



US Department of Agriculture (USDA)  
Food and Nutrition Service (FNS)

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**Approaches to Measuring Erroneous Payments in the National School Lunch  
Program and School Breakfast Program at the State-Level**

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**Final Report**

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We would like to thank the twelve members of the MSG expert panel on this project. The panel met in Washington, D.C. twice for two-day long sessions, participated in four conference calls, and reviewed and provided feedback on several project related documents and MSG-developed draft materials. The activities and efforts of the panel helped develop substantive portions of this report. The MSG expert panel members were:

- David Betson, Associate Professor of Public Policy and Economics, University of Notre Dame
- David Frisvold, Assistant Professor of Economics, University of Iowa
- Craig Gundersen, Professor of Agricultural Economics, University of Illinois
- Brent Kreider, Professor of Economics, Iowa State University
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- Michael Larsen, Associate Professor of Statistics, George Washington University
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- James Lepkowski, Professor of Survey Methodology, University of Michigan
- John Pepper, Professor of Economics, University of Virginia
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- Diane Schanzenbach, Associate Professor of Public Policy, Northwestern University
- Robin Ziegler, Program Manager, Office of School and Community Nutrition Programs, Maryland Department of Education

The MSG Team extends our gratitude to FNS and the expert panel members mentioned above.

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# Executive Summary

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## *Introduction*

The Food and Nutrition Service (FNS) of the United States Department of Agriculture (USDA) contracted with Manhattan Strategy Group (MSG) to conduct a study that convened an expert panel to suggest approaches to measure erroneous payments at the State level in the school meal programs—the National School Lunch Program (NSLP) and School Breakfast Program (SBP). MSG and our subcontractor, Mathematica Policy Research (MPR), began the study by recruiting an expert panel with FNS guidance. The panel included academics, public policy experts, State government officials, and private industry leaders who brought different perspectives to estimating improper payments in a federal program. The panel included a mix of individuals with knowledge related to the NSLP, SBP, and other food assistance programs, as well as program integrity and evaluation, statistics, quantitative modeling, economics, and public policy.

The MSG Team provided the panel with background information and materials on the project, including discussion of the national estimates of erroneous payments and their implications for State estimates, and proceeded to guide the panel’s discussions toward proposing major approaches for estimating State-level erroneous payments through a series of in-person meetings and conference calls. The MSG Team summarized the panel’s suggestions and presented them to eight State agencies (SAs) involved in the school meal program (three of which also participated on the panel) to obtain their feedback. The SAs provided feedback on the key issues that were most important to them in measuring State-based school meals error as well as the resources needed to implement each of the panel’s proposed three approaches and the burden each approach would place on them.

## *The Expert Panel’s Proposed Erroneous Payments Measurement Approaches*

The panel considered a variety of sample- and model-based approaches for estimating improper payments at the State level. Sample-based approaches require collecting primary data from a representative sample of School Food Authorities (SFAs) within States to generate direct State-level estimates of improper payments. Consequently, conducting a sample-based approach can be costly and time consuming as researchers must collect additional data from SFAs (as well as families that applied for certification) to generate estimates of improper payments. Model-based approaches, which utilize existing data and statistical techniques to predict improper payment rates within SFAs, can be a cost-effective alternative because they do not require the collection of primary data. However, the accuracy of model-based approaches depends heavily on the type of existing data available, its quality, and its statistical relationship (i.e., correlation) to the underlying causes of improper payments within an SFA. The panel also considered a mixed approach with elements of the sampling and modeling approaches.

### **Approach I: Sampling Approach**

The sampling approach utilizes the same methodology for estimating improper payments as FNS’s national estimates approach, which is documented in the Access, Participation, Eligibility

and Certification (APEC) study series that has twice collected and analyzed data from households, schools, and SFAs to create national estimates of erroneous payment rates, about five years apart. A third APEC study is now underway. The APEC studies draw on a nationally-representative sample of students, schools, and SFAs from the coterminous United States. The APEC studies use the following data sources to generate estimates of improper payments due to certification errors, meal claiming errors, and aggregation errors:

- In-person household surveys that collected information on household composition, income sources with supporting documentation, and the sampled student's participation in NSLP and SBP.
- On-site observations in schools and school cafeterias that collected data to assess meal claiming errors, such as the type of items on a food tray, the transaction involved, who the meal was provided to (student versus other person), and whether the cashier recorded the tray as a reimbursable meal.
- Aggregation data on the counting, consolidating, and claiming of meal reimbursements for each sampled school and SFA.

### **Approach II: Modeling Approach**

The modeling approach uses 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 of all SFAs in the United States. To do this, the model relies upon a set of statistical assumptions about SFA characteristics, such as the number of free or reduced-price lunches served or average household income of students, and their relationship to each of the three types of payment errors within the NSLP and SBP. These assumptions, once verified through additional research, can then be used to estimate or predict error rates in SFAs with a particular degree of certainty.

### **Approach III: Mixed Approach**

The mixed approach leverages an already-existing reporting requirement—the Administrative Review—to produce sample-based estimates of aggregation and meal claiming errors, as well as certification errors that occur when students are incorrectly certified by administrators (i.e., administrative error). It also uses either a sample-based or a model-based approach to estimate improper payments that occur due to errors in the reporting of household income by NSLP and SBP applicants (i.e., income reporting error).

### ***Summary of the Proposed Approaches***

The exhibit below provides a summary of the MSG expert panel's three proposed approaches to measure erroneous payments in the school meal program at the State level. It also includes a discussion on the feasibility, accuracy, and limitation of the proposed approaches.

**Exhibit ES-1: Summary of the MSG Expert Panel’s Proposed Approaches to Measuring Erroneous Payments in the School Meal Program at the State Level**

	<b>Sampling Approach</b>	<b>Modeling Approach</b>	<b>Mixed Approach</b>
Description	<p>Surveys using samples of a population to make inferences about the population. The success of the research is dependent on the representativeness of the sample with respect to a target population of interest to the researcher.</p> <p>The sampling approach utilizes the APEC methodology for estimating improper payments and payment errors and applies it to the State level. The APEC studies draw on a nationally-representative sample of students, schools, and SFAs from the coterminous United States.</p>	<p>Models are abstract simplifications of the systems they represent in order to focus on the primary performance elements of the systems.</p> <p>The modeling approach uses 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 of all SFAs in the United States. To do this, the model relies upon a set of statistical assumptions about SFA characteristics, such as the number of free or reduced-price lunches served or average household income of students, and their relationship to each of the three types of payment errors within the NSLP and SBP. These assumptions, once verified through additional research, can then be used to estimate or predict error rates in SFAs with a particular degree of certainty.</p>	<p>The mixed approach leverages an already-existing reporting requirement—the Administrative Review—to produce sample-based estimates of aggregation and meal claiming errors, as well as certification errors that occur when students are incorrectly certified by administrators (i.e., administrative error). It would probably use a model-based approach to estimate improper payments that occur due to errors in the reporting of household income by NSLP and SBP applicants (i.e., income reporting error).</p>
Approach	<ul style="list-style-type: none"> <li>• In-person household surveys collect information on household composition, income sources with supporting documentation, and the sampled student’s participation in NSLP and SBP.</li> <li>• On-site observations in schools and school cafeterias collect data to assess meal claiming errors, such as the type of items on a tray, the transaction involved, who the meal was provided to (student versus other person), and whether the cashier recorded the tray as a reimbursable meal.</li> <li>• Aggregation data on the counting, consolidating, and claiming of meal reimbursements for each sampled school and SFA.</li> </ul>	<ul style="list-style-type: none"> <li>• Collecting SFA-level information from the U.S. Department of Education, National Center for Education Statistics’ Common Core of Data (CCD) database, Census-level information on the SFA population, SFA-level information on poverty, and administrative data found in the FNS-742 SFA Verification Collection Report and Administrative Review process.</li> <li>• Building models for predicting the three types of payment error—with one set of models created to use only CCD data, Census-level information, and SFA-level information on poverty, and another set of models created using data from the FNS-742 SFA Verification Collection Report and Administrative Review process.</li> <li>• Predicting the three types of payment error for each SFA using the above models, beginning with models with the most available data.</li> <li>• Conducting a study to validate the accuracy of these model estimates by comparing them to direct estimates generated for the same SFA, or an SFA with similar characteristics.</li> </ul>	<ul style="list-style-type: none"> <li>• Utilizing the existing process wherein States conduct Administrative Reviews of all SFAs participating in the NSLP and/or SBP at least once during each three-year review cycle, provided that each SFA is reviewed at least once every four years.</li> <li>• Using a random sample of schools is preferable to error prone sampling to make better inferences about the population of schools.</li> <li>• Sampling additional schools within an SFA under Administrative Review in order to obtain error estimates at the SFA level or sampling additional schools outside of SFAs under administrative review in order to obtain State-level error estimates.</li> <li>• Developing an abridged Administrative Review process for the additional schools sampled that focuses on collecting data used to provide direct estimates of meal claiming and aggregation errors (e.g. cafeteria or point-of-sale observations), as well as administrative certification error.</li> <li>• Developing a statistical model to estimate certification error resulting from income reporting error using data from FNS-742 SFA Verification Collection Report, similar to that discussed in the modeling approach, or utilizing a household survey to provide direct estimates of this type of error, similar to that discussed in the sampling approach.</li> </ul>

