

**Background**

The Improper Payments Information Act of 2002 (Public Law 107-300) requires all Federal agencies to calculate the amount of erroneous payments in Federal programs and to periodically conduct detailed assessments of vulnerable program components. This program assessment of the Family Day Care Home (FDCH) component of USDA's Child and Adult Care Food Program (CACFP) provides a national estimate of the share of CACFP family day care homes that are in the wrong reimbursement tier. FDCHs that are misclassified on their tiering levels translate into improper payments because misclassified FDCHs do not receive the appropriate level of reimbursement for the meals and snacks provided to the children. This study also estimates the dollar amount of improper payments attributable to tiering misclassifications of FDCHs.

**Method**

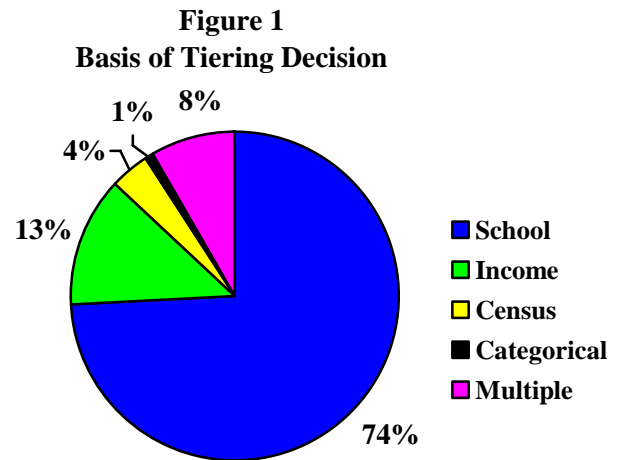
To develop national estimates of erroneous payments in this program component, the study drew a nationally representative sample of sponsors' files for 3,150 Tier I and Tier II FDCHs in 95 sponsors in 14 States.

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

**Findings**

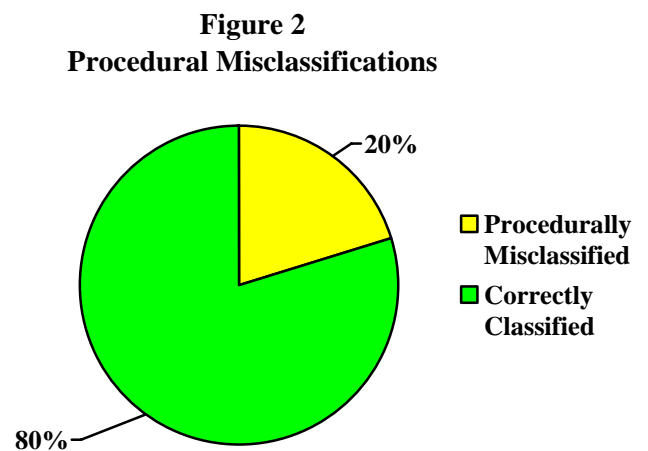
*Basis of Tiering Determination*

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



*Documentation of Tiering Determination*

Information collected from the sponsor files showed that the documentation relating to the tiering classification of 20 percent of all FDCHs sampled (unweighted) was incomplete and represented procedural misclassifications (Figure 2). Procedural misclassifications were highest among Tier I FDCHs at 27 percent and lowest among Tier II at only 1 percent.



**Independent Verification of Tiering Determination**

Follow-up verification was conducted to determine whether FDCHs with procedural misclassifications on tiering levels, based on school-related documentation, were misclassified or simply lacking all of the proper supporting documents in their files.

After independent verification of tiering decisions based on school eligibility criteria, the rates of misclassifications and the associated improper payments (weighted) were:

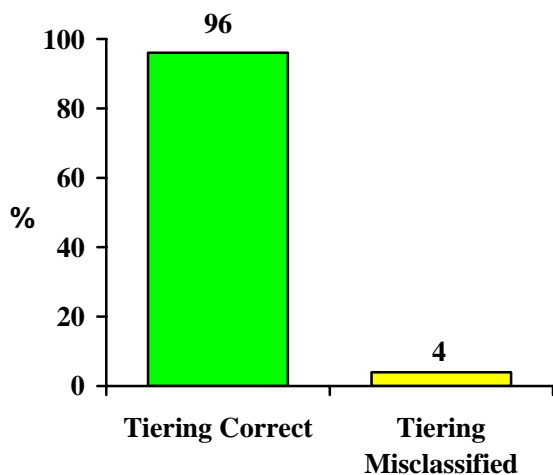
- Over ninety-six percent of FDCHs nationally were correctly classified when the underlying data were independently verified (Figure 3).

- Based on the verified estimate of misclassification, 5.2 percent of Tier I and 0.7 percent of Tier II FDCHs were misclassified for an overall average misclassification rate of 4.0 percent.

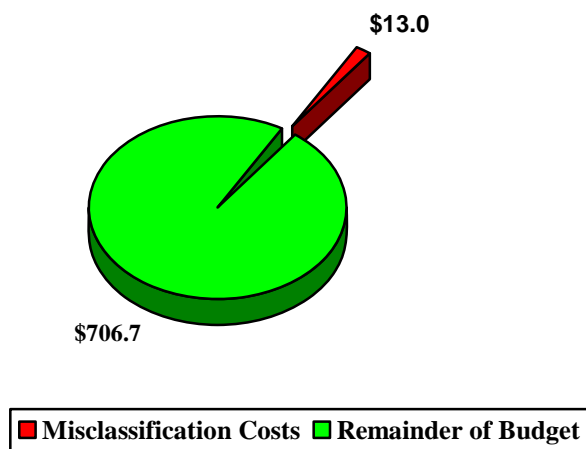
**Dollar Amount of Improper Payments**

Improper payments due to tiering misclassifications, after verifying school-based tiering decisions, were about 1.8 percent of estimated total 2005 FDCH reimbursements of \$719.7 million. There were \$12.7 million in improper payments attributable to Tier I and \$0.3 million attributable to Tier II FDCHs, for a total improper payment of \$13 million (Figure 4).

**Figure 3  
Verified Classifications**



**Figure 4  
Cost of Tiering Misclassifications  
(\$ Millions)**



Download full report<sup>1</sup> at:  
<http://www.fns.usda.gov/oane/>

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

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