes in household size during the school year. Between the time of application (August) and the time of the in-home audit (April) 28.7% of those not verified by school districts, 35.1% of those verified by school districts with no resulting change in benefits, and 40.9% for nonresponders to the school districts' verification requests had a change in household size. Finally, a substantial proportion (42.5%) of households which had reductions in benefits also had an increase in the number of wage earners in the household.

### What Can be Concluded About the Nature of Error Rates?

It has been shown that school districts detect an error rate of 11.1%, and that an additional 10.1% of applicants are assumed to be in error because they

---

\*It should be noted that this study made no attempt to verify whether nonresponding households actually had their benefits terminated.

\*Current regulations require households approved for meal benefits to report a monthly change in income of \$50 or more to the school district. Anecdotal evidence suggests that such reporting rarely occurs.

do not respond to the school districts' verification requests. However, it has also been shown that substantial numbers of households have changes in monthly income and household size that occur during the school year and that these changes are large enough to lead to alter the benefit status of large number of households. Therefore, it can be concluded that some portion of the 11.1% error rate detected by school districts occurs because households apply for meal benefits and school districts verify those applications based on income and household circumstances reported at different times. That is, households apply for meal benefits based on current income which is typically from August, the month prior to the start of school, while school districts verify those applications during November and December based on current income which is typically from October and November.

The data show that households experience normal changes in income and household size between the time of application and the time of verification, and so the error rate detected by school districts with respect to school lunch meal benefits actually consists of two parts:

- (1) error attributable to misreporting at the time of application, and
- (2) error attributable to a failure of households to declare changes in household circumstances that occur during the school year.

This means that the amount of error in the assignment of school lunch meal benefits should be recognized as having both static and dynamic aspects. A fixed portion of error is due to misreporting on applications, and a variable portion is due to a failure of households to report normal changes in income and household size that occur between the time of application and the time of verification.

#### **BARRIERS AND DETERRENCE EFFECTS**

Because income verification extends to only a small percentage of approved applicants, current verification efforts only identify a small number of misclassified households. The case for income verification is strengthened greatly if it can be claimed that it not only allows school districts to catch a few misclassified households, but that it also

serves as a deterrent to fraudulent applications. On the other hand, the case for verification is weakened to the extent that it is so onerous as to impose barriers preventing program participation by households that are actually eligible to participate. While Federal funds not paid to eligible households could be construed as a "savings" to the Federal government, verification was not instituted with the intent of driving eligible households from the program.

**To What Extent do Eligible and Ineligible Households Not Seek Meal Benefits Because of Income Verification?**

Barrier effect. Eligible households were asked a series of questions about why they did not apply for meal benefits. Although numerous reasons were cited for not applying, only 2.9% of eligible households provided reasons for which income verification may have acted as a barrier to application. These households indicated that they did not apply because they did not like the possibility of having their income verified. By making the assumptions that all of the students in these households would have applied in the absence of income verification and that all would have qualified for free meals, it is possible to calculate that income verification imposed a barrier to program participation which saved the Federal government a maximum of \$18.68 million in the 1987-88 school year. This amount is a small effect; less than 1% of the total Federal dollars spent on free and reduced-price meal benefits in Fiscal Year 1986.

Deterrence effect. Ineligible households were also asked to list reasons why they did not apply for meal benefits. An examination of the responses shows that an estimated 1.8% of the ineligible households did not like the possibility of having their income verified. By making the assumptions that all of these households would have applied in the absence of income verification, and that all would have been granted free meal benefits, it can be calculated that the maximum Federal savings from the deterrence effect of income verification during the 1987-88 school year is about \$50.12 million. This is also a small effect; equal to about 2% of all Federal expenditures for free and reduced-price meals in Fiscal Year 1986.

## **COST OF INCOME VERIFICATION AND BENEFIT-COST RATIO**

Prior studies of verification in the school lunch program and of other needs-based programs have evaluated procedures in terms of a benefit-cost ratio. This study provides estimates of the costs of verification to school districts, as well as the benefits (savings) for the Federal government.

### **What are the Costs to School Districts of Verification Procedures?**

The total cost of income verification to school districts is estimated at \$6.27 million for the 1986-87 school year (Exhibit 4). The average cost per verified application was \$10.51. Almost all of this was labor cost (\$9.68 or 92.1%), while the remainder was nonlabor cost (\$0.83 or 7.9%). The amount of time required to verify an application is about 1 hour, and the total amount of time spent on income verification by public schools is estimated to be 628 thousand hours, or about 300 person-years.

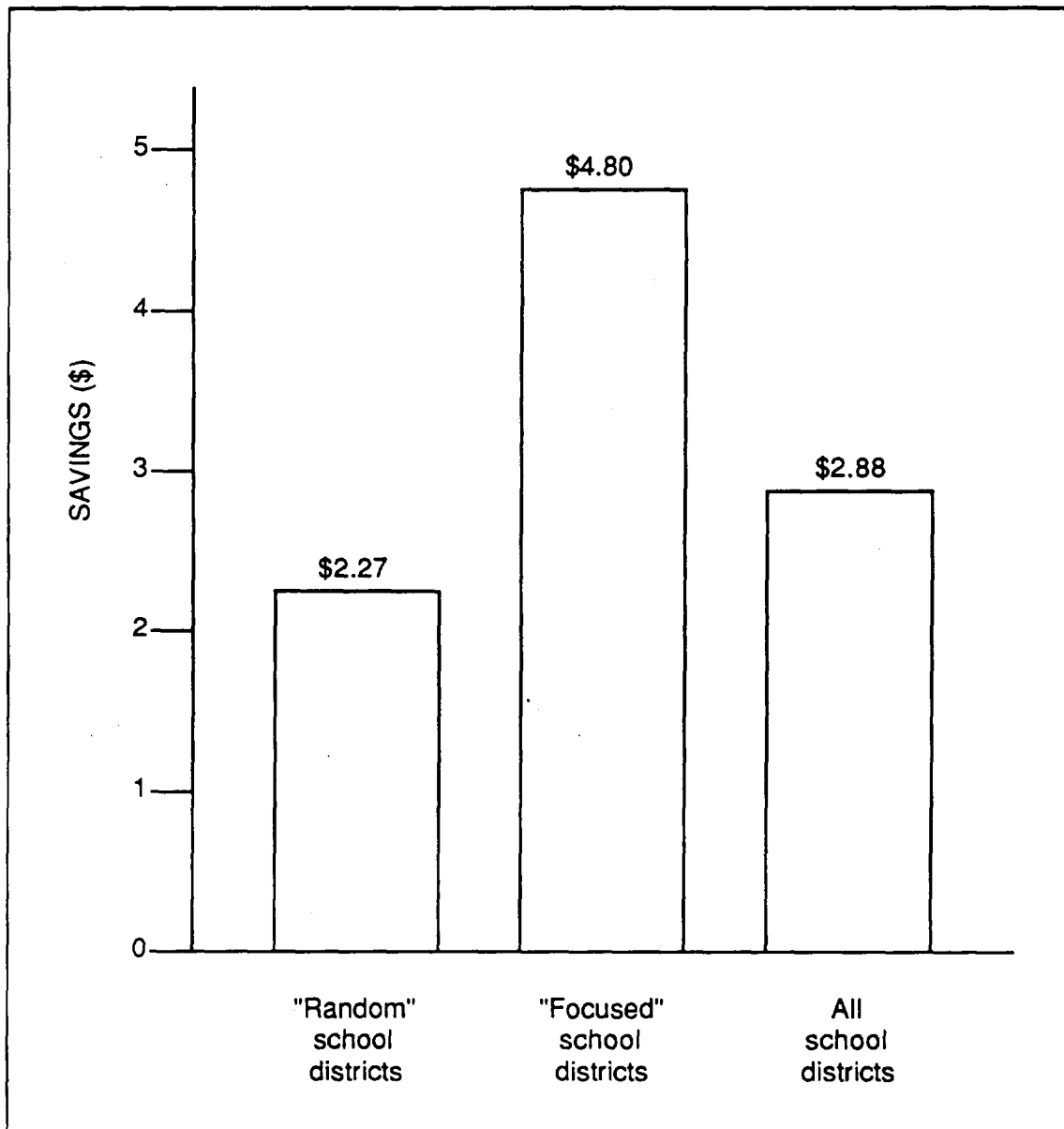
### **What is the Ratio of Benefits to Costs for Income Verification?**

Income verification yields a net benefit from the taxpayer's viewpoint. The total annual costs of \$6.27 million were outweighed by the savings of \$18.05 million. Thus, each dollar spent by school districts on income verification generated an estimated \$2.88 in Federal savings (Exhibit 5). If upper-bound estimates of deterrence and barrier effects are included as part of "savings", each dollar spent by school districts generated \$13.85 in Federal savings. However, it should be understood that \$10.57 million of the savings from verification were generated by the termination of meal benefits for nonresponders, and that verification would yield a small net benefit if judged solely on the basis of savings generated from documented errors (savings of about \$7.48 million as opposed to costs of \$6.27 million).

Focused sampling has a better benefit-cost ratio than random sampling, although both procedures generate more savings than costs. Spending \$1 on income verification generated Federal savings of \$4.80 for school districts that use focused sampling, compared with Federal savings of \$2.27 for school districts that use random sampling. Verification of all applications may have a better

**Exhibit 5**

**SAVINGS GENERATED BY SPENDING \$1 ON  
INCOME VERIFICATION,  
FOR DIFFERENT VERIFICATION SAMPLING METHODS  
(SCHOOL YEAR 1986-87)**



benefit-cost ratio than the use of either sampling method, although the small number of school districts in the study that verify all applications makes it difficult to place confidence in this conclusion.

Including savings associated with nonresponders means that either estimate presented above (with or without the inclusion of savings from deterrence and barrier effects) reflects a substantial savings which indicates that verification is clearly a cost-effective activity when viewed from the perspective of the taxpayer. That is, from the taxpayer's viewpoint, the increase in costs incurred by school districts (which might be reflected in higher meal prices or higher local property taxes), is more than offset by the savings at the Federal level (which might be reflected in, for example, lower Federal taxes, or a reduced Federal deficit).



---

## CHAPTER 1

### STUDY BACKGROUND

---

This chapter describes the National School Lunch Program (NSLP) and the process of applying for meal benefits, reviews the purpose and history of income verification in school lunch, and describes prior research on NSLP income verification.

#### OVERVIEW OF THE NATIONAL SCHOOL LUNCH PROGRAM

The National School Lunch Act (NSLA) of 1946 (P.L. 79-396) was enacted to "...safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities..." Prior to passage of this Act, the Federal government distributed surplus farm commodities primarily to support agriculture. The NSLA formally provided States with financial aid for the "...establishment, maintenance, operation and expansion of nonprofit school lunch programs." The Act required that lunches meet minimum nutritional requirements and that meals be offered free or at reduced-price to children from needy families. In 1970, the NSLA was amended to require uniform national eligibility criteria based on family size and income to replace varying local definitions of need. Schools were also required to publicly announce eligibility guidelines.