	<b>Sampling Approach</b>	<b>Modeling Approach</b>	<b>Mixed Approach</b>
Implementation	<ul style="list-style-type: none"> <li>• Drawing a representative sample of SFAs within each State. The exact number of SFAs to be included in the sample would vary, but the panel suggests selecting SFAs with probability proportional to student population size ( to ensure that larger SFAs have a greater chance of being selected.</li> </ul> <p>The precision of the estimates would have to be specified; estimates may not need to meet the same standards that OMB requires of national estimates</p> <ul style="list-style-type: none"> <li>• Sampling schools and students within the sample of SFAs.</li> <li>• Collecting data at the school and student level, similar to those data collected by APEC studies, that could be used to create direct estimates for each SFA on the extent of certification, meal claiming, and aggregation error. As described above, this would involve the administration of household surveys, observations in schools and school cafeterias, and the abstraction of relevant administrative data (e.g., free/reduced-price meal applications).</li> <li>• Aggregating the estimates generated at the SFA level to produce State-level estimates.</li> </ul>	<p>Use 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 of all SFAs in the United States.</p> <p>Identify a set of statistical assumptions to estimate or predict error rates in SFAs with a particular degree of certainty. The assumptions would related to SFA characteristics, such as the number of free or reduced-price lunches served or average household income of students, and their relationship to each of the three types of payment errors within the NSLP and SBP.</p>	<p>The SA could facilitate this approach during the three year Administrative Review cycle, sampling additional schools within the SFA or sampling additional schools of other SFAs under AR guidelines or a similar format. SA personnel could be deployed as part of the AR team in order to ensure that the additional data is collected during review cycle. For ease of data collection an established collection tool similar to the School Meals AR Tool could be created for familiarity. This additional data collection process can be simplified through having it appear seamless and familiar to an SFA. The SA could also facilitate the use of the FNS-742 report to obtain additional data from an SFA.</p>
Feasibility	<p>The sampling approach would provide the most accurate estimates, but it would impose a heavy burden on the SAs. SAs stated that they (including their SFAs) would not have the capability both in funds and personnel to conduct the household surveys.</p>	<p>This approach uses data that is already being collected. However, currently collected data are not SFA-wide and additional schools would need to be reviewed for certification and benefit issuance, along with meal counting and claiming data. This would create additional costs for the SA and SFA. The collection of SFA-wide data would be a challenge. Expanding verification from the sample of applications used for the FNS-742 report would also be difficult for SAs.</p>	<p>SAs indicated that resources are limited and that additional funding from FNS would be needed to implement a Mixed Approach. SAs could facilitate this approach during the three year Administrative Review cycle, sampling additional schools within the SFA or sampling additional schools of other SFAs under AR guidelines or a similar format. SA personnel could be deployed as part of the AR team in order to ensure that the additional data is collected during review cycle.</p>
Accuracy	<p>Likely to be the most accurate of the three approaches</p>	<p>The Model Approach’s accuracy is difficult to determine without verification and validation studies. An unknown number of statistical models may be necessary due to a variety of variables – urban, rural, enrollment, ethnicity, Community Eligibility Provision (CEP), level of State support, and poverty levels.</p>	<p>Likely to be more accurate than Modeling Approach and less accurate than Sampling Approach</p>
Limitations	<p>While the Sampling Approach would likely produce the most reliable estimates of improper payments at the State level, it would also be the most expensive. Household surveys and data collection involving direct observation would require a large amount of State resources, both in terms of staff hours and financial resources, even if immediate costs were covered by FNS or USDA. In addition, these resources would need to be expended regularly in order to create annual</p>	<p>While modeling is a relatively low-cost strategy for estimating improper payments at the State level, the accuracy of these models is not known without further study. The quality of the modeling approach depends squarely on the availability of “predictor variables”—that is, the SFA characteristics used to estimate improper payments for all SFAs—and their statistical association with the amount of error observed in</p>	<ul style="list-style-type: none"> <li>• Because the Administrative Review is conducted for each SFA once every three years, it would be difficult to provide annual estimates of erroneous payments at the State and SFA levels. Estimates could reasonably be provided once every three years or on a rolling basis.</li> <li>• To estimate administrative certification errors, additional schools would need to be sampled within each SFA under Administrative Review.</li> </ul>

	<b>Sampling Approach</b>	<b>Modeling Approach</b>	<b>Mixed Approach</b>
	State-level estimates of payment errors. At the time of this writing, FNS has not yet indicated if funding would be available to States to support the implementation of this approach. Without such support, many panelists feel that this approach would not be infeasible for States to reliably and consistently implement.	sampled SFAs. Sources such as the FNS-742 SFA Verification Collection Report or the CCD database are likely to have the information necessary to identify these predictor variables, but it would remain to be determined that such information is suitable for these research purposes.	<ul style="list-style-type: none"> <li>• The State would have to report the Administrative Review data reported on the FNS-640 form at the SFA level if SFA-level estimates or the distribution of errors among SFAs is desired.</li> <li>• The Administrative Review process and FNS-640 form data are changing and it is unclear what, exactly, will be included in these new reports and forms.</li> </ul>
Barriers	SAs lack experience in planning and implementing large sampling efforts. SAs expressed concern about potential lack of household cooperation and language barriers.	The variety of school systems creates a barrier to implementation, particularly for private and charter schools. Additionally, States have great discretion and therefore various ways of administering Child Nutrition Programs. Some States have county-wide districts, which may be large and diverse, while others require non-public schools to operate under the public district of their locale. Collecting data is more difficult for SFAs that are non-public and operating independently. It would, therefore, be difficult to assess State error rates based on the suggested data, in the absence of the data for some entities. It would also be difficult to have to use two different evaluation methods, one for public and non-public entities where data exists, one for the non-public entities where it does not	<p>Most SAs identified lack of staff with research experience and overall lack of resources as major barriers.</p> <p>Some States were concerned that the diversity of SFAs in the State is a barrier to implementation. Some SAs believe charter schools and private schools need the most assistance to implement the approach.</p>
Further Considerations	SAs are not suited to implement the sampling approach as it requires a different skillset than those that SAs possess. Contractors capable of APEC-like studies would be better suited to implement the approach. With separate studies for each State, the overall resources needed may be prohibitively high.	The modeling approach relies on data already collected by States, but the collected data does not sufficiently cover SFAs for the purposes of modeling erroneous payments. This approach requires multiple statistical assumptions and 'predictor variables' suited to the characteristics of various SFAs and its accuracy must be validated.	The mixed approach, while more accurate than the modeling approach, rests of the quality of data obtained from the Administrative Review process and the statistical properties of these data. It would also require SFAs and States to increase the number of schools that are reviewed under the Administrative Review process, which would be challenging for the States.

# 1. Introduction and Project Background

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## *Introduction*

This study was commissioned by the U.S. Department of Agriculture (USDA)'s Food and Nutrition Service (FNS). Manhattan Strategy Group (MSG) and MSG's subcontractor, Mathematica Policy Research (MPR), together the MSG Team, were responsible for recruiting and supporting an expert panel and using their input to identify potential approaches to measure erroneous payments in the National School Lunch Program (NSLP) and School Breakfast Program (SBP) at the State level. The panel included academics, public policy experts, State government officials, and private industry leaders who brought different perspectives to estimating improper payments in a federal program. The panel included a mix of individuals with knowledge related to the NSLP, SBP, and other food assistance programs, as well as program integrity and evaluation, statistics, quantitative modeling, economics, and public policy.

## *Background on Improper Payments in the NSLP and SBP*

The NSLP and SBP are federally assisted meal programs that operate in more than 100,000 public and non-profit private schools and residential child care institutions. The school meal program provides partially and fully subsidized (i.e., reduce-price and free) meals to millions of children each year.

The NSLP provides meals to about 30 million children each school day and the SBP provides meals to about 13 million children each school day. About three-quarters of these meals are served to children from low-income households who are certified to receive free or reduced-price meals. The two programs cost the government about \$15.7 billion annually.<sup>1</sup>

At the Federal level, the school meal program is administered by 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). Public and nonprofit private schools, up to the high school level, and public or nonprofit private residential child care institutions may participate in the school lunch program. School districts and independent schools that choose to take part in the lunch program get cash subsidies and USDA foods from the U.S. Department of Agriculture (USDA) for each meal they serve. In return, they must serve lunches that meet Federal requirements, and they must offer free or reduced price lunches to eligible children.

Accurately measuring improper payments within the NSLP and SBP is a Federal requirement. Under the Improper Payment Information Act of 2002 and the Improper Payment Elimination and Recovery Act of 2010 (IPERA), FNS and other agencies must identify and reduce improper payments in their relevant programs.<sup>2</sup> Additionally, addressing the issue of erroneous payments in the school meal program is important because erroneous underpayments are associated with

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<sup>1</sup> USDA, FNS, APEC II Report, 2015: <http://www.fns.usda.gov/nslpsbp-access-participation-eligibility-and-certification-study-ii>

<sup>2</sup> GAO, *Improper Payments: Government-Wide Estimates and Reduction Strategies*, <http://oversight.house.gov/wp-content/uploads/2014/07/Ms.-Davis-Testimony-Bio.pdf>

reduced school meal participation, and numerous studies have found a strong connection between access to nutritious meals and improved student performance.<sup>3</sup>

FNS currently uses a representative sample method to measure erroneous payments at the national level; it is not representative at the State level.<sup>4</sup> Unfortunately, the representative sample method is likely too expensive and resource intensive to replicate across all States. Therefore, FNS engaged the MSG Team to work with an expert panel to identify new approaches to measure erroneous payments at the State level that can be practically implemented, given the limited resources of State Agencies (SAs), which administer the school meal program, and FNS. The methods developed by the panel may assist FNS in its obligations related to IPERA. The methods developed may also be used to identify States that can benefit from follow-on technical assistance and monitoring to ensure program resources are spent effectively.

