

**APPROACHES TO MEASURING ERRONEOUS PAYMENTS IN THE NATIONAL SCHOOL LUNCH PROGRAM AND SCHOOL BREAKFAST PROGRAM AT THE STATE LEVEL
(SUMMARY)**

Overview

The National School Lunch Program (NSLP) and the School Breakfast Program (SBP) are federally assisted meal programs that operate in about 100,000 public and non-profit private schools and residential child care institutions. These school meal programs provide partially and fully subsidized meals (i.e., reduced-price and free) to millions of children each year. At the Federal level, the NSLP and SBP are administered by the USDA Food and Nutrition Service (FNS). At the State level, the programs are typically administered by State education agencies, which operate the program through agreements with School Food Authorities (SFAs).

Federal law – most recently the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) – requires FNS and other agencies to identify and reduce improper payments in their programs. To this end, FNS conducts the Access, Participation, Eligibility and Certification (APEC) studies, which use a nationally representative sample of students drawn from a number of SFAs and schools across the country to provide national, sample-based estimates of certification errors, meal claiming errors, and aggregation errors in both the NSLP and SBP.¹ The APEC studies do not provide sample-based error estimates at the State level.

FNS convened an expert panel to suggest approaches to measure improper payments at the State level in school meal programs. This report describes the three general approaches that the panel proposed and lists the advantages and limitations of each. This exploratory investigation of potential methods, perceived costs, and

limitations does not indicate a preference for any one method.

Methodology

FNS convened a panel of leading academics, public policy experts, State government officials, and private industry leaders with knowledge related to school meals and other food assistance programs, as well as experience with program integrity and evaluation, statistics, quantitative modeling, economics, and public policy.

The expert panel met twice for 2-day meetings in Washington, D.C., in April and May 2015, and conducted four conference calls between March and October 2015. FNS provided the panel members with background materials in advance of their participation. Panel members worked together during the in-person meetings and conference calls to develop new approaches to measure improper payments at the State level. After each discussion, panel members provided summaries of their ideas and feedback on meeting documents.

The panel reached consensus on three approaches. The panel then recruited eight States to review and provide feedback on those approaches. The feedback from those eight States is reported below.

Recommended Approaches

Approach I: Sampling Approach: This approach would utilize the same methodology for estimating improper payments as the APEC studies that have collected and analyzed data from a nationally representative sample of students, schools, and SFAs from the contiguous United States to create national estimates of improper payment rates. The studies use the following data sources to generate national estimates of improper payments due to certification errors, meal claiming errors, and aggregation errors:

¹ Certification errors occur when students are certified for levels of benefits for which they are not eligible. Meal claiming errors occur when a meal is incorrectly classified as reimbursable or not at the point of sale. Aggregation errors occur in tallying or reporting the number of reimbursable meals claimed by schools or SFAs.

- In-person household surveys that collect information on household composition, income sources, and the sampled students' participation in NSLP and SBP.
- On-site observations in schools and school cafeterias that collect data to assess meal claiming errors, such as the type of items on a food tray, the transaction involved, who received the meal, and whether the cashier recorded the meal as reimbursable.
- Data on the counting, consolidating, and claiming of meal reimbursements for each sampled school and SFA.

Approach II: Modeling Approach: This approach would use the information on improper payments generated by SFAs selected in the national APEC study sample to develop and apply a statistical model that yields estimates of the error rates for all SFAs in the United States. To do this, the model would rely upon a set of statistical assumptions about the relationship of SFA characteristics, such as the number of free or reduced-price lunches served or average household income of students, to each of the three types of school meal payment errors. The accuracy of the error estimates is limited by the availability of data on these SFA characteristics and the degree to which the model captures their statistical association with the error rates observed in sampled SFAs.

Approach III: Mixed Approach: This approach would leverage data from existing reporting requirements to produce sample-based estimates of aggregation and meal claiming errors, as well as errors that occur when students are incorrectly certified by administrators (i.e., administrative error). It would also use either a sample-based or model-based approach to estimate improper payments that occur due to errors in the reporting of household income by school meal applicants (i.e., income reporting error).

Summary

Of the three recommended approaches, the panel believed that the sampling approach would produce the most accurate estimates of improper payments but would come with the most

significant costs. This approach would also impose a heavy burden on SFAs that have limited capacity both in funds and personnel to conduct the household surveys.

The modeling approach would be a relatively low-cost strategy for estimating improper payments at the State level because it would use data that are already being collected. The quality of the modeling approach would depend on the availability of “predictor variables” (i.e., the SFA characteristics used to estimate improper payments for all SFAs). In addition, the expert panel acknowledges that capturing applicant error using this modeling approach may be particularly challenging and would require additional research. Currently, collected data are not SFA-wide and additional schools would need to be reviewed to assess meal counting and claiming. This would create additional burden on the States and SFAs.

The mixed approach, which involves a sampling component, would be more accurate than the modeling approach, but less accurate than the sampling approach. The accuracy would rest on the quality of data obtained from the Administrative Review process. It would also require SFAs and States to include more schools in the Administrative Review process, which would increase burden and costs for the States.

This exploratory research is meant to provide useful information as FNS seeks ways to develop accurate State-level estimates of improper payments in NSLP and SBP.

For More Information

Chami et al. (2016). *Approaches to Measuring Erroneous Payments in the National School Lunch Program and School Breakfast Program at the State Level*. Prepared by Manhattan Strategy Group. Alexandria, VA: USDA, Food and Nutrition Service. Project Officer: Chan Chanhathasilpa. This report is available online at: <http://www.fns.usda.gov/ops/research-and-analysis>.