There have been many subsequent changes in specific eligibility criteria. Currently, the eligibility cutoff for free meals is set at 130 percent of the official U.S. Government poverty line, and at 185 percent for reduced-price meals. Exhibit 1.1 shows income eligibility guidelines for School Years 1985-86, 1986-87 and 1987-88.

Two forms of assistance are provided by USDA through the NSLP; cash payments (about 74 percent of Federal support) and donated foods (26 percent of Federal support). Cash payments are provided to state agencies on a "performance basis," i.e., lunches actually served are reimbursed at fixed rates. A base rate from Section 4 funds is paid as general cash assistance for all lunches (\$0.135 per lunch for School Year 1987-88) and additional Section 11 funds are paid as special cash assistance for those

Exhibit 1.1

NSLP INCOME ELIGIBILITY GUIDELINES FOR SCHOOL YEARS  
1985-86, 1986-87, AND 1987-88

Household Size	School Year 1985-86			School Year 1986-87			School Year 1987-88		
	Poverty Level	Free Meals (130% of Poverty)	Reduced Price (185% of Poverty)	Poverty Level	Free Meals (130% of Poverty)	Reduced Price (185% of Poverty)	Poverty Level	Free Meals (130% of Poverty)	Reduced Price (185% of Poverty)
1	\$5,250	\$6,825	\$9,713	\$5,360	\$6,968	\$9,916	\$5,500	\$7,150	\$10,175
2	7,050	9,165	13,043	7,240	9,412	13,394	7,400	9,620	13,690
3	8,850	11,505	16,373	9,120	11,856	16,872	9,300	12,090	17,205
4	10,650	13,845	19,703	11,000	14,300	20,350	11,200	14,560	20,720
5	12,450	16,185	23,033	12,880	16,744	23,828	13,100	17,030	24,235
6	14,250	18,525	26,363	14,760	19,188	27,306	15,000	19,500	27,750
7	16,050	20,865	29,693	16,640	21,632	30,784	16,900	21,970	31,265
8	17,850	23,205	33,023	18,520	24,076	34,262	18,800	24,440	34,780
Each additional family member	add 1,800	add 2,340	add 3,330	add 1,880	add 2,444	add 3,478	add 1,900	add 2,470	add 3,515

lunches served to children who are eligible, because of low family income, for reduced-price lunches (\$0.87 extra per lunch in School Year 1987-88) or free lunches (\$1.27 extra per lunch in School Year 1987-88). In addition, School Food Authorities (SFAs)\* serving 60 percent or more of their lunches free or at a reduced-price during the second preceding school year receive an extra \$0.02 per lunch allowance from Section 4. In FY1986, \$2.7 billion of cash assistance was provided to about 90,000 eligible institutions that served some 3.9 billion reimbursable lunches.

In addition to cash assistance, SFAs receive two types of commodity assistance: (1) a donated food entitlement for each reimbursable meal served (equal to \$0.12 per meal for the NSLP in School Year 1987-88), and (2) bonus commodities which, subject to availability, can be requested in amounts up to what can be used without waste. In FY1986, about \$459 million in entitlement commodities and \$376 million in bonus commodities were provided to schools in the NSLP.

The Food and Nutrition Service (FNS) within the U.S. Department of Agriculture administers the School Lunch and other Child Nutrition programs. FNS establishes basic policies and regulations in accord with the law. FNS' seven Regional Offices work directly with State agencies to provide technical assistance, interpret regulations, monitor state agency operations, and in some cases, directly administer nutrition programs (where State laws prohibit funding of private schools or where States decline to administer the program). State agencies, typically the Department of Education, set statewide policies (e.g., States can mandate SFA income verification methods), provide technical assistance to SFAs, and monitor key aspects of SFA performance.

#### APPLYING FOR MEAL BENEFITS

At the start of school in the fall of each year, school districts typically send home an application

---

\*In the public school domain, SFAs are usually at the school district level, and they oversee programs in all participating schools in the district. In the private domain, it is more common for each school to be an SFA, but sometimes groups of private schools will establish an SFA for the purpose of combining their food service functions.

for free and reduced-price meals with each student (see example in Appendix 1.1). The application provides, for different-sized households, the amount of income needed to qualify for reduced-price meals (the application does not show the amount needed to qualify for free meals). This gives potential applicants an indication of whether it is worth their while to apply for benefits. Parents who have relatively low incomes and who want their children to receive subsidized meals complete the application and return it to school.

In completing an application, parents are required to give the total number of adults and children in the household, and to list each wage earner in the household, their age, social security number, and amount of income earned in the month prior to application. Income must be provided by source such as wages, alimony, unemployment compensation, and other public benefits. If the household is currently receiving food stamps, they are not required to provide information on their income; instead they simply provide their food stamp case number.

Once applications are submitted, SFA staff are responsible for reviewing applications and making eligibility decisions--whether the application is approved for free meals, approved for reduced-price meals, or denied. If an application is missing information, it is returned to the parent to be completed.

#### **SCHOOL LUNCH INCOME VERIFICATION**

Prior to 1981, school districts granted meal benefits solely on the basis of parents' self-declaration of income and household size. The application for meal benefits was simple and the emphasis was on awarding benefits rather than on ensuring that benefits were being awarded correctly.

The Omnibus Budget Reconciliation Act (OBRA) of 1981 (P.L. 97-35) mandated several fundamental changes in NSLP application and verification procedures. OBRA required applicants for free and reduced-price lunches to provide social security numbers for all adults in the household, and mandated that the only eligibility guidelines to be distributed were those for reduced-price meals (both free and reduced-price guidelines had been distributed previously). OBRA also removed restrictions on income verification by permitting school officials to verify applications without "cause," and authorizing USDA to establish minimum verification standards.

Regulations implementing the OBRA requirements were published in 1982. Since then, further regulatory changes regarding NSLP income verification have occurred. These changes are summarized below:

- School Year 1982-83. Income verification was permitted at local discretion.
- School Year 1983-84. SFAs were required to perform a minimum number of verifications yearly. Each SFA was required to verify the lesser of 3 percent or 3,000 approved applications for free or reduced-price meals. Evidence of current Food Stamp Program participation could substitute for income documentation.
- School Year 1984-85 to present. SFAs are permitted to verify all approved applications. For each application selected for verification, SFA staff must verify all reported income. At state or local discretion, school officials may also verify other information including household size. All verification activities must be completed by December 15th.

To lessen the burden on SFAs, FNS has designed two alternative verification sampling methods--random or focused. SFAs are allowed to choose the method they prefer. "Random" requires the selection of a random sample of 3 percent of the approved applications on file as of October 31st of each school year. "Focused" is an error-prone sampling strategy which entails verification of 1 percent of approved applications selected from non-food stamp households with reported monthly incomes within \$100 of the income eligibility limits, and 1/2 percent of households submitting evidence of food stamp participation in lieu of income information on the application.

Finally, applicants are required to provide income data, by source, broken down for each individual household member. As noted above, this requirement is waived for food stamp households.

The intent of income verification in the NSLP is to detect and deter applicant misreporting that results in excess meal benefits, and hence, leads to improper Federal outlays.

## PRIOR RESEARCH RELATED TO SCHOOL LUNCH INCOME VERIFICATION

The USDA's Office of the Inspector General (OIG), in a number of audits conducted in the late 1970s, found significant numbers of cases of students receiving free or reduced-price meal benefits who were not in fact eligible to receive them.\* With this as an impetus, the OIG conducted an audit of free and reduced-price meal applications in 20 randomly selected public and private schools. The results of that audit, published in February 1981,\*\* indicated that close to 30 percent of all approved applications contained incorrect information which led to students receiving benefits to which they were not entitled. According to OIG's projections, if such an error rate were extrapolated to all applicants it was costing the Federal government as much as \$188 million during the 1979-80 school year to pay benefits to ineligible families. The primary source of these errors was misreporting of wage income.

In a subsequent report issued in March 1981,\*\*\* the U.S. General Accounting Office recommended that the data submitted on school lunch applications be verified. Specifically, the GAO stated that "FNS should seek the legislative authority to...obtain parent or guardian social security numbers on applicant forms. State agencies or school food authorities (should) be required to routinely verify family income on free and reduced-price applications by computer matching techniques." The OBRA legislation of 1981 incorporated GAO's recommendations into existing Federal policy stating that "The Secretary, States, and local school food authorities

---

\*For example, USDA, Office of Inspector General, Survey of Free and Reduced Price Meal Applications, Fort Worth Independent School District, Fort Worth, Texas, June 1979.

\*\*USDA, Office of Inspector General, Nationwide Statistical Sample of Program Participation for May 1980 and Verification of Free and Reduced Price Application Information, February 27, 1981.

\*\*\*U.S. General Accounting Office, Analysis of a Department of Agriculture Report on Fraud and Abuse in Child Nutrition Programs, CED-81-31, March 9, 1981.

may seek verification of the data contained in the application." Congress, as a result, eliminated the previous restrictions which required that a "cause" be established to warrant verification of reported information.

The 1981 OBRA legislation also mandated a pilot study of income verification procedures designed to reduce misreporting in Federally-supported school nutrition programs. This study was conducted in two parts:

- Phase I, School Year 1981-82. Conducted in 13 school districts that volunteered to participate in the study, this phase was designed to test the effect of three quality assurance measures: (1) a revised application form that requested Social Security numbers for all adult household members and income by source; (2) the revised application with a warning that it might be subject to a later audit (an actual audit was not part of the test); and (3) the revised application with guidelines which specified income sources to be reported and the definition of family size.
- Phase II, School Year 1982-83. Phase II involved 29 "experimental" school districts and 85 "control" districts. In the experimental school districts, schools were randomly assigned to treatment groups which differed in terms of the mix of quality assurance procedures they were required to implement. In addition to the revised application form (which all experimental sites used), a total of six procedures were tested: (1) the requirement that applicants must submit documentation along with their application forms (referred to as up-front documentation) but the documentation was not checked by the school; (2) up-front documentation submitted and checked for consistency with the application; (3) request for documentation after submission of an application with consistency check by the school; (4) parent telephone conference to review information on the application; (5) local third-party (e.g., welfare office) check to verify reported data; and (6) State computer wage matching.

The results of these two efforts were published in a number of reports from December 1982 to April 1984,\* the conclusions of which can be summarized as follows:

- A revised application form which asks for a detailed breakdown of all income sources and the Social Security numbers of all adult household members substantially reduced misreporting without providing a barrier to eligible applicants.
- A deterrence procedure such as up-front documentation did not reduce misreporting but did seriously prevent eligibles from applying.
- Detection procedures such as third-party verifications were universally not cost-effective, were difficult for schools to implement and also increased barriers for eligible households. The use of error-prone models to select applications for followup investigation, however, did make some of them more cost-effective.

These findings led FNS to institute changes in application and verification procedures including a more detailed application form and an optional error-prone method of selecting applications for verification (i.e., focused sampling). However, the study left several key questions unanswered. These include: How effective is income verification under nonexperimental conditions? What is the impact of verification over several years? Are significant barrier effects associated with verification procedures? As SFAs gain experience with income verification, has compliance become less burdensome?