Within the NSLP and SBP, FNS has identified three types of payment errors that contribute to improper payments:

1. **Certification Errors** occur when students are placed in the wrong meal reimbursement category (e.g., a child who should receive free meals is certified for reduced-price meals)—either as a result of households incorrectly reporting income or family size when completing a school meals application, or school districts incorrectly processing school meals applications.
2. **Meal Claiming Errors** occur when meals are incorrectly categorized as reimbursable or non-reimbursable at the point of sale in the cafeteria (e.g., a meal is counted as reimbursable but does not meet nutritional standards).
3. **Aggregation Errors** occur when a school, SFA, or State incorrectly tallies the number of reimbursable meals and makes an error in the number of meals claimed for reimbursement and reported to FNS.

### **Helping to Reduce Improper Payments in the NSLP and SBP by Estimating Error at the State Level**

FNS is implementing an integrated strategy to address these three types of payment errors, including training and technical assistance for States, the implementation of new technology improvements, and improvements to the administrative review process. In addition, FNS has developed the Access, Participation, Eligibility and Certification (APEC) study series, which collects and analyzes data from households, schools, and SFAs to create national estimates of erroneous payment rates about every five years.

The APEC studies use a nationally-representative sample of students drawn from a number of SFAs and schools across the country: conducting in-person household surveys, observing cashier transactions and meal counts in school cafeterias, and reviewing administrative data to provide estimates of certification errors, meal claiming errors, and aggregation errors in both the NSLP and SBP.

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<sup>3</sup> CDC, Health and Academics, [http://www.cdc.gov/healthyyouth/health\\_and\\_academics/](http://www.cdc.gov/healthyyouth/health_and_academics/)

<sup>4</sup> FNS, *Erroneous Payments in the NSLP and SBP: Summary of Findings*, <http://www.fns.usda.gov/sites/default/files/APECExecSummary.pdf>

According to the APEC studies, certification errors account for nearly 60 percent of the \$1.9 billion in improper payments made in the NSLP during the 2012–2013 school year, with direct financial impacts for students and their families.<sup>5</sup> Aggregation errors account for just over one percent of total improper payments within the NSLP, but these errors do not directly impact a student’s ability to receive and benefit from a free or reduced-priced meal.

While useful, the APEC studies do not provide error estimates at the State level. State-level estimates of payment errors are important because they could potentially provide States with a broad portrait of NSLP and SBP operations in their own schools and districts. These State-level estimates of payment errors could, in turn, enable States to better allocate resources and provide more targeted assistance in their efforts to reduce improper payments.<sup>6</sup> Accordingly, FNS is considering the feasibility of generating State-level estimates of payment errors within the NSLP and SBP. Ideally, these estimates will provide States with information on certification errors, meal claiming errors, and aggregation within States. Potentially, these estimates could be refined to provide more detailed or granular information on payment errors occurring within SFAs or districts.

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<sup>5</sup> U.S. Department of Agriculture, Food and Nutrition Service, Program Error in the National School Lunch Program and School Breakfast Program: Findings from the Second Access, Participation, Eligibility and Certification Study (APEC II). Retrieved from <http://www.fns.usda.gov/sites/default/files/ops/APECII-Vol1.pdf>

<sup>6</sup>A number of panel members noted that although State-level estimates of payment errors would be useful, much of the variation in payment errors is local in nature. Payment errors are unlikely to be consistent across an entire state. Payments errors might, for instance, vary between SFAs or districts located primarily in rural or urban areas. State-level estimates of payment errors, such as those suggested by the panel, would not capture this local variability.

## 2. Study Methodology

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To form the expert panel, the MSG Team identified leading academics, public policy experts, State government officials, and private industry leaders with knowledge related to the NSLP, SBP, and other food assistance programs, as well as program integrity and evaluation, statistics, quantitative modeling, economics, and public policy. The team searched for potential panel members based on the candidates' professional research and experience, including historic involvement with FNS related research efforts. The MSG Team identified and communicated with 55 individuals to identify 33 potential panel member candidates. The Team worked with FNS to select the 12 most appropriate panel members that were available to participate in the required in-person meetings and conference calls for the project.

When we contacted potential panel member candidates, we asked them if they were interested in participating in the expert panel and if they recommended anyone else to serve on the panel. If a potential candidate recommended himself or herself for the panel, we asked them to provide documentation of their qualifications. We assessed the individuals that our first round of outreach contacts suggested and followed up with the recommended individuals if we believed they might be qualified to participate on the panel. The MSG Team assessed the candidacy of potential panel members based on our review of their qualifications and experience as well as questions we asked them during one-on-one phone calls to discuss their understanding of the goals of the project and their ability to contribute to the development of new methodological approaches to measuring NSLP and SBP erroneous payments at the State level.

MSG sought to identify a diverse set of potential panel members by sector, expertise, and perspective. We sought panel candidates from three professional sectors: academia, State government, and private industry. The members of the MSG expert panel are described in Exhibit 2-1.

**Exhibit 2-1: Members of the MSG Expert Panel on Methods to Measure Erroneous Payments in the School Meal Program**

Sector	Name	Expertise	Title	Affiliation
<b>Academia</b>	Brent Kreider	Economics - food assistance, poverty, and health policy	Professor of Economics	Iowa State University
	David Betson	Economics - health, education, welfare, and food assistance policy	Associate Professor of Public Policy and Economics	University of Notre Dame
	Diane Schanzenbach	Public policy - education, health, and income support policy	Associate Professor of Public Policy	Northwestern University
	Craig Gundersen	Agricultural economics - food insecurity and food assistance policy	Professor of Agricultural Economics	University of Illinois
	James Lepkowski	Statistics - survey methodology	Professor of Survey Methodology	University of Michigan
	John Pepper	Quantitative economics	Professor of Economics	University of Virginia
	Michael D. Larsen	Statistics - applied Bayesian modeling	Associate Professor of Statistics	George Washington University
	David Frisvold	Economics - health and education economics	Assistant Professor of Economics	University of Iowa
<b>State Agency</b>	Robin Ziegler	School meals program management and assessment	Program Manager of Office of School and Community Nutrition Programs	Maryland Department of Education
	Robin Safley	School meals program management and assessment	Director of Division of Food, Nutrition, and Wellness	Florida Department of Agriculture & Consumer Services
	Howard Leikert	School meals program management and assessment	Supervisor of School Nutrition Programs	Michigan Department of Education
<b>Private Industry</b>	Sonya Kwon	Data analytics and financial analysis	Managing Director and Large Dataset Analytics Expert	Navigant

The MSG expert met for two two-day meetings in Washington, D.C. in April and May, 2015, and conducted four conference calls between March and October 2015. The panel members were provided with project background materials to review prior to the meetings and spent the in-person meetings and conference calls working together in a mix of full panel sessions and small group breakouts to develop new approaches to measure erroneous payments at the State level. After each meeting panel members were asked to send write-ups of their ideas and provide feedback on meeting summary documents developed by the MSG Team.

During one of the in-person panel sessions, two representatives of the Government Accountability Office met with the panel to discuss best practices in erroneous payments measurement.

After two in-person meetings and three conference calls, the panel reached a consensus on three erroneous payments measurement approaches, which they called the: I) Sample Approach, II) Model Approach, and III) Mixed Approach. The MSG Team wrote a summary of the three approaches, which is documented in Chapter 3 of this report. A summary of the three approaches was sent to eight SAs that agreed to review the approaches developed by the panel. The eight States provided feedback on the three approaches proposed by the panel. The States feedback is summarized in Chapter 4. A panel meeting was convened to discuss the States feedback and how it might affect the proposed approaches. Each panel member also had the opportunity to provide the MSG Team additional written comments on the States feedback.

The MSG Team recruited eight States to review the approaches to estimating erroneous payments developed by the panel. Eight States were selected to ensure sufficient review of the panel measurement approaches without requiring a Paperwork Reduction Act (PRA) clearance from the Office of Management and Budget (OMB) for federally sponsored data collections. PRA clearance is required when standardized data collection from 10 or more respondents is collected in response to a federally sponsored effort within a 12 month period. The eight States that volunteered to review the MSG expert panel's work were:

- Arkansas - Child Nutrition Unit, Arkansas Department of Education
- Florida - Division of Food, Nutrition, and Wellness, Florida Department of Agriculture & Consumer Services
- Indiana – School and Community Nutrition, Indiana Department of Education
- Kentucky - Division of School & Community Nutrition, Kentucky Department of Education
- Maryland - Office of School and Community Nutrition Programs, Maryland Department of Education
- Michigan – School Nutrition Programs, Michigan Department of Education
- New Mexico – Student Nutrition, New Mexico Public Education Department
- New York - Child Nutrition Program, New York State Education Department

Three of the eight States provided a representative to the panel and also reviewed the methodologies developed by the panel (i.e., Florida, Maryland, and Michigan). Five of the eight States did not have any interaction with the panel besides reviewing a summary of the

measurement approaches developed by the panel (i.e., Arkansas, Indiana, Kentucky, New Mexico, and New York).

The States invited to participate in the study were drawn from those that the MSG Team had existing relationships with or that FNS recommended.

### 3. The Three Erroneous Payments Measurement Approaches

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#### *Introduction*

This chapter provides a summary overview of three general approaches to estimating improper payments at the State level, developed by the MSG expert panel over the course of two two-day meetings in Washington, D.C. in April and May, 2015, and four conference calls completed between March and October, 2015.

The panel considered a variety of sample- and model-based approaches to estimating improper payments at the State level. Sample-based approach requires collecting primary data from a representative sample of SFAs within States to generate direct State-level estimates of improper payments. Consequently, conducting a sample-based approach can be costly and time consuming as researchers must collect additional data from SFAs (including families that applied for certification) to generate estimates of improper payments. Model-based approaches, which use existing data and statistical techniques to predict improper payment rates within SFAs, can be a cost-effective alternative because they do not require the collection of primary data. However, the accuracy of model-based approaches depends heavily on the type of existing data available, its quality, and its statistical relationship (i.e., correlation) to the underlying causes of improper payments within an SFA. The panel also considered a mixed approach with elements of the sampling and modeling approaches.