Recently, USDA undertook a small, informal telephone survey of nine school districts selected from those in the pilot study. Four sites reported using random application procedures, three used focused sampling, one site employed 100 percent verification

---

\*Income Verification Pilot Project: Findings on School Meal Program Participation and Legislative Impact. Silver Spring, MD: Applied Management Sciences, Inc. December 1982. Income Verification Pilot Project: Phase II Results of Quality Assurance Evaluation, 1982-83 School Year. Silver Spring, MD: Applied Management Sciences, Inc. April 1984.



and another used a combination of random and focused sample selection. Verification activity was most frequently conducted at the district (seven sites) rather than school level (two sites). Districts reported few changes in meal status, although focused selection was reported to be slightly more effective than random sampling in detecting applicant misreporting. SFAs reported widely varying costs associated with income verification, as well as a high incidence of households who simply fail to respond to requests for wage documentation.

The latest examination of income verification in the school lunch program was conducted by the General Accounting Office.\* This report found a significant amount of misreporting on applications for subsidized meals that leads to increased Federal expenditures. The GAO reported an average error rate of 29.0 percent, which was broken down into two sources: (1) 9.6 percent came from documented errors, where documentation supplied in response to the verification request did not support the original application, and (2) 19.4 percent came from nonrespondent error, where families selected for verification did not provide income documentation and hence were assumed to be in error. With respect to documented errors, the problem was found to be largely one of income underreporting. Attempts to determine the actual eligibility of these nonrespondents provided uncertain results because of methodological problems. No information was provided on the extent to which verification deters misreporting or provides a barrier to potential eligibles.

Finally, GAO concluded that current regulations were inadequate to detect misreporting errors because they only focus on a very small portion of all applicants. Consequently, they proposed other options which they believed would have the potential for improving program integrity. The options were (1) requiring documentation with all (food stamp and non-food stamp) applications, (2) requiring income documentation with non-food stamp applications only, (3) expanding verification efforts at school districts with high error rates, and (4) strengthening verification procedures by using wage matching (p.59).

---

\*School Meal Programs: Options for Improving the Verification of Student Eligibility. U.S. General Accounting Office, RCED-86-122BR, March 1986.

---

**CHAPTER 2**  
**STUDY DESIGN**

---

This chapter describes the procedures used to conduct this study. Included are sections on the study objectives, research questions, and the research design. Referenced appendices include discussions of sampling, data collection, sample weighting, and estimation procedures.

**OBJECTIVES AND RESEARCH QUESTIONS**

One or more of the studies reviewed in Chapter 1 obtained information on the misclassification of meal benefits for children participating in the NSLP, the cost of income verification, or deterrence and barrier effects associated with income verification. But any findings must be regarded with care since none of the studies were based on nationally generalizable samples. Hence, prior to the present study, FNS had substantial data from several small-sample studies but none of the studies were designed to provide national data. Further, the studies concentrated on misclassification of meal benefits, and none offered any information on the way in which income verification was actually being implemented by SFAs.

The present study was designed to remedy several deficiencies of prior studies. First, it was designed to provide data from a nationally representative sample of SFAs so that national estimates could be made. Second, it was designed to meet FNS' information needs in the following areas: how SFAs implement the Federal regulations, the effects of verification, the extent of detected errors and the associated savings, the extent to which verification deters fraudulent applications or sets up barriers to application by eligible families, and the costs that verification imposes on SFAs.

More specifically, this study was intended to accomplish the following objectives:

- (1) Describe current NSLP verification procedures and determine the extent to which different verification procedures are being used.

- (2) Determine the characteristics of households which do and do not apply for free and reduced-price meals.
- (3) Determine the magnitude of misreporting that is detected through verification, the nature of misreporting error, reasons for errors, and the relationship between the level of detected misreporting and SFA characteristics. Determine the Federal cost savings achieved through verification and the Federal cost of providing excess benefits to applicants who misreport but are left undetected by existing procedures. Determine the major reasons for misclassification of households.
- (4) Determine the amount of misreporting that is deterred by existing verification procedures. Determine the extent to which verification provides a barrier to eligible households, preventing them from obtaining benefits to which they are entitled.
- (5) Determine the costs and ratio of costs to savings of verification and of different verification procedures.
- (6) Implement and evaluate a demonstration of innovative quality control procedures.

The first five objectives are addressed in this report.\* The final objective will be addressed in a subsequent report. Associated with each objective are several research questions.

#### Objective 1: Verification Procedures

- How many applications for meal benefits are received? How many are approved? How many applications are selected for verification?
- What is the locus of verification authority?

---

\*This report focuses on findings based on the national surveys of public SFAs. Supplementary analyses based on a survey of private SFAs are presented in Appendix 2.5.

- What sampling methods are used for verification? How do they correspond to Federally prescribed guidelines?
- What sources of income documentation are accepted by SFAs?
- When in the school year are all verification activities completed?
- What do SFAs do when they find a misreporting error?
- What are SFA managers' opinions about income verification?

### Objective 2: Characteristics of Nonapplicants and Applicants

- What are the characteristics of nonapplicant households? How do these characteristics vary by subgroup?
- What are the characteristics of households whose applications for meal benefits were approved? How do these characteristics vary by subgroup?

### Objective 3: Error Rates and Federal Savings

- What is the overall error rate as detected by current SFA verification procedures?
- What are the net Federal cost savings that result from the changes in benefit status detected by current SFA income verification procedures?
- What is the audited error rate as measured through in-home audits?
- What are the major reasons for the misclassification of households?
- How accurate are SFA eligibility and verification determinations?
- What can be concluded about the nature of error rates?

#### Objective 4: Barriers and Deterrence Effects

- To what extent do eligible and ineligible households not seek meal benefits because of income verification?
- Do eligible nonapplicants understand that they can apply for and receive meal benefits?

#### Objective 5: Cost and Ratio of Cost Savings of Verification

- What are the costs to SFAs of alternative verification procedures?
- What is the ratio of benefits to costs for income verification?

#### Objective 6: Test Innovative Procedures

- How feasible are innovative income verification procedures?

#### **DESIGN SUMMARY**

As was explained in Chapter 1 of this report, the "treatment" under study in this project (implementation of income verification procedures in the NSLP) was started in School Year 1981-82 following passage of the 1981 Omnibus Budget Reconciliation Act. Income verification requirements have been changed in subsequent school years, and current regulations are also under scrutiny. Because little was known about the status of income verification in school districts, the procedures that school districts use to verify income, and the costs of verification, the design for this study called for a series of cross-sectional surveys--to collect descriptive data from school districts as well as from program participants and nonparticipants. Although the study focused on public school districts, selected data were also collected from a sample of private schools. Each is described below.

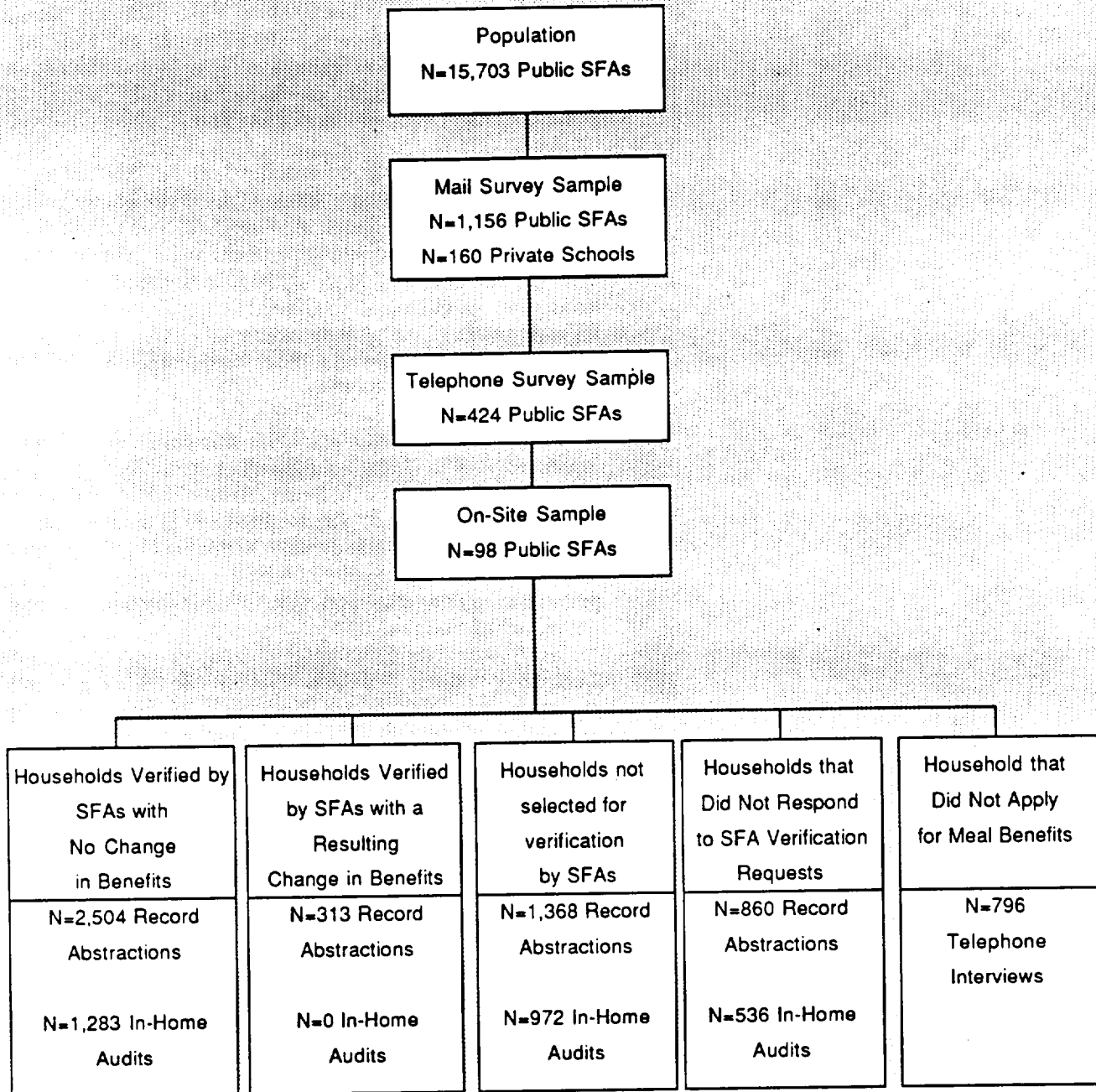
#### Data Collection

Several one-time surveys were conducted during the spring of 1987.

- (1) A mail survey was conducted in 1,156 public school districts and 160 private schools to obtain basic information on the verification procedures used by school districts and the outcomes of their activities.
- (2) A telephone survey was conducted in 424 public school districts (a subsample of the 1,156 that participated in the mail survey). This survey was used to collect more detailed information on verification procedures as well as data on the costs of conducting income verification.
- (3) In-home audits were conducted in households that applied for free or reduced-price meals, selected from a further subsample of 98 of the 424 public school districts. These interviews in 2,791 households were used to collect information on applicant misreporting, deterrence and barrier effects, and reasons for not responding to verification requests.
- (4) A telephone survey of 796 nonapplicants was conducted in the subsample of 98 public school districts. Two groups of nonapplicants (those who were ineligible for meal benefits, and those who were eligible but chose not to apply) were interviewed to provide information on deterrence and barrier effects.
- (5) Existing data files maintained by the subsample of 98 public school districts were abstracted for each applicant household that received an in-home audit, as well as for selected other households. These 5,045 record abstractions were used to obtain income data from free and reduced-price lunch applications as well as from documentation provided as part of the school districts' income verification activities.

Each of these surveys allowed the project to gather information relevant to at least one of the key study objectives. The list shown below links the type of survey with its relevant research areas. The study samples are summarized in Exhibit 2.1.

**Exhibit 2.1  
SUMMARY OF STUDY SAMPLES**



<u>Type of Survey</u>	<u>Relevant Areas</u>
SFA mail survey	National estimates of numbers of applicants, approved applicants, verified applicants, error rates  Selected verification procedures  Federal cost savings
SFA telephone survey	Details on verification procedures  Cost of verification
In-home audit	Estimates of change in income and household size  Error rates for nonresponders, previously verified applicants, non-verified applicants  Characteristics of applicants
Nonapplicant telephone survey	Deterrence and barriers  Reasons for not applying  Characteristics of nonapplicants
Record abstractions	Accuracy of SFA eligibility and verification decisions

Details on the sample selection methods, instruments, data collection procedures, analytic estimation procedures, and imputation methods used in this study are contained in Appendices 2.1 through 2.4.

### Design Strengths and Weaknesses

The strengths of this study design are that the cross-sectional mail and telephone surveys of SFA managers provide a very good description of income verification procedures and of the amount of misreporting detected by SFAs. Further, the in-home audits provide a check on the effectiveness of income verification as conducted by SFAs, as well as information on nonresponders to SFA verification efforts.



One weakness of the design is that it is difficult to make an assessment of how effective income verification procedures have been at reducing or deterring fraudulent applications. Because this study was being conducted several years after income verification requirements were first imposed, and because those requirements have changed over the years, there was no way to build in the design elements that would have been required in order to allow causal statements about the effectiveness of income verification. There is no "pre-treatment" measure of misreporting, nor is there a "control group" of school districts that are not implementing any income verification procedures.

### Comparisons with Prior Studies

It is possible to compare some of the findings from the present study with the findings of the earlier-cited research conducted by USDA's OIG, the GAO, and USDA's Income Verification Pilot Project. Although the samples selected for those studies are not nationally representative, the findings provided the impetus for income verification as well as subsequent regulatory changes. Thus, selected results from the previous studies are given in the text of this report as a basis of comparison.

### Standard Errors for National Estimates

The samples of SFAs, applications, students and households are all cluster sample designs. Standard error formulas that assume simple random sampling are therefore not appropriate. To compute standard errors, a first-order Taylor series approximation method was used. Two SAS-compatible software programs, SESUDAAN and RATIOTEST, which implement the Taylor series method, were used to generate standard errors for the various means, proportions and totals.

Standard errors were computed for key survey estimates. The chances are about 2 out of 3 that the true population estimate lies within the range given by the survey estimate plus or minus the standard error. Alternatively, the chances are about 19 out of 20 that the true population estimate lies within the range given by the survey estimate plus or minus 1.96 times the standard error. This range is referred to as the 95-percent confidence interval.

---

## CHAPTER 3

### FINDINGS: VERIFICATION PROCEDURES

---

This chapter presents a description of income verification procedures as they were implemented in the NSLP during School Year 1986-87. Included are discussions of issues such as the number of applications received, approved and verified; the sampling methods used by SFAs; the procedures used to implement verification activities; and SFA managers' opinions on the effectiveness of verification and suggestions for improvement.

#### SUMMARY OF FINDINGS

- At the start of School Year 1986-87, an estimated 31.3% (about 12.36 million students) of the total SFA student population were in households which submitted applications for meal benefits.
- Based on SFAs' eligibility determination, the approval rate for submitted applications was an estimated 94.1%. Hence, it is estimated that 11.63 million students were in households which were approved for subsidized meal benefits.
- SFAs verified a total of 6.4% of all approved applications. This is a higher percentage than is required by program regulations.
- An estimated 82.9% of the SFAs in the nation used random sampling, 10.3% used focused sampling, and 6.8% verified all approved applications.
- When asked questions about how they actually implemented random and focused sampling, it was clear that SFAs used many variants of these sanctioned sampling methods, some of which appear to violate program regulations.

#### RESEARCH QUESTIONS

Federal income verification regulations allow SFAs some discretion in deciding how to implement income

verification--in the methods used to select the verification sample, in who does the verifying, in the number of applications to verify, and in other areas. Prior to this study, there have been no national estimates of the ways in which SFAs actually carry out income verification. This chapter addresses a series of research questions in order to provide descriptive information in these areas:

- How many applications for meal benefits are received? How many are approved? How many applications are selected for verification?
- What is the locus of verification authority?
- What sampling methods are used for verification? How do they correspond to Federally prescribed guidelines?
- What sources of income documentation are accepted by SFAs?
- When in the school year are all verification activities completed?
- What do SFAs do when they find a misreporting error?
- What are SFA managers' opinions about income verification?

## RESEARCH FINDINGS

This section contains findings from analyses describing the verification procedures used by SFAs.

### How Many Applications for Meal Benefits are Received? How many are Approved? How Many Applications are Selected for Verification?

SFA managers were asked to provide data on the number of applications for free and reduced meals received by October 31, 1986, the number approved, and the number selected for income verification. As shown in Exhibit 3.1, by October 31 an estimated 12.36 million children had applied for subsidized meal benefits for the 1986-87 school year. This represents 31.3% of all children enrolled in public schools for that same year. Additional families probably applied later in the school year, but the number is likely to be small.

Exhibit 3.1

NATIONAL ESTIMATES OF NSLP MEAL BENEFIT APPLICATIONS  
(School Year 1986-87)

Characteristic	National Estimate		Percent
	Applications	Students*	
	Number (Std. Error)	Number (Std. Error)	
Total School District Enrollment	na	39,443,080** (3,063,675)	na
Number of Applications:			
Received as of 10/31/86	9,930,956 (814,925)	12,357,089 (1,014,011)	100.0%
Approved for Meal Benefits	9,348,165 (767,317)	11,631,922 (954,773)	94.1
Approved on Basis of Food Stamp Eligibility	2,260,392 (247,351)	2,812,606 (307,779)	24.2
Selected for Income Verification	597,072 (110,636)	742,931 (121,519)	6.4

Weighted N = 15,703 SFAs  
Unweighted N = 1,156 SFAs

Source of Data: SFA Manager Interview (mail)

\*All estimates of numbers of applications were derived directly from the SFA Manager Interviews, as was the estimated total student enrollment and the estimated number of students selected for verification. However, more than one child can be included on an application, and most SFAs were only able to give counts of number of applications rather than number of students. Therefore, the ratio (1.2443) of students selected for verification (742,931) to applications selected for verification (597,072) was used to obtain the estimated number of students on applications received and approved.

\*\*This estimate is close to but does not agree exactly with the most recent estimated national public school enrollment in grades K-12 in fall 1985 available from the U.S. Department of Education in its 1987 Digest of Educational Statistics (39,513,000). The small difference occurs because the sample of SFAs from the present study was poststratified so that the weighted enrollment size distribution of SFAs was in agreement with the Department of Education's most recent (fall 1985) size distribution of school districts. The estimated national enrollment for the present study was calculated by summing the weighted enrollment supplied by each SFA in fall 1987, hence, it is not surprising that the national enrollment estimates do not match exactly. For details on the weighting procedures used see Appendix 2.1.

Of the children who applied for free or reduced-price meals, it is estimated that 11.63 million or 94.1% were approved by their SFA--24.2% on the basis of participation in the Food Stamp Program and 75.8% on the basis of income information reported on the application form.

Finally, SFAs selected an estimated 597,072 of these applications for income verification (covering a total of 742,931 children). This represents a 6.4% sample of the total number of applications approved. For the average child applying for meal benefits, the chance of being selected for verification was about one in sixteen.

There is substantial variation across SFAs in the percentage of applications selected for verification. Exhibit 3.2 shows the distribution formed by computing the percent of applications verified for each SFA and rounding to the nearest percentage point. While Federal regulations require a 3% random sample (to a maximum of 3,000) or a smaller focused sample, it is estimated that only 31.7% of the SFAs in the nation verify 3% or fewer applications. The median percentage verified is 5.0%, almost 20% of all SFAs verify over 10% of their applicants, and 6.8% of all SFAs verify all of their applications.

#### What is the Locus of Verification Authority?

SFA managers were asked to identify the "verifying official" for the SFA. That is, who is the person officially responsible for reviewing the documentation submitted in response to the verification request. Exhibit 3.3 indicates that three groups of persons accounted for 86.6% of the verifying officials. The superintendent or some other district-level staff member was the verifying official within 34.3% of the SFAs, the school food service director was the verifying official within 26.7% of the SFAs, and a school principal or other school-level administrator was the verifying official within 25.6% of the SFAs.

In addition to identifying the verifying official, SFA managers were asked several questions concerning the location of verification activities. As shown in Exhibit 3.4, 51.4% of all verification activity took place within central offices (school district offices as opposed to school level offices). SFAs which used focused sampling methods were more likely to have verification done centrally (80.9%) than

Exhibit 3.2

NATIONAL DISTRIBUTION OF SFAs ON PERCENTAGE  
OF APPLICATIONS VERIFIED  
(School Year 1986-87)

Percent Verified (Rounded to nearest percent) nearest percent)	National Estimate		
	Number	Percent	Cumulative Percent
1%	348	2.2%	2.2%
2	765	4.9	7.1
3	3,871	24.7	31.7
4	2,289	14.6	46.3
5	1,949	12.4	58.7
6	1,683	10.7	69.4
7	500	3.2	72.6
8	365	2.3	75.0
9	662	4.2	79.2
10	159	1.0	80.2
Over 10	3,112	19.8	100.0
	TOTAL WEIGHTED N	15,703	100.0
	UNWEIGHTED N	1,156	

Source of Data: SFA Manager Interview (mail)

Exhibit 3.3

NATIONAL ESTIMATES OF SFA VERIFYING OFFICIALS,  
BY VERIFICATION SAMPLING METHOD  
(School Year 1986-87)

Verification Procedure	Verification Sampling Method			
	Random	Focused	Verify All	Total
Who is the "verifying official"-- the person who officially reviews the documentation that is sub- mitted in response to the verifi- cation request?				
Superintendent or other district level staff, including clerks and secretarys	30.6%	54.3%	40.2%	34.3%
School food service director	28.3	27.3	8.7	26.7
School principal or other school level administrator	27.6	12.9	24.7	25.6
Other food service personnel	2.3	5.4	24.8	4.4
School specialist, clerk	8.5	0.2	1.5	6.9
Other	2.7	0.0	0.0	2.1
TOTAL PERCENT	100.0	100.0	100.0	100.0
WEIGHTED N	13,011	1,626	1,066	15,703
UNWEIGHTED N	326	75	23	424