The panel weighed the strengths and weaknesses of sample, model, and mixed approaches when developing their recommendations for State-level estimates of improper payments. The panel also weighed the burden that the potential approaches might place on States, as well as the effect the potential approaches might have on participation in the NSLP and SBP. The MSG Team asked the panel to consider the following questions from the perspective of States in mind as they developed the approaches:

- Could your State collect the necessary information or data to implement each proposed approach?
- What do you believe are the steps by step actions your State would need to take to implement each proposed approach?
- What resources and level of effort, in terms of staff hours and any other direct costs, would be needed to implement each approach? What could be done to mitigate the burden over time?
- What are the barriers to implementing each approach?
- What is your perception of the accuracy of each approach?
- What recommendations does your State have to implement and/or improve each approach?
- Are there other approaches to estimating improper payments that should be considered?
- How helpful would State-level information on improper payments be for your State's efforts to reduce payment errors? What other kinds of information would be useful?

Given the complex nature of improper payments within the NSLP and SBP, and the limited time available to the panel to consider these important issues, the approaches detailed in this memo represent a starting point for FNS and States to collaborate on a workable approach for estimating improper payments at the State level. In some instances, States were not able to answer some of the above questions without additional research or information. The panel also stressed that the accuracy of these general approaches can, in most instances, only be verified with further research studies. Nevertheless, State feedback on these proposed general approaches, even at this early juncture, is critical to ensure that any future approach is ultimately useful and feasible for States.

## **Proposed Approaches for Estimating Improper Payments at the State Level**

### *Approach I: Sampling Approach*

#### *Overview*

The sampling approach utilizes the APEC methodology for estimating improper payments and payment errors and applies it to the State level. As described above, the APEC studies draw on a nationally-representative sample of students, schools, and SFAs from the coterminous United States. For the most recent APEC study, covering the 2012–2013 school year, researchers used a national sample of certified students (n= 3,761) and denied applicants (n= 611) drawn from 130 SFAs and 392 schools.<sup>7</sup> Researchers then used the following data sources, among others, to generate estimates of improper payments due to certification errors, meal claiming errors, and aggregation errors:

- In-person household surveys that collected information on household composition, income sources with supporting documentation, and the sampled student’s participation in NSLP and SBP.
- On-site observations in schools and school cafeterias that collected data to assess meal claiming errors, such as the type of items on a food tray, the transaction involved, who the meal was provided to (student versus other person), and whether the cashier recorded the tray as a reimbursable meal.
- Aggregation data on the counting, consolidating, and claiming of meal reimbursements for each sampled school and SFA.

Using this methodology, the sampling approach would generate State-level estimates of improper payments by:

- Drawing a representative sample of SFAs within each State. The exact number of SFAs to be included in the sample would vary, but the panel suggested selecting SFAs with probability proportional to student population size to ensure that larger SFAs have a greater chance of being selected.

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<sup>7</sup> U.S. Department of Agriculture, Food and Nutrition Service, Program Error in the National School Lunch Program and School Breakfast Program: Findings from the Second Access, Participation, Eligibility and Certification Study (APEC II). Retrieved from <http://www.fns.usda.gov/sites/default/files/ops/APECII-Vol1.pdf>

- Sampling schools and students within the sample of SFAs.
- Collecting data at the school and student level, similar to those data collected by APEC studies, that could be used to create direct estimates for each SFA on the extent of certification, meal claiming, and aggregation error. As described above, this would involve the administration of household surveys, observations in schools and school cafeterias, and the abstraction of relevant administrative data (e.g., free/reduced-price meal applications).
- Aggregating the estimates generated at the SFA level to produce State-level estimates.

### *Limitations of this Approach*

While this approach would likely produce the most reliable estimates of improper payments at the State level, it would also be the most expensive. Household surveys and data collection involving direct observation would require a large amount of State resources, both in terms of staff hours and financial resources, even if immediate costs were covered by USDA. In addition, these resources would need to be expended regularly in order to create periodic State-level estimates of payment errors. At the time of this writing, FNS has not yet indicated if funding would be available to States to support the implementation of this approach. Without such support, many panelists felt this approach would not be feasible for States to reliably and consistently implement.

### *Possible State, SFA, and School Responsibilities under this Approach*

State responsibilities under this approach could vary, depending on the manner in which the data collection and analysis efforts detailed above are ultimately undertaken. The panel discussed options for mitigating the potential resource burdens and financial burdens for States under this approach.

The panel considered, for instance, the possibility of States partnering with local universities or vendors to complete data collection activities, as many States lack the staff to complete household surveys or on-site observations. Many States may also lack staff familiar enough with statistics and survey sampling methodology to carry out the sampling approach. States could reduce their resource burdens by outsourcing some of the more technical and resource-intensive activities to a local university or vendor.

In addition, State- or SFA-led efforts to conduct household surveys may have a ‘chilling effect’ on NSLP or SBP participation, as those families selected for the survey may perceive the survey as punitive and withdraw from the program(s). Using a third party, such as a local university or vendor, could mitigate this potential problem by divorcing program improvement efforts from any program compliance efforts.

Although using a third party might help to mitigate some of the resource burdens identified under this approach, States would still be required to cover the cost of the data collection and analysis performed by a local university or vendor. This financial burden could be mitigated if

funding or other technical assistance support were made available by FNS. However, as noted above, FNS has not indicated if such support would be available.

The panel also considered centralizing the data collection and analysis efforts under this approach within FNS. FNS would direct the data collection efforts, most likely through a third-party vendor, and bear the cost of collecting and analyzing the necessary data from SFAs across all States. In this instance, the resource and financial burdens for States would be minimized, but not totally eliminated. SFAs and schools selected through the sampling procedure would still be required to work with data collectors and provide relevant information needed to generate estimates of payment errors. This could place a burden on school or SFA staff, who would need to coordinate review schedules, pull relevant data, and accommodate other requests from the data collectors or review team.

## *Approach II: Modeling Approach*

### *Overview*

The modeling approach uses 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 of all SFAs in the United States. To do this, the model relies upon a set of statistical assumptions about SFA characteristics, such as the number of free or reduced-price meals served or average household income of students, and their relationship to each of the three types of payment errors within the NSLP and SBP. These assumptions, once verified through additional research, can then be used to estimate or predict error rates in SFAs with a particular degree of certainty.

Generally, this approach would require:

- Collecting SFA-level information from the U.S. Department of Education, National Center for Education Statistics' Common Core of Data (CCD) database, Census-level information on the SFA population, SFA-level information on poverty, and administrative data collected from the FNS-742 SFA Verification Collection Report and Administrative Review process.
- Building models for predicting the three types of payment error—with one set of models created to use only CCD data, Census-level information, and SFA-level information on poverty, and another set of models created using data from the FNS-742 SFA Verification Collection Report and Administrative Review process.
- Predicting the three types of payment error for each SFA using the above models, beginning with models with the most available data.
- Conducting a study to validate the accuracy of these model estimates by comparing them to direct estimates generated for the same SFA, or an SFA with similar characteristics.

The SFA-level data used by these models would not be a direct estimate of aggregation, meal claiming, or certification error. Rather, the data used by this model would estimate the *likely* rate of error within an SFA, given the SFA's characteristics and given the statistical relationship between these characteristics and each type of payment error.

This modeling approach would be a relatively low-cost strategy for estimating improper payments at the State level, since the modeling is already being conducted as part of the APEC analyses and researchers could tabulate the existing model estimates by State.

### *Limitations of this Approach*

While modeling is a low-cost strategy for estimating improper payments at the State level, the accuracy of these models is not known without further study. The quality of the modeling approach depends on the availability of ‘predictor variables’—that is, the SFA characteristics used to estimate improper payments for all SFAs—and their statistical association with the amount of error observed in sampled SFAs.<sup>8</sup> Sources such as the FNS-742 SFA Verification Collection Report and CCD database are likely to have the information necessary to identify these predictor variables, but it would remain to be determined if such information is suitable for these research purposes.

At the same time, while the modeling approach would be less costly than other approaches proposed by the panel, the overall costs would not be insignificant. Additional studies would be required to validate any model produced, and additional revision to the model would likely be necessary. In addition, the panel noted that it might be necessary to develop multiple models given the differences between States and the differences over time as the NSLP and SBP change (e.g., the introduction of the Community Eligibility Provision), which would require additional studies to validate the models.

### *Possible State, SFA, and School Responsibilities under this Approach*

Additional responsibilities to States, SFAs, or schools under the modeling approach likely would be modest. The data used for this approach would come from already-required reports for schools and SFAs, while the data analysis and modeling would be conducted by FNS, most likely working with a contract vendor. Nevertheless, given the inconsistent nature of data collection and reporting across States, it is possible that this approach would require States to modify their data collection or reporting processes.

For instance, SFAs would likely be required to select a random sample of all NSLP and SBP applications approved by a local educational agency (LEA) when completing their annual income verifications. Alternative samples for income verification currently allowed under FNS statute, such as sampling only error-prone applications, would not provide the necessary information to generate State-level estimates of payment errors under the modeling approach.<sup>9</sup>

Similarly, it is possible that States would be required to transfer specific administrative data detailing SFA characteristics to a research vendor or FNS. This effort could be focused in nature,

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<sup>8</sup> A number of panel members also noted that the quality of the sampling approach also depends on the accuracy of the predicted error rates. The amount of error observed in sampled SFAs may itself be wrong or, more precisely, not reflective of all SFAs in a State. In such an instance, the ability of the model to produce accurate State-level estimates of error would be affected.