Source of Data: SFA Manager Interview (telephone)

Exhibit 3.4

NATIONAL ESTIMATES OF LOCATION OF VERIFICATION  
ACTIVITIES, BY VERIFICATION SAMPLING METHOD  
(School Year 1986-87)

Verification Procedure	Verification Sampling Method			
	Random	Focused	Verify All	Total
<b>Where was verification done?</b>				
Centrally	49.4%	80.9%	31.3%	51.4%
School level	26.7	5.8	37.3	25.3
SFA has only one school	23.1	8.4	30.3	22.1
Both	0.8	4.9	1.1	1.2
TOTAL PERCENT	100.0	100.0	100.0	100.0
WEIGHTED N	13,011	1,626	1,066	15,703
UNWEIGHTED N	893	203	60	1,156
<b>If SFA has more than one school, was verification done</b>				
In all schools?	77.0%	54.6%	99.6%	76.9%
In a sample of schools?	9.3	4.4	0.0	8.1
Using a district-wide sample?	13.7	41.0	0.4	15.1
TOTAL PERCENT	100.0	100.0	100.0	100.0
WEIGHTED N	5,652	652	601	6,905
UNWEIGHTED N	477	86	37	600
<b>If schools do verification, do all schools use same sampling procedure?</b>				
Yes	95.4%	95.1%	92.7%	95.1%
No	4.6	4.9	7.3	4.9
TOTAL PERCENT	100.0	100.0	100.0	100.0
WEIGHTED N	3,477	94	397	3,968
UNWEIGHTED N	245	20	20	285

Source of Data: SFA Manager Interview (mail)



other SFAs. This centralization makes sense for focused SFAs as it enables them to better control the selection process which tends to be more complicated to implement. Also, SFAs which centralize verification tend to be larger than other SFAs (mean enrollment of 3,384 for SFAs that centralize verification compared with a mean enrollment of 1,589 for all other SFAs) and may, as a result, have the resources available to conduct verification out of a central office.

Verification was performed solely at the school level in 47.4% of the SFAs (including SFAs that only have one school). For the most part, these tend to be small SFAs. In SFAs that verified eligibility at the school level, 76.9% drew a sample of applications from all schools in the district, 15.1% selected a district-wide sample ignoring schools as a sampling stratum, and 8.1% verified applications at only a subset of all schools in the district. The sampling procedures used appear to be the same at all schools within an SFA. In 95.1% of the SFAs, all schools used the same procedure.

**What Sampling Methods are Used for Verification?  
How do They Correspond to Federally Prescribed  
Guidelines?**

SFA managers were asked several questions about how applicants were sampled for verification, the number of applications sampled, the timing of the sample selection, and the reason a particular sampling method was used.

**Sampling Methods Used by SFAs.** While Federal regulations allow SFAs to verify all applications approved for free and reduced-price meals, FNS has approved two methods of sampling applications for verification. These methods can be used by SFAs in order to reduce the burden associated with verifying all applications. The "random sampling" method specifies the selection of the lesser of a 3% random sample or a random sample of 3,000, drawn from all approved applications. The "focused sampling" method requires verification of a smaller sample: 1% of approved applications selected from non-food stamp households with reported monthly income within \$100 of the income eligibility limit, and 0.5% of households submitting evidence of food stamp participation in lieu of income information on the application.

SFA managers were asked what methods they used to select their verification samples. Exhibit 3.5 shows that an estimated 82.9% of the SFAs in the nation used random sampling, 10.3% used focused sampling, and 6.8% verified all applications.

SFA managers were also asked to provide details about how these methods were implemented. Exhibit 3.5 shows that SFAs actually implemented many variants of the sanctioned sampling methods. This more detailed classification of sampling methods reveals that: 63.5% of SFAs used random sampling of 3% of approved applications while 7.9% of SFAs selected a random sample of more than 3% of approved applications; 4.0% used focused sampling as defined by FNS while 2.4% of SFAs selected a focused sample of more than the required percentages; and 6.5% verified all applications.

In addition, 3.6% of the SFAs used "targeted sampling" exclusively. This means that the entire sample was targeted to some group or groups that the SFA felt ought to be verified. Specific examples of targeted groups identified by SFA managers include families with reported zero income, families with mistakes on the application, families new to the district, food stamp recipients, minorities, families with a foster child, and "suspicious" families. Another 7.1% of the SFAs combined a random 3% sample with the selection of a targeted sample, and 5.0% of SFAs combined the prescribed focused sample with some sort of targeted sample.

Some, but not all of this targeted sampling is in violation of program regulations because it sometimes targets verification to particular population subgroups. In addition, the incidence of targeted sampling presented here may be an underestimate, since it is based on those SFAs that were willing to admit that they use such sampling procedures.

Thus, in practice, the actual sampling methods used by SFAs to select verification samples were much more complex than the minimum that is required by Federal regulations. Many SFAs sampled more than was required. However, some also were in violation of regulations by targeting verification to particular population subgroups. The inclusion of some form of a targeted sample was part of the verification process for a substantial (15.7%) percentage of SFAs, containing an estimated 5.85 million students.

Exhibit 3.5

NATIONAL ESTIMATES OF SFA INCOME VERIFICATION  
 SAMPLING PROCEDURES  
 (School Year 1986-87)

Sampling Procedure	National Estimate			
	SFAs		Students	
	Number (Std. Error)	Percent (Std. Error)	Number	Percent
What sampling procedure was used? (Responses based on SFA's initial responses.)				
Random (3%) sample	13,011 (1,612)	82.9% (2.7)	28.76 mil.	72.9%
Focused sample	1,626 (300)	10.3 (2.0)	9.04 mil.	22.9
Verify all	1,066 (344)	6.8 (2.0)	1.64 mil.	4.2
TOTAL WEIGHTED	15,703 (1,781)	100.0	39.44 mil.	100.0
UNWEIGHTED	1,156			
What sampling procedure was used? (Responses based on probing with a sample of SFAs.)				
Random (3%) sample	9,971	63.5%	22.91 mil.	58.1%
Focused sample	628	4.0	5.38 mil.	13.6
Verify all	1,021	6.5	.64 mil.	1.6
Random (% > required)	1,241	7.9	3.32 mil.	8.4
Focused (% > required)	377	2.4	1.34 mil.	3.4
Targeted	565	3.6	1.65 mil.	4.2
Random + Targeted	1,115	7.1	3.45 mil.	8.7
Focused + Targeted	785	5.0	.75 mil.	1.9
TOTAL WEIGHTED	15,703	100.0	39.44 mil.	100.0
UNWEIGHTED	424			

Source of Data: SFA Manager Interview (mail and telephone)

SFA Characteristics by Sampling Method. Exhibit 3.6 provides information on the characteristics of SFAs using the three primary methods of income verification--random, focused and verifying all applications. To begin with, it can be seen that 72.9% of students in the nation were potentially subject to selection for verification by random procedures, 22.9% by focused sampling, and the remaining 4.2% are all verified.

As intended by regulations, large SFAs were more likely to employ the use of focused sampling--the mean enrollment for SFAs that used focused sampling is 5,563 students, compared to about 2,211 students for SFAs that used random sampling, and 1,533 students for SFAs that verified all applications. About one-third of SFAs with enrollments greater than 10,000 used focused sampling, compared with only about one-tenth of SFAs with enrollments of less than 2,500.

Much of the same pattern holds when the number of approved applicants is examined. The mean number of approved applicants for SFAs using focused sampling was 1,282, compared to 537 applicants for SFAs using random sampling, and only 261 applicants for SFAs that verify all applications.

There were also regional differences in the use of sampling methods. SFAs in the FNS Western Region were far less likely to use random sampling and far more likely to use focused sampling than SFAs in any other region, and SFAs that verified all applications were more likely to be in the FNS Mid-Atlantic or Western Regions than in other regions.

Number of Applications Sampled. SFA managers were asked how they decide on the number of applications to sample. That is, even if an SFA manager knows that a random 3% sample is to be selected, the precise number of applications to be drawn might not be determined until all applications were approved. As shown in Exhibit 3.7, 85.0% of all SFAs wait until all applications are received, or until October 31st, and then compute the necessary sample size. This percentage does not vary between SFAs using random sampling and SFAs using focused sampling.

Exhibit 3.7 also shows that among SFAs that did not wait until October 31 to compute sample sizes, no other verification procedures were used with any frequency. About 4.9% of SFAs did not need to wait until all applications were received in order to

Exhibit 3.6

NATIONAL ESTIMATES OF SFA CHARACTERISTICS,  
BY VERIFICATION SAMPLING METHOD  
(School Year 1986-87)

SFA Characteristic	Verification Sampling Method			Total
	Random	Focused	Verify All	
Percent of Students in the Nation	72.9%	22.9%	4.2%	100.0%
Mean Enrollment	2,211	5,563	1,533	2,512
Enrollment				
25,000 +	63.7%	35.4%	0.9%	100.0%
10,000 - 24,999	60.2	33.7	6.1	100.0
5,000 - 9,999	76.4	20.8	2.8	100.0
2,500 - 4,999	82.8	12.3	5.0	100.0
1,000 - 2,499	85.3	8.8	5.9	100.0
600 - 999	87.1	10.5	2.4	100.0
300 - 599	80.2	10.4	9.4	100.0
1 - 299	85.1	4.7	10.2	100.0
TOTAL PERCENT	82.9	10.4	6.8	100.0
WEIGHTED N	13,011	1,626	1,066	15,703
UNWEIGHTED N	893	203	60	1,156
Mean Approved Applications	537	1,282	261	595
Approved Applications				
25,000 +	73.0%	27.0%	0.0%	100.0%
10,000 - 24,999	77.3	22.7	0.0	100.0
5,000 - 9,999	62.6	37.4	0.0	100.0
2,500 - 4,999	67.2	32.4	0.4	100.0
1,000 - 2,499	83.2	11.8	5.0	100.0
600 - 999	80.6	16.7	2.7	100.0
300 - 599	84.4	9.4	6.1	100.0
200 - 299	75.7	8.0	16.3	100.0
100 - 199	86.5	5.4	8.1	100.0
1 - 99	84.1	9.7	6.2	100.0
TOTAL PERCENT	82.9	10.4	6.8	100.0
WEIGHTED N	13,011	1,626	1,066	15,703
UNWEIGHTED N	893	203	60	1,156

**Exhibit 3.6  
(continued)**

**NATIONAL ESTIMATES OF SFA CHARACTERISTICS,  
BY VERIFICATION SAMPLING METHOD  
(School Year 1986-87)**

SFA Characteristic	Verification Sampling Method			Total
	Random	Focused	Verify All	
<b>Region of Country*</b>				
Northeast	96.1%	3.3%	0.6%	100.0%
Mid Atlantic	80.3	6.1	13.6	100.0
Southeast	94.0	6.0	0.0	100.0
Midwest	82.8	10.1	7.1	100.0
Southwest	88.6	7.5	3.8	100.0
Mountain Plains	79.6	19.7	0.7	100.0
Western	51.9	36.7	11.4	100.0
TOTAL PERCENT	82.9	10.4	6.8	100.0
WEIGHTED N	13,011	1,626	1,066	15,703
UNWEIGHTED N	893	203	60	1,156
<b>Offer School Breakfast</b>				
Yes	82.6%	14.0%	3.5%	100.0%
No	83.0	9.0	8.0	100.0
TOTAL PERCENT	82.9	10.4	6.8	100.0
WEIGHTED N	13,011	1,626	1,066	15,703
UNWEIGHTED N	893	203	60	1,156

Source of Data: SFA Manager Interview (mail)

\*States categorized by seven FNS administrative regions.

Exhibit 3.7

NATIONAL ESTIMATES OF HOW SFA MANAGERS DECIDE  
HOW MANY APPLICATIONS TO SAMPLE, BY  
VERIFICATION SAMPLING METHOD  
(School Year 1986-87)

Verification Procedure	Verification Sampling Method		
	Random	Focused	Total
How do you decide how many applications you need to sample?			
Wait until all applications are in, or until October 31st, and then compute sample size	85.4%	82.8%	85.0%
No need to compute sample size (e.g. take all, take every nth, take a particular number, take all food stamps, etc.)	5.1	3.2	4.9
Start out using last year's sample size; compute final sample size after all applications are received	1.1	13.2	2.8
Project the number of applications based on enrollment at the start of the year	2.1	0.7	1.9
Other	6.3	0.0	5.4
TOTAL PERCENT	100.0	100.0	100.0
WEIGHTED N	13,011	1,626	14,637
UNWEIGHTED N	323	74	397

Source of Data: SFA Manager Interview (telephone)

compute a sample size. These SFAs used a selection method that was independent of the number received. For example, they either took all applications, a set number of applications, or all food stamps applicants. About 2.8% initially used the previous year's sample size, and then adjusted it once all applications were received. This was more often the case in SFAs that used focused sampling rather than random sampling (13.2% vs. 1.1%), most likely because the former group are more likely than the latter to be large SFAs (see Exhibit 3.6; the mean enrollment for SFAs using focused sampling was 5,563, for SFAs using random sampling it was 2,211), and are likely to want to get an early start on verification.

Timing of Sample Selection. Applications for free and reduced price meals typically are sent home at the start of the school year and are completed in the first few weeks of school. Subsequently, a verification sample must be drawn and all verification activities must be completed by December 15th of each year. Since the timing of the sample selection is of interest, SFA managers were asked when they select the verification sample.

Exhibit 3.8 shows that most SFAs waited until October 31st before selecting the sample (70.8% overall, 73.6% of SFAs using random sampling, and 52.7% of SFAs using focused sampling). However, some SFAs (16.4%) selected the sample at an administratively convenient time prior to October 31st (18.5% of SFAs using random sampling and only 3.3% of SFAs using focused sampling).

A large percentage of SFAs using focused sampling (43.5%) selected applications as they were received. This makes sense, since it is easier to screen applications for being close to the income cutoff during the approval process, rather than to file them and have to reexamine them at a later date.

How a Sampling Method was Selected. SFA managers were asked how they selected the particular sampling method currently in use. Exhibit 3.9 shows that the most common reason given was that the method was the simplest (44.6%). This reason was given more often by SFAs that used focused sampling (70.8%), compared with 43.6% of SFAs that used random sampling, and only 17.6% of the SFAs that verified all applications. This is somewhat surprising, given that the focused sampling method is more complex than random sampling in that it requires the selection of two



Exhibit 3.8

NATIONAL ESTIMATES OF WHEN SFA MANAGERS SELECT  
THE VERIFICATION SAMPLE, BY VERIFICATION  
SAMPLING METHOD  
(School Year 1986-87)

Verification Procedure	Verification Sampling Method		
	Random	Focused	Total
When do you select applications for verification?			
Wait until October 31st before selecting the sample	73.6%	52.7%	70.8%
Select the sample at some administratively convenient time prior to October 31st	18.5	3.3	16.4
Select as applications are received	4.9	43.5	10.2
At a date after October 31st	0.8	0.3	0.7
Different samples are selected at different times	0.2	0.3	0.2
Other	1.9	0.0	1.7
TOTAL PERCENT	100.0	100.0	100.0
WEIGHTED N	13,011	1,626	14,637
UNWEIGHTED N	322	74	396

Source of Data: SFA Manager Interview (telephone)

Exhibit 3.9

NATIONAL ESTIMATES OF WHY SFA MANAGERS DECIDED ON  
THEIR SAMPLING METHOD, BY VERIFICATION SAMPLING METHOD  
(School Year 1986-87)

Verification Procedure	Verification Sampling Method				Total
	Random	Focused	Verify All		
Why did you decide to use the sampling method you are using?					
Simplest procedure	43.6%	70.8%	17.6%	44.6%	
Most politically or socially acceptable	26.7	2.5	25.7	23.9	
State recommended it	11.3	3.6	48.6	13.3	
Used in past	9.9	0.0	0.0	8.0	
Most effective	4.4	22.9	8.1	6.8	
State mandated it	4.1	0.3	0.0	3.4	
Least expensive	0.1	0.0	0.0	0.1	
TOTAL PERCENT	100.0	100.0	100.0	100.0	
WEIGHTED N	13,011	1,626	1,066	15,703	
UNWEIGHTED N	295	64	20	379	

Source of Data: SFA Manager Interview (telephone)

separate samples. It is possible that "simplest" was interpreted as meaning that focused sampling requires the least effort in the long run, since the sample size is smaller than that required under random sampling.

Another important factor for SFA managers in selecting a sampling method was its political or social acceptability. SFAs that verified all applications or that used random sampling cited these methods as the most politically or socially acceptable method 25.7% and 26.7% of the time, respectively, compared with only 2.5% of SFAs that used focused sampling. Of SFAs that used focused sampling, about one-quarter (22.9%) believed that it was the most effective method. Finally, of the SFAs that verified all applications, almost half (48.6%) did so because the state recommended it. It should be noted that these SFAs are from only four states--two in the Midwest and two in the Mid-Atlantic FNS Regions.

Random Sampling Procedures. SFA managers who reported using the random sampling method were asked to describe the specific procedures used to select the random sample. Exhibit 3.10 shows that most SFAs (55.4%) use a group of techniques best described as quasi-random. This includes, for example, "pick a handful of applications", "use eenie-meenie-minie-moe", and others. For the purpose of selecting applications for verification, it is likely that such methods provide an adequate substitute for a truly random selection procedure.

A second common method (27.7% of all SFAs), was to first compute a skip interval (based on knowing about how many applications would be received), and then select every nth (e.g. 10th, 50th, 100th, etc. depending on the skip interval) application for verification as applications were being received. This procedure should also provide a reasonable random sample.

The third most common method, used in 8.3% of all SFAs, was to wait until all applications were received and then use a procedure which gave each application an equal chance of being selected. For example, some SFAs used a computer-based random number generator to do the selection. This is technically the best method of selecting the random sample, but is more difficult and time-consuming than the other acceptable methods discussed above.

Exhibit 3.10

NATIONAL ESTIMATES OF PROCEDURES USED TO SELECT  
THE RANDOM SAMPLE, FOR SFAs USING RANDOM SAMPLING  
(School Year 1986-87)

Verification Procedure	National Estimate for SFAs Using Random Sampling
What procedures do you use to select the random sample?	
"Eenie-meenie-minie-moe", "pick a handful", and other quasi-random techniques	55.4%
Select every 50th, 100th, etc. application as received	27.7
Wait until all applications are received and then use a procedure that gives each application an equal chance of being selected	8.3
Take all from target groups	8.2
Select everyone from certain schools	0.2
Select all names starting with "A", or "B", etc.	0.1
Select the first applications that are received	0.1
TOTAL PERCENT	100.0
WEIGHTED N	13,011
UNWEIGHTED N	314

Source of Data: SFA Manager Interview (telephone)

Finally, 8.2% of the SFAs that used random sampling selected the sample by taking all members of certain target groups. Clearly, this group of SFAs is not selecting a random sample.

Focused Sampling Procedures. SFA managers that reported using the focused sampling method were asked to describe the procedures used to select the sample. From the range of responses given, it is clear that splitting the sample into two parts and focusing on applications near an income cutoff appears to lead to confusion over the percentage to be sampled and the size of the interval from which the sample is to be drawn. Hence, a fair amount of local discretion is used in defining the focused sample. Exhibit 3.11 presents national estimates of the procedures used to select the focused sample. Since Federal regulations specify a two-part focused sample, multiple responses were allowed for this question. One part of the regulations specifies a 0.5% sample of food stamp recipients. The most common procedure, used in 61.0% of all SFAs, was to select a greater than 0.5% sample of food stamp recipients. An additional 12.9% of SFAs selected a 0.5% sample of food stamp recipients, and 11.1% of the SFAs selected all food stamp recipients.

The second part of the regulations governing selection of the focused sample calls for a 1.0% sample of applications from non-food stamp households reporting incomes within \$100 of the eligibility cutoff for reduced-price meals. Related to this regulation, it can be seen that 25.4% of the SFAs selected all applicants within \$100 of the reduced-price cutoff, 11.5% of the SFAs selected a 1.0% sample of applicants within \$100 of the reduced-price cutoff, 10.3% selected a greater than 1.0% sample of applicants within \$100 of the reduced-price cutoff, and 4.5% of the SFAs selected a greater than 1.0% sample of applicants within some dollar figure (not equal to \$100) of the cutoff.

Finally, 43.8% of the SFAs selected a focused sample by taking all members of some target group (excluding food stamp recipients).

Arrangements with Welfare Office. The use of focused sampling entails verifying a sample of food stamp recipients. Hence, SFA managers who reported using focused sampling were asked if they had made any arrangements with the local welfare office to assist in the verification process. Exhibit 3.12 shows that in 14.0% of one SFAs, no prior arrangements had been made with welfare offices to assist

Exhibit 3.11

NATIONAL ESTIMATES OF PROCEDURES USED TO SELECT THE  
FOCUSED SAMPLE, FOR SFAs USING FOCUSED SAMPLING  
(School Year 1986-87)

Verification Procedure	National Estimate for SFAs Using Focused Sampling
How do you go about selecting the focused sample?	
Sample of food stamp recipients (> .5%)	61.0%
Take all from target groups (excluding food stamp recipients)	43.8
Take all within \$100 of reduced-price cutoff	25.4
Sample of food stamp recipients (.5%)	12.9
Sample 1% of applicants within \$100 of reduced-price cutoff	11.5
Take all food stamp recipients	11.1
Sample > 1% of applicants within \$100 of reduced-price cutoff	10.3
Sample > 1% of applicants within "\$X" (not equal to \$100) of reduced-price cutoff	4.5
Other	4.1
TOTAL PERCENT	na*
WEIGHTED N	1,626
UNWEIGHTED N	75

Source of Data: SFA Manager Interview (telephone)

\*Does not add to 100% as multiple responses were allowed.