<sup>9</sup> The panel referred to the various sampling approaches for income verification detailed in 7 CFR §245.6a (c) (3-5) *Verification Requirements*. Section (c)(4)(i) provides an example of a sample size for income verification using a random sample of all applicants. Panelists reviewed this statute from the following link: <https://www.law.cornell.edu/cfr/text/7/245.6a>

requiring SFAs and States to transfer data only on those characteristics that are most predictive in estimating error rates (i.e., the key predictor variables identified by researchers). Thus, some State technology development might be necessary to transfer the data.

Although it is not possible to detail the specific types of data States would be required to provide under this proposed approach without further study, current model-based efforts to produce national estimates of improper payments within the NSLP and SBP offer some guidance. In the national study, data from a variety of sources—including the FNS-742 SFA Verification Collection Report, the CCD, Local Area Unemployment Statistics (LAUS), the American Community Survey (ACS), and administrative data from State agencies on school meals—provide district-level characteristics that are likely to be important predictors of erroneous payments. The data related to these characteristics would comprise the independent variables for the proposed estimation model.

The burden on States or districts to provide or transfer additional data under the proposed approach for estimating rates of error would be low. For instance, as with the national study, this approach would use independent variables constructed from data on the FNS-742 SFA Verification Collection Report, such as the number of schools operating the NSLP and/or SBP and number of NSLP and SBP applicants selected for verification—data that SFAs are already required to collect and report.

However, when constructing variables from administrative data on school meals for the national study, States were asked to modify their administrative data to, for instance, exclude information on other school nutrition programs such as the milk or snack programs, and to provide an SFA-level breakdown of some requested data.<sup>10</sup> Depending on the types of variables selected for use the proposed model-based approach, States may be required to make similar modifications to their data in order to develop State-level estimates of improper payments. Appendix 6 provides a table of variables constructed for the national-level estimates.

### *Approach III: Mixed Approach*

#### *Overview*

The mixed approach leverages an already-existing reporting requirement—the Administrative Review—to produce sample-based estimates of aggregation and meal claiming errors, as well as certification errors that occur when students are incorrectly certified by administrators (i.e., administrative error). It also uses either a sample-based or a model-based approach to estimate improper payments that occur due to errors in the reporting of household income by NSLP and SBP applicants (i.e., income reporting error).

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<sup>10</sup>Moore, Q., Gleason, P., and Ponza, M. “NSLP/SBP Access, Participation, Eligibility, and Certification Study: Econometric Model for Updating Estimates of Erroneous Payments in the NSLP and SBP. Final report submitted to the U.S. Department of Agriculture, Food and Nutrition Service, Office of Analysis, Nutrition, and Evaluation. Princeton, NJ: Mathematica Policy Research, Inc., June 2008. Retrieved from <http://www.fns.usda.gov/sites/default/files/APECEconometric.pdf>. Researchers leading the development of the national-level estimation model note in their report that many States did not provide the requested data or did not modify their administrative data in the manner requested by the research team. Researchers relied on imputation techniques to account for some of these missing data. However, for some modelling computations, the research team ultimately decided to rely on “more easily obtainable data from the FNS-742 and FNS national data files” (pg. 26).

Generally, this approach would require:

- Utilizing the existing process wherein States conduct Administrative Reviews of all SFAs participating in the NSLP and/or SBP at least once during each three-year review cycle, provided that each SFA is reviewed at least once every four years.
- Sampling additional schools within an SFA under Administrative Review in order to obtain error estimates at the SFA level or sampling additional schools outside of SFAs under administrative review in order to obtain State-level error estimates.
- Developing an abridged Administrative Review process for the additional schools sampled that focuses on collecting data used to provide direct estimates of meal claiming and aggregation errors (e.g. cafeteria or point-of-sale observations), as well as administrative certification error.
- Developing a statistical model to estimate certification error resulting from income reporting error using data from the FNS-742 SFA Verification Collection Report, similar to that discussed in the modeling approach, or utilizing a household survey to provide direct estimates of this type of error, similar to that discussed in the sampling approach.

Because it relies on already-required reporting by SFAs and the State, the mixed approach could be the best approach for receiving timely data from SFAs. However, this approach would require additional studies to evaluate the quality of data obtained from the Administrative Review process and the statistical properties of these data. It would also require SFAs and States to increase the number of schools that are reviewed under the Administrative Review process.

#### *Limitations of this Approach*

The panel noted a number of limitations to the mixed approach:

- Because the Administrative Review is conducted for each SFA once every three years, it would be difficult to provide annual estimates of erroneous payments at the State and SFA levels. Estimates could reasonably be provided once every three years or on a rolling basis.
- To estimate administrative certification errors, additional schools would need to be sampled within each SFA under Administrative Review.
- States would have to report the Administrative Review data reported on the FNS-640 Coordinated Review Effort form at the SFA level if SFA-level estimates or the distribution of errors among SFAs is desired.
- The Administrative Review process and FNS-640 form data are changing and it is unclear what exactly will be included in these new reports and forms.

One of the largest sources of erroneous payments—certification errors that result from family income reported on the NSLP/SBP application form—remains a problematic error to estimate in the mixed approach. It is unclear how accurate statistical modeling would be in estimating this particular type of error without additional research, although the panel noted that the verification results reported on the FNS-742 form would provide a relatively strong base of existing data for modeling. At the same time, more direct estimates of this type of error using household surveys

are not only expensive but, as many panelists noted, also affected by historically low response rates.

### *Possible State, SFA, and School Responsibilities under this Approach*

The mixed approach would require States to conduct additional, abridged Administrative Reviews of schools within SFAs under the Administrative Review process in order to make this information available to FNS. An abridged Administrative Review would likely entail only those Administrative Review activities related to meal claiming and aggregation errors within a school. State staff conducting an abridged Administrative Review at a school may still be required to observe lunchrooms in order to calculate meal claiming error, for instance, but staff would not be required to conduct a Resource Management comprehensive review.<sup>11</sup>

The mixed approach would potentially require States to coordinate or collect additional data on household income reporting in order to provide State-level estimates of one aspect of certification error. This is in addition to the requirements for schools and SFAs under Administrative Review. As noted above, the panel also discussed using a model-based approach to estimating certification error due to errors in household income reporting. However, the accuracy of this model could only be ascertained with additional research.

The Administrative Review process and accompanying reporting forms are currently undergoing revision by FNS. If a mixed approach may be used to estimate improper payments at the State level, it is beneficial for States to provide additional input and feedback on the types of data to be collected in the new process and reporting requirements.

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<sup>11</sup>When discussing the Administrative Review process, panel members referred to a series of forms, tools, and workbooks, including the Off-site Assessment Tool, the On-site Assessment Tool, SFA Summary Data (SFA-1), and the School Data and Meal Pattern Error Form, among others. These documents were retrieved from: <http://www.fns.usda.gov/nsfp/administrative-review-manual>

## 4. Feedback from the States

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### *Introduction*

MSG received responses from eight States that agreed to participate in the study to a MSG Team developed document summarizing the panel's three proposed approaches to measuring erroneous payments in the school meal program at the State level. The content of this chapter was largely developed from the original letter to the States that summarized the panel's proposed measurement approaches. The eight States that provided feedback are Arkansas, Florida, Indiana, Kentucky, Maryland, Michigan, New Mexico, and New York. This chapter presents the feedback provided by the States across to the questions provided in the letter to the states for each of the three approaches, the Sampling Approach (I), the Modeling Approach (II) and the Mixed Approach (III).

The questions posed to the States in the letter sent to them were:

1. Could your State collect the necessary information or data to implement each proposed approach?
2. What do you believe are the step-by-step actions your State would need to take to implement each proposed approach?
3. What resources and level of effort, in terms of staff hours and any other direct costs, would be needed to implement each approach? What could be done to mitigate the burden over time?
4. What are the barriers to implementing each approach?
5. What is your perception of the accuracy of each approach?
6. What recommendations does your State have to implement and /or improve each approach?
7. Are there other approaches to estimating improper payments that should be considered?
8. How helpful would State-level information on improper payments be for your State's efforts to reduce payment errors?

## Exhibit 4-1: Findings from the Feedback from the States

- State Agencies (SA) agree with the relative level of burden as presented in the memo: they believe the Sampling approach (I) is the most burdensome and the Modelling approach (II) is the least burdensome.
- SAs have limited to no resources to dedicate to supporting the proposed approaches. The implementation of any approach would require significant resources from FNS.
- More details about each approach are needed for estimation of effort levels by SAs and SFAs, specifically sample sizes and number of new data collection items.
- SAs indicated that FNS should lead and direct efforts to ensure that State-level estimates from different states are comparable.
- Any approach implemented would require staff training. A number of SAs indicated that small schools, private schools, tribal schools and charters would likely require intensive training.
- Depending on details of expanding the data collection protocols, some SAs seem open to approach II and III. However, the ability of SAs and SFAs to undertake these efforts seem limited and SAs indicated that SFAs would push back against further data collection activities.
- In approach I, States raised questions about sampling the state SFAs to provide reliable estimates of State-level IP due to expansion of Community Eligibility Provision and Direct Certification.
- SAs made suggestions about estimating IPs:
  - Potentially add Medicaid income verification in the direct certification process;
  - Consider using IRS (or from other agency) data to conduct income verification;
  - Use schools already participating in the Administrative Review (AR) to expand the data collection.