**Exhibit 3.12**

**NATIONAL ESTIMATES OF ARRANGEMENTS MADE WITH  
WELFARE OFFICE, FOR SFAs USING FOCUSED SAMPLING  
(School Year 1986-87)**

Verification Procedure	National Estimate for SFAs Using Focused Sampling
What arrangements have you made, if any, with the local welfare office to verify applicants who receive food stamps?	
No prior arrangements	14.0%
Call welfare office	51.8
Send a letter to welfare office	34.2
TOTAL PERCENT	100.0
WEIGHTED N	1,626
UNWEIGHTED N	68

Source of Data: SFA Manager Interview (telephone)

in the verification process. Among the remaining SFAs, 51.8% called the welfare office requesting assistance, and 34.2% sent letters to the welfare office requesting assistance.

Language Used in the Verification Notice. One possible reason for nonresponse to verification requests is that the request is not understood. This can happen if the verification request is in a language that the applicant does not read. To see whether this is a problem, SFA managers were asked whether the verification request was made in the applicant's native language if that language was not English. Exhibit 3.13 shows that in 66.2% of the SFAs, the question was not applicable since all applicants spoke English. The request was never or seldomly made in the applicant's native language in 11.0% of the cases, the request was usually or always made in the applicant's native language in 14.3% of the cases, and an interpreter was used in the remaining 8.4% of the cases where the applicant did not speak English. Thus, according to SFA managers, language was not a problem in 89.0% of the SFAs, but it could have been a problem in the 11.0% of the SFAs (about 1,500 SFAs) where the verification request was seldom or never made in the respondent's native language. It should be noted that the SFAs with potential language problems are large, with a mean enrollment of 6,066 students compared to the national average of 2,211 students.

Requesting Up-Front Documentation. Current regulations specify that the application process must be separate from the verification process. Therefore, while regulations allow SFAs to request that income documentation be provided at the same time as the application is submitted, SFAs cannot deny benefits if that documentation is not provided. And even if documentation is submitted, SFAs must make eligibility decisions based only on the information contained on the application--eligibility should not be affected by any discrepancies between the application and documentation.

An estimated 11.7% of all SFAs, accounting for about 3.65 million children, requested income documentation at the time of application (Exhibit 3.14), while 87.1% deferred the request until the time of verification. SFAs that requested up-front documentation\* appear to have reasonable success at

---

\*It should be noted that the sample size of SFAs requesting up-front documentation is small, only 30, and so the estimates presented in this discussion should be regarded with care.



Exhibit 3.13

NATIONAL ESTIMATES OF EXTENT TO WHICH VERIFICATION  
REQUEST IS IN APPLICANT'S NATIVE LANGUAGE, BY  
VERIFICATION SAMPLING METHOD  
(School Year 1986-87)

Verification Procedure	Verification Sampling Method		
	Random	Focused	Total
When you notify applicants that they are selected for income verification, how often is the request made in the applicant's native language if that language is not English?			
Not applicable (all applicants speak English)	64.5%	76.9%	66.2%
Always	7.1	4.4	6.8
Usually	8.4	2.3	7.5
Seldom	1.0	0.0	0.8
Never	9.8	12.5	10.2
An interpreter is used	9.2	3.8	8.4
TOTAL PERCENT	100.0	100.0	100.0
WEIGHTED N	13,011	1,626	14,637
UNWEIGHTED N	305	72	377

Source of Data: SFA Manager Interview (telephone)

Exhibit 3.14

NATIONAL ESTIMATES OF SFAS REQUESTING UP-FRONT DOCUMENTATION  
(School Year 1986-87)

---

Verification Procedure	National Estimate
---------------------------	-------------------

---

Do you request income  
documentation at the  
time of application?

Yes	11.7%
No	87.1
Yes, for some	1.1
TOTAL PERCENT	100.0
WEIGHTED N	15,703
UNWEIGHTED N	1,156

(if request up-front documentation)

How many households generally  
comply with the request for  
up-front documentation?

100%	82.5%
75-99%	13.8
50-74%	2.8
25-49%	1.0
0-24%	0.0
TOTAL PERCENT	100.0
WEIGHTED N	1,837
UNWEIGHTED N	28

(if request up-front documentation)

What action do you take if a  
household does not comply with  
the request for up-front  
documentation?

No action is taken	7.6%
Second request made by mail	10.3
Phone call is made	29.3
Benefits are denied	48.3
Other	4.5
TOTAL PERCENT	100.0
WEIGHTED N	1,837
UNWEIGHTED N	30

Exhibit 3.14  
(continued)

NATIONAL ESTIMATES OF SFAS REQUESTING UP-FRONT DOCUMENTATION  
(School Year 1986-87)

---

Verification Procedure	National Estimate
---------------------------	-------------------

---

(if request up-front documentation)

Do you review the documentation  
submitted by all households?

Yes	99.0%
No	1.0
TOTAL PERCENT	100.0
WEIGHTED N	1,837
UNWEIGHTED N	28

---

Source of Data: SFA Manager Interview (telephone)

obtaining it. An estimated 82.5% reported that all households generally comply with the request, and an additional 13.8% reported that between 75% and 99% of all households comply with the request. Only 3.8% of the SFAs that requested up-front documentation appear to have serious problems with compliance.

When asked what action was taken when households do not comply with the request for up-front documentation, almost half (48.3%) of the SFAs denied benefits, while 39.6% made a second request by telephone or mail. To the extent that these estimates are accurate, about half of the SFAs requesting up-front documentation were not following regulations when they denied benefits to households that do not supply up-front documentation.

Finally, SFAs that requested up-front documentation from all households almost always reviewed the documentation submitted by all households. An estimated 99.0% of the SFAs that requested documentation at the time of application report that they reviewed it for all households.

#### What Sources of Income Documentation are Accepted by SFAs?

SFA managers were asked to identify the types of income documentation that were accepted as evidence for verification. Multiple responses were allowed as SFAs permit many types of documentation to be used as confirmation of income level. As is shown in Exhibit 3.15, the two most common types of documentation were wage stubs (91.5%), and evidence of food stamp participation (84.8%). In 55.8% of the cases, SFAs verify income through an employer, while copies of checks were accepted in 50.5% of the cases. Other types of documentation cited include the use of income tax returns (39.8%), evidence of participation in other Federal programs (39.8%), and court decrees of alimony (29.3%).

Most of these sources of income documentation are useful primarily for checking wages, confirming what is seen in other parts of this report, that it is difficult for SFAs to obtain information on non-wage data. However, court decrees of alimony and perhaps income tax returns would provide data on non-wage income, and so it is clear that a substantial proportion of SFAs do secure at least some information on non-wage data.

Exhibit 3.15

NATIONAL ESTIMATES OF DESCRIPTIVE DATA ON  
INCOME VERIFICATION PROCEDURES  
(School Year 1986-87)

---

Verification Procedure	National Estimate
------------------------	-------------------

---

What types of income documentation were accepted?

Wage stubs	91.5%
Copies of checks	50.5
Income tax returns	39.8
Verification by employer	55.8
Evidence of Food Stamp participation	84.8
Evidence of participation in other federal programs	39.8
Court decrees of alimony	29.3
Whatever regulations allow	20.0
Other	10.4
TOTAL PERCENT	na*
WEIGHTED N	15,703
UNWEIGHTED N	1,156

By what date were all required income verification activities completed?

August 31, 1986	0.0%
September 30, 1986	2.9
October 31, 1986	8.4
November 30, 1986	20.1
December 15, 1986	46.1
December 31, 1986	7.2
January 31, 1987	9.2
February 28, 1987	2.4
March 31, 1987	1.5
April 30, 1987	0.3
May 31, 1987	0.0
June 30, 1987	1.8
July 31, 1987	0.0
TOTAL PERCENT	100.0
WEIGHTED N	15,703
UNWEIGHTED N	1,156

---

Source of Data: SFA Manager Interview (mail)

\*Does not add to 100% as multiple responses were allowed.

### When in the School Year are all Verification Activities Completed?

SFA managers were asked to report the date that all required income verification activities were completed for the school year. Exhibit 3.15 summarizes the completion date of income verification by month. Although SFAs are not required to finish income verification until December 15th, by the end of November, an estimated 31.4% of the SFAs had fulfilled their income verification requirements. The most active month of verification was December with 53.3% of SFAs completing all verification requirements during this month. By December 15th, the Federal deadline, 77.5% of SFAs had completed income verification requirements, and by the new year, 84.7% of all SFAs had finished verification. By February 28th, all but 3.6% of SFAs had fulfilled income verification requirements.

During the 1986-87 school year over three-quarters of the SFAs in the country were able to meet FNS' requirement of completing verification by December 15. However, this left almost one-quarter that did not meet this deadline, and between 500 and 600 SFAs (3.6%) did not complete verification by the end of February. One possible reason for missing the deadline is that these SFAs may be doing more income verification than other SFAs. This does not appear to be the case based on the percentage of applications selected for verification. Nationally, 6.4% were selected for verification (see Exhibit 3.1), while 5.9% were selected for verification by the SFAs that did not meet the deadline.

### What do SFAs do When They Find a Misreporting Error?

Several questions were asked about the procedures used by SFA managers once a misreporting error is found.

Procedure Used When an Error is Found. SFA managers were asked what they did when they found a discrepancy between the application and documentation that was large enough to affect the benefit status of the applicant. Exhibit 3.16 shows that an estimated 38.8% of the SFAs sent a 10-day termination letter, 27.4% sent a letter to the parent, and 24.0% interviewed the parent. Other responses included double-checking arithmetic (5.3%), and contacting third parties to verify information (1.0%). The range of responses shows that most SFAs do not automatically

Exhibit 3.16

**NATIONAL ESTIMATES OF SFA ACTIONS REGARDING  
DISCREPANCIES THAT WOULD AFFECT BENEFIT STATUS  
(School Year 1986-87)**

---

Verification Procedure	National Estimate
---------------------------	-------------------

---

What do you do if a discrepancy  
is found that would affect  
benefit status?

Send 10-day termination letter	38.8%
Send a letter to parent	27.4
Interview the parent	24.0
Double-check arithmetic	5.3
Contact third parties to verify information	1.0
Other	3.6
TOTAL PERCENT	100.0
WEIGHTED N	15,703
UNWEIGHTED N	414

---

Source of Data: SFA Manager Interview (telephone)

cut off benefits when an "error" is found. Rather, they put additional effort into contacting families to discuss the problem and/or to ask for additional documentation, into double-checking their work, and into cross-checking with other data sources.

Types of Discrepancies. SFA managers were asked what types of discrepancies were most often found when doing income verification. Exhibit 3.17 shows that the most frequent discrepancies had to do with wage income: an estimated 33.6% of SFAs listed making a mistake in calculating income, that is, using the wrong multiplier (e.g. 4 weeks in a month as opposed to 4.3); 21.7% cited using the wrong income figure, that is, using net as opposed to gross income; 18.3% cited unreported wage income; 18.8% cited an unreported change in income or circumstances; and 1.2% listed overreported wage income. Other reasons included unreported household members (3.8%), and unreported non-wage income (2.5%).

Thus, SFA managers are clear in their opinion that when there are discrepancies between information provided on the application and on documentation submitted in response to the verification request, the problem is most likely to be related to income from wage discrepancies. Non-wage income was not declared to be a big problem.

#### What are SFA Manager's Opinions About Income Verification?

SFA managers were asked a series of questions which allowed them to give their opinions about the effectiveness of income verification and ways to improve it.

Effect of Verification on Fraudulent Applications. SFA managers were asked if income verification has affected the number of fraudulent applications submitted, that is, the number of applications with deliberate misreporting of income. First, Exhibit 3.18 shows that an estimated 18.8% of the SFAs felt that they did not have any (or many) fraudulent applications, and therefore income verification had no effect. In addition, 52.2% felt that income verification had not affected the number of fraudulent applications, but gave no reason, 2.1% felt that many parents were unaware of verification so it had no effect, and 3.9% felt that verification had no effect because parents did not think they would be selected for verification. The remaining 23.0%



Exhibit 3.17

NATIONAL ESTIMATES OF TYPES OF DISCREPANCIES  
 FOUND BY SFAs IN SUBMITTED VERIFICATION DOCUMENTS  
 (School Year 1986-87)

---

Verification Procedure	National Estimate
---------------------------	-------------------

---

What types of discrepancies  
 are most often found?

Mistake made in calculating income (e.g. using wrong multiplier)	33.6%
Using wrong income (e.g. net vs. gross income)	21.7
Unreported change in income or circumstances	18.8
Unreported wage income	18.3
Household members not reported	3.8
Unreported non-wage income	2.5
Overreported income	1.2
TOTAL PERCENT	100.0
WEIGHTED N	15,703
UNWEIGHTED N	345

---

Source of Data: SFA Manager Interview (telephone)

Exhibit 3.18

NATIONAL ESTIMATES OF SFA MANAGERS' PERCEPTIONS OF  
EFFECT OF VERIFICATION ON FRAUDULENT APPLICATIONS  
(School Year 1986-87)

Verification Procedure	National Estimate
Has income verification affected the number of fraudulent applications submitted? That is, applications with deliberate misreporting of income.	
Yes, there are fewer fraudulent applications	23.0%
No (unspecified)	52.2
No, the SFA does not have any (or many) fraudulent applications	18.8
No, parents do not think that they will be verified	3.9
No, many parents are unaware of income verification so it does not affect them	2.1
TOTAL PERCENT	100.0
WEIGHTED N	15,703
UNWEIGHTED N	394

Source of Data: SFA Manager Interview (telephone)

of the SFAs felt that verification had indeed led to a reduction in the number of fraudulent applications.

Effect of Verification on Unintended Errors. SFA managers were also asked whether they thought that income verification had affected the number and types of unintended errors that applicants made. Exhibit 3.19 shows that an estimated 65.2% of the SFAs felt this was not the case, that applicants still made the same mistakes. On the other hand, 28.8% of the SFAs felt that verification had made parents more careful in filling out applications.

Other Effects. SFA managers were asked to list any other effects that they thought were attributable to income verification. Exhibit 3.20 shows that an estimated 63.0% of the SFAs did not report any other effects of income verification. On the other hand, 16.3% of SFAs believed that people were not applying or were asking to be removed from the program for reasons such as a lack of documentation, lack of U.S. citizenship, or personal pride. Other reasons were that income verification was resented by the community and that it was seen as an invasion of privacy or a way of intimidating potential applicants (5.2%), verification was resented on the part of schools, where administrators did not see their role as that of enforcing program regulations (2.3%), the costs outweighed the benefits (2.3%), verification is ineffective because it was too easy to misrepresent income (3.3%), and eligible children were being removed from the program because of nonresponse (2.6%). The main positive response, given by 3.3% of SFAs, was that verification was a necessary and effective procedure.

Nonresponse to the Verification Request. SFA managers were asked for their opinion on why some applicants did not respond to requests for income documentation. As shown in Exhibit 3.21, the most common reason cited was that people did not respond because they know they have submitted a fraudulent application (41.5%). Other reasons given by SFA managers include apathetic, procrastinating applicants who feel that the benefits are not worth the effort to supply documentation (17.7%); difficulty in complying with the request (17.0%); resentment of the request as an invasion of privacy (11.1%); apprehension and fear on the part of applicants (7.7%); changes in circumstances on the part of applicants (3.4%); and various problems in communicating with parents (1.3%).

Exhibit 3.19

NATIONAL ESTIMATES OF SFA MANAGERS' PERCEPTIONS OF  
EFFECT OF VERIFICATION ON UNINTENDED ERRORS  
(School Year 1986-87)

Verification Procedure	National Estimate
Has income verification affected the number and types of unintended errors that applicants make?	
No, parents still make the same mistakes	65.2%
Yes, parents are aware of income verification so they fill out the application more carefully	28.8
Don't know	6.0
TOTAL PERCENT	100.0
WEIGHTED N	15,703
UNWEIGHTED N	414

Source of Data: SFA Manager Interview (telephone)

Exhibit 3.20

NATIONAL ESTIMATES OF OTHER VERIFICATION  
EFFECTS NOTED BY SFA MANAGERS  
(School Year 1986-87)

Verification Procedure	National Estimate
Are there other effects you would like us to note?	
No other effects	63.0%
People are not applying or are asking to be removed from the program because they do not have documentation, are not U.S. citizens, are too proud	16.3
Resentment of income verification by the community, issue of privacy, intimidation	5.2
Income verification is effective, a good and necessary procedure	3.3
Income verification is ineffective because it is too easy to misrepresent income or household size, people can just reapply with no penalty	3.3
Resentment, frustration on part of school/SFA officials, do not want to be police, do not want to take people off the program, too much time involved	2.3
The costs outweigh the benefits	2.3
Eligible children are being removed because of nonresponse	2.6
Miscellaneous	3.1
TOTAL PERCENT	100.0
WEIGHTED N	15,703
UNWEIGHTED N	410

Source of Data: SFA Manager Interview (telephone)

Exhibit 3.21

NATIONAL ESTIMATES OF SFA MANAGERS' OPINIONS  
ON REASONS FOR NONRESPONSE  
(School Year 1986-87)

---

Verification Procedure	National Estimate
---------------------------	-------------------

---

In your opinion, why do some applicants fail to respond to the SFA's requests for income documentation?

They know they have submitted a fraudulent application	41.5%
Apathy, procrastination, not worth it	17.7
Difficulty in complying with the request, language/literacy problems, no documentation is available	17.0
Resentment of request/ desire for privacy	11.1
Apprehension/fear on part of applicants	7.3
They no longer qualify because of changed circumstances	3.4
Communications problems (mail problems to and from the SFA, no phone numbers, child doesn't return notice, etc.)	1.8
Moved, miscellaneous	0.2
TOTAL PERCENT	100.0
WEIGHTED N	15,703
UNWEIGHTED N	369

---

Source of Data: SFA Manager Interview (telephone)

Problems with Verification. SFA managers were asked whether they had any problems trying to implement income verification. Exhibit 3.22 shows that an estimated 78.0% had no problems. In addition, 7.3% listed nonresponders and slow responders as a major problem, 9.1% complained about the time involved, and 3.4% said that it was difficult to verify certain types of income (e.g. overtime, seasonal work, self-employed).

Planned Changes in Verification Procedures. SFA managers were asked whether they planned any changes in their verification procedures for the coming year. Exhibit 3.23 shows that an estimated 87.6% said that they planned no changes. About 7.7% of the SFAs planned to make some sort of change but were not specific about what was involved. Other changes cited by less than 2% of the SFAs included starting the process earlier, centralizing the process, computerizing, changing the application, and doing 100% verification by requiring up-front documentation.

Exhibit 3.24 presents information on why these changes were being made. The few SFAs that planned changes did so for reasons such as saving time and making verification easier (6.0%), or making verification more effective (2.7%).

Suggestions for Improvement of Verification. SFA managers were asked whether they had any suggestions that might improve income verification. Exhibit 3.25 shows that most (58.6%) had no suggestions. The most commonly cited suggestion was to require 100% verification combined with up-front documentation (14.3%). Other suggestions include simplifying letters and applications to make them less threatening (3.3%), eliminating verification (3.9%), providing resources to the SFA (1.9%), extending the deadline for completion of verification activities (1.4%), and having a different agency do verification (1.3%).

Exhibit 3.22

NATIONAL ESTIMATES OF SFA MANAGERS' PERCEPTIONS  
OF PROBLEMS WITH VERIFICATION  
(School Year 1986/87)

Verification Procedure	National Estimate
Have you had any problems trying to do income verification?	
No problems	78.0%
Takes a lot of time	9.1
Slow responders and nonresponders	7.3
Hard to verify some types of income (self employed, overtime, seasonal work)	3.4
Dealing with hostile, resentful parents	1.1
Language barriers	0.4
Application doesn't reflect true household size	0.4
Miscellaneous	0.3
TOTAL PERCENT	100.0
WEIGHTED N	15,703
UNWEIGHTED N	424

Source of Data: SFA Manager Interview (telephone)



Exhibit 3.23

NATIONAL ESTIMATES OF CHANGES IN  
 VERIFICATION PLANNED BY SFA MANAGERS  
 (School Year 1986-87)

---

Verification Procedure	National Estimate
---------------------------	-------------------

---

Are you planning any changes  
 in your income verification  
 procedures?

No changes planned	87.6%
Nonspecific change	7.7
Do 100% up front documentation	1.6
Start process earlier	1.0
Computerize	0.8
Centralize the process	0.7
Change application/request letters	0.6
TOTAL PERCENT	100.0
WEIGHTED N	15,703
UNWEIGHTED N	424

---

Source of Data: SFA Manager Interview (telephone)

Exhibit 3.24

NATIONAL ESTIMATES OF REASONS FOR  
 PLANNED CHANGES IN VERIFICATION  
 (School Year 1986-87)

---

Verification Procedure	National Estimate
Why are you making these changes?	
No changes planned	87.6%
Save time/easier/more efficient	6.0
More effective	2.7
Change was recommended	0.5
Catch fraudulence earlier	0.1
Miscellaneous	3.1
TOTAL PERCENT	100.0
WEIGHTED N	15,703
UNWEIGHTED N	424

---

Source of Data: SFA Manager Interview (telephone)

Exhibit 3.25

NATIONAL ESTIMATES OF SFA MANAGER'S SUGGESTIONS  
FOR IMPROVEMENTS IN VERIFICATION  
(School Year 1986-87)

---

Verification Procedure	National Estimate
---------------------------	-------------------

---

Do you have any suggestions  
for changes in federal income  
verification requirements?

No suggestions	58.6%
Require 100% verification/ up front documentation	14.3
Eliminate verification	3.9
Simplify or change letters and applications, make them less threatening and easier to understand	3.3
Provide resources to the SFA	1.9
Extend the deadline	1.4
Have another agency do verification	1.3
Miscellaneous	15.4
TOTAL PERCENT	100.0
WEIGHTED N	15,703
UNWEIGHTED N	424

---

Source of Data: SFA Manager Interview (telephone)