Respondents did not provide a lot of feedback regarding questions 7 (other approaches to estimating improper payments that should be considered) and 8 (helpfulness for State's efforts to reduce payment errors). For this reason, we present the responses briefly here. Question 7: Respondents did not provide alternative approaches to the ones proposed in the memo to the states, even though some SAs provided suggestions for enhancements for the proposed ones. Question 8: Florida indicated that State-level IP estimates, from whatever model, would provide the SA with trends that contribute to improper payments and facilitate target training opportunities and measures to assist SFAs in reducing errors. Maryland indicated that LEA verification data is already collected at district level. It does not seem that SAs saw many uses for State-level estimates of improper payments.

### *Approach I: Sampling Approach*

#### **Feasibility of Implementation**

While most respondents agreed that the sampling approach would provide the most accurate estimates, respondents supported the view that it would impose a heavy burden on the SAs. SAs stated that they (including their SFAs) would not have the capability both in funds and personnel to conduct the household surveys. For instance, New York (State, also NYS) stated that: *“If a state-level APEC were mandated within existing SFAs, there would not be adequate staff to complete all other mandatory activities and work productivity and high quality of outcomes could not be guaranteed.”* Michigan stated that *“Depending on the level of support from Food and Nutrition Services (FNS) (both guidance type support and financial), it will take significant effort at the state level to procure all of the desired information. Needless to say, this approach could not be done utilizing current SA staff.”*

Arkansas indicated this approach could not be implemented with SA staff, as there would be safety concerns in sending staff to survey households. In addition, the SA felt such an effort would discourage participation in the school meal program.

Responding SAs also noted all the data collection efforts associated with the programs that currently occupy SA and SFA staff. Kentucky indicated that *“With the majority of Kentucky’s SFAs implementing the **Community Eligibility Provision** with increased participation in both NSLP and SBP, and our sponsors’ practice of **monthly direct certification** downloads, an approach that includes conducting household surveys that collect household composition, income sources with supporting documentation and the sampled student’s participation in NSLP and SBP would not be the practical approach. This would be a very expensive approach and would require a large amount of resources and labor.”*

New York also noted that this approach would be very burdensome, especially if administered annually. New York noted what an effort such as an APEC-style survey would entail: *“In a state like NYS where there are over 1,200 SFAs operating in over 6,000 buildings, the required administrative oversight via the AR requires Child Nutrition staff to conduct at least 400 reviews annually in hundreds more buildings. Fully staffed, the 3-year AR alone consumes the majority of time to complete reviews. Add to this the mandatory 3-year Procurement Review that begins 2016-17 school year for many SFAs, the provision of annual training to meet the Professional Standards Continuing Education Mandates, the administration of Fresh Fruit and Vegetable Programs, Equipment mandates, there is virtually no staff time left to adequately commit to a state-level APEC without additional funding for staffing from FNS.”*

Florida indicated that while the household survey would be beyond the SA capacity, onsite observation could be added to the Administrative Review (AR) process. The SA would have the ability to submit aggregate data on counting consolidating, and claiming of meal reimbursements. Among the examples of similar work Florida cited were the FNS-742 and FNS-640 reports and the individual AR data.

SAs indicated that while it would be possible to conduct a state-based survey of households with additional USDA funds, they would likely have to rely on contractors and/or universities.

### **Action Needed to Implement Approach**

Respondents focused on different implementation issues associated with Approach I. While Kentucky noted that this would be an overwhelming endeavor that would require much coordination by a project manager, other respondents indicated the need for:

- A clear timeframe for implementation of the approach.
- Florida indicated that, for the onsite observation approach it proposes, it would need to create clear data collection criteria and reporting regarding what needs to be observed and what datasets to use for aggregation for each sampled school. The SA could use existing resources to facilitate onsite data collection, counting, consolidation, and claiming.
- Maryland listed financial resources and time to *“hire train, and equip additional personnel and procure resources to conduct surveys”*

- New York indicated that it would have to partner with a local university or private vendor to conduct the household survey under Approach I.

## Level of Effort

Most States had difficulty estimating a level of effort associated with the approach as many details about its implementation are not specified (e.g., sample sizes for the survey). Kentucky stated that the implementation would “*definitely require additional staff to conduct surveys and conduct onsite observations ...*”. Kentucky added that these additional staff would need to have an understanding of the APEC methodology. Michigan said: “*The exact number of hours of human resources that would be required to complete this work would be dependent on the number of SFAs, the number of schools in each SFA, the number of household interviews, and other variables that at this point, we are not aware of.*” Michigan also indicated that “*this approach would involve staff commitment from FNS as it would have to be on the receiving end of the data elements collected by various parties involved in such an approach, such as SAs, LEAs/ SFAs, SFA staff, students, parents/head of households.*”

## Barriers

In addition to the respondents’ consensus on the difficulty of having SAs implement the Sampling Approach without very significant financial support from FNS, Maryland listed as barriers: “*Lack of specifics on the amount of effort; financial barriers because of the unknown sample size; lack of household cooperation and language barriers; and the State Agency also has a philosophical difficulty with the household surveys since this approach is a barrier to the program and our mission.*”

States noted the lack of experience with projects of this nature on the part of their staff. For instance, Kentucky indicated that “*We also lack staff with knowledge of statistics and survey sampling methodology. This could be outsourced, but the outsourced vendor/university would still have to be managed. Again, without the knowledge, the state would likely have to outsource to another vendor for Independent Verification and Validation (IV&V) of the primary vendor’s work, again requiring state oversight. Enabling FNS to perform the work while minimizing oversight/involvement from the state would help minimize the acknowledged resource issues.*” States noted the difficulties related to drawing a representative sample due to the use of Community Eligibility Provision (CEP) within states. Kentucky said “*it might be difficult to draw a representative sample of SFAs within Kentucky due to the disparate skillsets, resources and geographic characteristics, particularly taking into account the high CEP adoption rate.*” Similarly, New York noted, “*In NYS, a good number of high-need large and small city school districts participate in LEA-wide in CEP, thereby changing the statistical pool in the State dramatically, especially if a “representative sample” is necessary for proper statistical evaluation. These entities could be sampled for the other two errors addressed by APEC but changes to the sampling methodologies would have to be considered to account for this.*”

Additionally, Indiana noted, “*While erroneous payments concern us all, the proposed methodology seems to be very much tied to the past in how it looks at the elements that can cause an erroneous payment. It seems overly tied to the Traditional (Paper) Application Process, and*

*errors made by families/parents/guardians. This is at a time that significant new models for determining eligibility are being emphasized and even encouraged such as Community Eligibility. The CEP approach makes many of the elements in the proposed model irrelevant. CEP will have its own vulnerabilities and opportunities for fraud or just unintended error, but they are very different than what is being investigated in the proposed models.”*

New York pointed out the administrative hurdles this approach would have to overcome: “... we would have to team with a local university or private vendor for the household survey sampling, but would need additional funding from FNS to do so. One problem with this Approach is that an RFP/IFB or MOU would have to be developed, at least in large states, to complete this task. The development of an RFP/IFB or MOU and the contract or memorandum of understanding approval process for this type of activity is a very time-consuming and onerous task, and one which would probably have to be conducted every few years. This is another staff commitment that should be considered when evaluating this approach.”

Michigan indicated that additional burden on local staff will create resistance: “*In addition to any additional data requests from FNS being problematic at the SA level, any significant burden at the LEA/SFA level will cause considerable pushback from LEA staff including the local food service director. Over the past three years, the challenges of operating successful School Nutrition Programs (SNP), has increased at an overwhelming rate. Adding any significant burden at the local level will not be met with a positive response. Any additional work placed at the local level should be de minimis in nature.”*

### **Perceptions of Accuracy of Approach**

Most respondents agreed that this would likely be the most accurate of the three approaches. As for its proposed onsite observation alternative, Florida noted that “*Observations of schools and schools cafeterias have been proven effective to measure Meal Claiming Errors.”*

### **Recommendations to Implement and/or Improve the Approach**

Maryland recommended that SAs not be involved in the implementation of any proposed approach as this is a different skillset than the one the SA staff possesses. It indicated that APEC researchers would be better suited to implement the approach.

Kentucky suggested financial support and the appointment of a regional office project manager as a means to improve the implementation of this approach.

NYS indicated that, were USDA to make the survey a requirement, it would be more efficient for states to use a statistical sample model provided by USDA. They noted that: “*For all approaches noted, we feel that the statistical sample model should be established and provided to states by USDA using the already established model employed by APEC I and II. If each state was expected to develop its own model, statisticians would be required, which most states probably do not have, and there would be no true assurance of consistency nationwide.”*

Along these lines, Michigan suggested that *“As time goes by, the frequency of implementing this approach could be adjusted accordingly as well as evaluating indicators of which states/cities/areas need the most technical assistance and follow up sampling reviews.”*

New York advised that *“The statistical model should ensure that the same SFAs are not sampled year after year after year and should provide enough guidance to yield confident results. We also feel that the best results would occur if states provide FNS with the data collected for analysis by FNS or an evaluation contractor. This would ensure that the analysis is consistent nationwide and that it mirrors previously conducted APEC I and II studies. It would probably be more cost effective in total to have FNS conduct the analysis using one vendor, than to have 50 states paying different vendors for the same activity.”*

## **Approach II: Modeling Approach**

### **Feasibility**

Kentucky stated that IT personnel were unable to respond about the feasibility of providing the data for the modeling approach, as such an assessment would require more details on exactly what type of data would be needed. Maryland shared that position as it would like to have a clearer picture of the data requirements under this approach. On the programmatic side, Kentucky indicated that the state could collect and analyze the data.

Florida indicated that it could provide data from FNS-742, FNS-640, and other sources. It also indicated that the SA needed a determination of whether SAs or FNS would be in charge of creating the models.

Michigan summarized the appeal and drawbacks of this approach as follows: *“This approach is very appealing as it uses data that is already being collected. Over the next few years, these documents already created could be changed to even better meet the requirements of a new system of minimizing improper payments without creating significant additional burden to SAs or SFAs. The downsides of this method, however, are significant. The accuracy and availability predictor variables are important. We also do not know at this point how many models may need to be created in order to have statistically accurate data to evaluate improper payment levels. As with the other approaches, FNS support will be necessary.”*

Arkansas indicated that currently collected data are not SFA-wide and additional schools would need to be reviewed for certification and benefit issuance, along with meal counting and claiming data. This would create additional costs for the SA and SFA. The collection of SFA-wide data is not a realistic expectation. It also indicated that expanding verification from the sample of applications used for the FNS-742 report would also be unrealistic for the SA.

### **Actions Needed to Implement the Approach**

SAs mentioned the training needs associated with adopting the Modeling Approach. In addition to training personnel to create and administer the model, local personnel would need to receive training on how to collect additional data. SFAs would possibly have to designate a point person

to be in charge of data collection and reporting. Personnel tasked with analysis would have to be trained to receive and analyze the data collected. States would have to revise their data collection systems, with associated costs. LEA staff would also have to be trained to collect new data.

Michigan indicated that to increase the information currently collected, the SA would have to incur costs associated with additional programming of the current data collection system. The SA noted that *“Michigan has a fairly robust data collection system to assist in obtaining information. Reviewing Appendix A [in the letter to the States], the vast majority of the data supporting the requested variables would be readily available using our IT systems. In stating this, the group must be cognizant of the fact that there is also likely valuable information that MDE [Michigan Department of Education] does not collect and would require some level of programming with associated costs. Modifying our systems is possible but depending on the complexity of the desired data, it can take sufficient periods of time to put in place an accurate and dependable process of pulling data at minimal costs. In addition, personally identifiable information adds a level of security risk.”*

### **Level of Effort**

Most States indicated that additional staff would be needed to implement this model, although because it is not yet clear what roles FNS or the SA would play, estimating the level of effort is not possible.

Appraising the level of effort, Michigan stated that *“While this method may pose some minor barriers, it certainly seems the overall burden on all parties (except FNS) would be minimized. It also is much less intrusive on our “customers” (parents, students, SFAs). It is unfortunate that this method is likely least accurate with true certification errors. On balance, however, it is a viable method of reaching reasonably accurate levels of improper payments.”*

### **Barriers**

In addition to the barriers in terms of resources (personnel) to implement this approach, States noted some difficulties the approach poses to generating IP estimates.

On the approach, New York noted: *“Although this method would have the least detrimental effect on state staffing and workloads, other than the provision of particular data to FNS annually, the data from FNS-742 and the economic data from the Common Core of Data is SFA self-report data, and is therefore ‘suspect’ without the household sampling that has been historically conducted as part of APEC. It should be noted that for states like NYS in the NE Region, that the school year does not begin until early September each year. With the USDA allowance for the 30 day carryover of previous year eligibility the FNS-742 data is not necessarily reflective of true error rates. USDA requires that the verification sample be drawn on October 1. In NYS, the 30-day carryover extends through as late as October 26 in some years. This significantly lessens the verification pool that must be chosen on October 1, and therefore could underestimate the error rate for certifications. The free and reduced price data contained in the Common Core of Data s from school reported free and reduced price eligibility at some point in the school year, possibly as of Basic Educational Data reporting (BEDS) day in NYS, which is the first week of October, and includes both previous year and current year data. The*

*BEDS reporting is prior to the conclusion of annual verification activities, so could overestimate the number of free and reduced price eligible students.”*

New York, along with New Mexico, noted that variety of school systems would create a barrier to implementation, particularly in private, charter, and Bureau of Indian Education schools. New Mexico stated that these different schools have different levels of knowledge, and they would need the most assistance implementing any of the approaches. New York said, *“Another problem with using Common Core Data (CCD) and even Census data for evaluation purposes in a state like NYS is that half of the 1,200 operating SFAs are public districts, while the other half are non-public schools operating independently. States have great discretion and therefore various ways of administering Child Nutrition Programs. Some states have county-wide districts, while others require non-public schools to operate under the public district of their locale. Gleaning data from the noted sources is more difficult for SFAs that are non-public operating independently as the data may or may not exist. It would, therefore, be difficult to assess state error rates based on the suggested data, in the absence of the data for some entities. It would also be difficult to have to use two different evaluation methods, one for public and non-public entities where data exists, one for the non-public entities where it does not.”*

### **Perceptions of Accuracy of Approach**

Florida indicated that this approach would not address all types of errors, including aggregation errors or meal claiming errors. New York is not convinced that estimates using this approach would be able to be projected to improper payments Statewide.

Michigan provided a detailed review of perceived shortcomings of implementing the Modeling Approach, *“Its accuracy would not be guaranteed while still entailing significant costs and uncertain accuracy would be attributable to validating, at this point, an unknown number of statistical models that may be necessary due to a variable of variables – urban, rural, enrollment, ethnicity, Community Eligibility Provision (CEP), level of state support, and poverty levels. In addition, should these multiple models be necessary, they may also need to be evaluated over time.”* Michigan also noted that the data available to be used in this approach has income reporting errors (inadvertent or not) as the level of verification at certification does not reach what is done in the APEC study. Instead, the State accepts applications’ reported income at face value without penalty (other than potential change in eligibility status).

### **Recommendations to Implement and/or Improve the Approach**

Florida indicated that to capture all payment errors that can lead to improper payments, this approach would need to include aggregation analysis and meal claiming errors. Kentucky suggested that FNS could provide the States with software for data collection and reporting to facilitate this approach.

Michigan suggested that new data collection fields be included in the current data collection efforts SAs and SFAs have to conduct. The recommendation stated, *“One of the more simple methods of collecting data currently not being collected would be to simply add a “few” more data fields to already existing data sources such as the FNS-640 and FNS-742. Some of this*

*information added to existing forms would come from data collected from ARs which, at this time, is our best way of evaluating SFA/LEA accuracy in requesting the proper amounts of reimbursement. This would be especially true in the areas of Aggregation Errors and Meals claiming errors.”*

Michigan indicated that *“SFAs chosen to participate and use their data would need to be selected carefully as the method for choosing the school(s) for an Administrative Review (AR) can vary, including error prone [methods] which could skew results. However, the use of existing data from multiple sources with only modest input from SFAs/SAs is an attractive, and I believe a fairly accurate method of obtaining required data.”*

### **Approach III: Mixed Approach**

#### **Feasibility**

As with other approaches, respondents indicated that resources are limited and that additional funding from FNS would be needed to implement a Mixed Approach. Florida described the role for the SA in the implementation of the Mixed Approach as follows: *“The SA could facilitate this approach during the three year AR cycle, sampling additional schools within the SFA or sampling additional schools of other SFAs under AR guidelines or a similar format. SA personnel could be deployed as part of the AR team in order to ensure that the additional data is collected during review cycle. For ease of data collection an established collection tool similar to the School Meals AR Tool could be created for familiarity. This additional data collection process can be simplified through having it appear seamless and familiar to an SFA. The SA could also facilitate the use of the FNS-742 report to obtain additional data from an SFA.”*

#### **Actions Needed to Implement the Approach**

The majority of the SAs indicated that training would be needed, with focus on aggregation and meals claiming error determination and the redesign of the data collection system. The training would also have to include staff familiarization with data collection and processes. Kentucky suggested as a first step the determination of how to best use the current compliance module to implement this approach.

#### **Level of Effort**

As with the previous approaches, a level of effort assessment would require further details on the approach. However, SAs indicated that this approach would require less effort in staff and resources for it uses an already available data collection source, the Compliance Module. Florida emphasized that *“this approach addresses all three types of payment errors. This approach would be familiar to SA and SFA staff and can easily be placed into existing processes.”* SAs stressed that their staff is already stretched thin with other compliance issues. For instance, Indiana is currently struggling to implement the new AR guidelines, which it feels have been changed without much warning to the states. Similarly, Michigan noted that: *“MI’s SNAP staff already have significant capacity issues with the many changes due to the Healthy, Hunger-Free Kids Act. Adding additional schools outside of the AR to evaluate for the purpose of identifying*

*improper payments would likely create an untenable situation for MI at its current level of support (funding) from the United States Department of Agriculture.”*

New York detailed the level of effort associated with this approach as follows: *“This approach, as with all approaches noted by the workgroup, proposes to add an abbreviated review in additional [school] buildings in the SFA receiving an AR. In NYS, almost half of the SFAs are one building SFAs. If additional buildings are required for the state-level APEC evaluation, then abbreviated reviews in these one-building SFAs may have to be conducted in years other than the AR year. This would put an additional burden on current staffing levels to conduct reviews additional to the 400 AR each year, in order to collect data for the state-level APEC.”*

According to New York, the mixed approach would have the shortcomings in the Sampling and Modeling Approaches in terms of burden on the SA and level of accuracy: *“Adding household surveys to the evaluation process for erroneous certification error under the Mixed Approach would be a burden to the NYS agency as noted previously under the Sampling Approach with all the same arguments. The gleaning of data from data sources noted in the modeling approach would present the same limitations as noted previously.”*

## **Barriers**

Most SAs identified lack of staff with research experience and overall lack of resources as major barriers.

Some States were concerned that the diversity of SFAs in the State is a barrier to implementation. New Mexico believes charter schools, schools affiliated with the Bureau of Indian education, and private schools need the most assistance to implement the approach. New York noted similar concerns.

Michigan noted that the 3-year window used in the AR process would not be a problem as there is consistency over time for most SFAs: *While some SFAs level of accurate claims may vary widely, the 3 year window, for most SFAs, I think would demonstrate fairly consistent results through the 3-year period. The SFAs most likely to have inconsistent records are small charter and private schools as there is typically a financial issue in having a full-time Food Service Director and there is significant turnover at these schools so training and technical assistance is an ongoing challenge to make sure compliance in all parts of the AR are followed.”*

Kentucky was concerned that that AR process changes too regularly and that to implement this approach, it would need to undergo additional changes.

Arkansas called attention to the fact that the new USDA AR is not finalized and that Arkansas is currently using a modified version of the previous Coordinated Review Effort (along with other States).

States said addition of schools for review, even using an abridged version of the AR, as prescribed by this approach would be barrier to implementation.

## Perceptions of Accuracy of Approach

Kentucky perceived this approach as the most accurate.

Michigan pointed out the Administrative Review process focused on 3 percent of applications. The SA was unsure whether this was sufficiently large sample for evaluation. It suggested looking at APEC for guidance.

New York noted that, *“Gleaning data from the mandatory AR process and new FNS-640 reporting method that would not substantially impact the existing workforce, as the addition of an onsite observation of meal service in another [school] building is really the only additional activity that would be required under this approach if a building other the one chosen for AR was generated in the statistical sample for APEC. While the workgroup felt that additional school level certifications would need to be sampled within the AR process to estimate administrative certification errors, the errors found during AR could be extended to the entire SFA rather than to just the buildings being reviewed as part of the AR. That is a way of estimating error rate for the entire SFA without doing additional work, and a reasonable way to estimate as you would not expect the errors in one building to be greater than the errors in another building because certification is an SFA-level responsibility, not a building level responsibility. Projecting the error rate over the entire SFA would provide a rate with greater confidence than to focus staff effort on additional certifications in a single building.”*

## Recommendations to Implement and/or Improve the Approach

Florida noted that *“Direct Certification has been proven a reliable source to capture many of the children who are in the free lunch category. An additional data collection point that could be used to certify children in free and reduced categories that collects verifiable income information is Medicaid. It could be used to capture the reduced population.”*

Kentucky’s recommendations focused on technical assistance from FNS to enhance the compliance module as part of the Mixed Approach.

Michigan proposed a practical solution to reduce the burden associated with this approach. The SA describes this solution as follows: *“I have previously suggested requesting permission from USDA/FNS to allow the SA utilizing this mixed approach to help determine improper payments to count the school being evaluated for improper payments to be one of the required schools being evaluated. For example, if USDA guidelines require the SA to review four schools in an SFA, that three schools would be evaluated under normal AR guidelines while the fourth would be allowed to be evaluated only under the requirements for helping calculate improper payments. This would minimize an additional burden while still providing necessary data. For SFAs that are a single school, a percentage of these SFAs would be evaluated only on AR guidelines and another percent would be evaluated only on the improper payment guidelines.”* The SA indicated that additional studies would be needed to determine the accuracy of this solution.

New York’s recommendations focus on the use of the AR review to generate estimates. It stated: *“We would suggest that if the Mixed Approach is deemed to be the most viable approach for*

*state-level APEC data collection, and the statistical model generates a one-building SFA for state-level APEC review, that the AR process, which includes certification evaluation, meal observation, and SFA and [school] building level claim data, be able to be used for state-level APEC purposes also.”*

Florida was concerned about the possible cost implications as a result of the review of additional sites. For this reason, the SA recommended that the data being collected as part of the survey not be considered part of the AR report.

### ***Final Overall Considerations***

Michigan indicated that, while it is not possible with the information provided to estimate the costs of implementing each approach, the focus should be on a cost-benefit analysis and a focus on certification error. It stated: *“In all approaches, there is an obvious need of some level of support from USDA/FNS. This support may be necessary for virtually all areas that will be impacted. As a SA, our capacity is currently strained and school food professionals across the state have absorbed additional duties and responsibilities over the past few years. This is not to say we should not aggressively try to make improvement in reducing improper payments in child nutrition programs. It is how we get there to be the major challenge and barrier as regardless, change will be required. The letter repeatedly states that while additional resources will be needed, there is no indication on the level of support from FNS. From my viewpoint, this should result in a careful cost/benefit analysis. For example only, if utilizing one of the above methods would require the placing of 2 full-time equivalents (FTEs) per state at a cost of \$200,000 (salary, benefits, travel, computer, etc.) per FTE, the national cost would be \$20,000,000. A lot of money, certainly, but a fraction (about 1%) of the \$1.9 billion in improper payments in a single school year, 2012-2013. In addition, regardless of the approach to funding this project, it may only be needed for a limited time as LEAs/SFAs adapt to the higher level of scrutiny.”* The SA SNP supervisor added that *“60 percent of the \$1.9 billion in improper payments are due to Certification Errors. It would make most sense to have this area be the focus of any of the three [methodology] plans chosen. The other two areas of error, Aggregation (minimal issue) and Meal Claiming, would not be ignored but the focus of the investment would be on certification errors.”*

Indiana noted that the proposed methodologies are tied to the past, to errors associated family/parent/guardian errors and the traditional appear application process. With the dissemination of the CEP has changed how eligibility is determined and these approaches do not seem to take that into consideration. Better understanding how CEP is associated with errors, whether schools with high error rates are more attracted to CEP and what that entails would be an interesting research avenue to pursue. Indiana does not feel that a State by State data would provide information of limited worth. SA is more concerned with a basic global understanding of the problem.

New York wondered whether changes to the verification process, currently under discussion by FNS would perhaps allow better estimates of error at the State level. New York stated, *“We understand that there is the possibility that USDA will be increasing the percent of applications to be verified and reported on the FNS-742 from 3 percent to 10 percent in upcoming years. If*

*that occurs, FNS may be able to assess with greater confidence the erroneous errors in household certifications at the state level, and therefore be able to pull this aspect out of the state-level APEC. Although FNS found through APEC I and II that some of the non-responders to the verification process were indeed eligible for free or reduced price meals, when changes in benefits occur as a result of verification, it is more likely that the benefits are decreased rather than increased when families provide evidence documents.”*

#### **Exhibit 4-2: Topics for Further Research**

1. Most SAs did not address uses for State-level improper payment estimates. The valued-added of producing these estimates did not seem to be clear to states. What uses for SAs would a State-level IP estimate have?
2. SAs suggest that parameters for any of the approaches be determined by FNS to ensure comparability of estimates across states. Along these lines, would it be more cost effective to use one vendor for Approach I across all states?
3. Each approach may be better suited to address a particular type of error. Considering the interaction between approach and estimation of different types of errors, should IP estimation focus on certification errors?
4. What are the implications of the expansion of CEP to estimating certification errors? Would a completely different approach (forward-looking) be considered for CEP SFAs? The implications of the relationship between CEP and error rates should be better understood.
5. SAs indicated that the expansion CEP in SFAs could pose challenges in selecting a representative sample of the state. How does CEP affect State-level IP estimation?
6. Potential expansion of percentage of schools selected for AR and its impact on State-level error estimates. Could errors estimated under current AR be extended to SFA without additional schools included in review?
7. One SA indicated that the 3-year window AR operates would provide accurate claims for most SFAs but not all. Would this issue be more pronounced in other states?
8. The implementation of an IP estimation approach as part of the AR could affect the method currently used to select SFAs for AR, such as the selection of error-prone SFAs for review.
9. Would the modeling approach be able to estimate misreported income in applications?

## 5. Project Limitations

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### *Introduction*

The purpose of this chapter is to consider limitations of this study to identify potential approaches to measure erroneous payments in the school meal program at the State level. The potential limitations of the study include:

- The limited time available for panelists to identify and investigate recommendations for estimating error in the NSLP and SBP given the scope and budget of the project
- The limited number of States recruited to provide feedback on the panel recommendations

### **The limited time allowed for panelists to identify and to investigate recommendations for estimating error in the NSLP and SBP given the scope and budget of the project**

A constraint in this study was the limited amount of time for the panelists to work together to develop recommendations for estimating error in the NSLP and SBP given the scope and budget of the project. Between March and October 2015, the panel members met for four full days in-person and participated in four conference calls that lasted between one to three hours each. The panel members also worked independently and remotely while reviewing various documents (e.g., the summaries of each meeting developed by the MSG Team, drafts of the letter sent to the States explaining the three measurement approaches recommended by the panel, the raw feedback and a summary of the feedback from the States to the panel's recommendations). Many panelists also submitted thought-pieces they or others had written with rest of the group. Despite all the panel meetings held and panel member interactions, with more time and budget for meetings and travel, the MSG Team believes it is possible the panel may have been able to develop other approaches or further refine the approaches summarized in this document.

### **The limited number of States recruited to provide feedback on the panel recommendations**

Another limitation of the study is the small number of States recruited to provide feedback on the panel recommendations. The MSG Team recruited eight State Agencies to review the panel's recommendations. Given the project's scope and relatively short schedule, the MSG Team sought to recruit a diverse mix of States without requiring a Paperwork Reduction Act (PRA) clearance from the Office of Management and Budget (OMB), which often takes between six to nine months.<sup>12</sup> The eight State Agencies that volunteered to review the MSG expert panel's work were Arkansas, Florida, Indiana, Kentucky, Maryland, Michigan, New Mexico, and New York.

Four other States that were invited to participate in reviewing the panel's recommendations declined the invitation. The States invited to participate in the study were States that the MSG Team had existing relationships with and States that FNS recommended. Nevertheless, the MSG Team and FNS sought to recruit States with a range of experiences and capabilities related to the

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<sup>12</sup> HHS website, Frequently Asked Questions About PRA / Information Collection, <http://www.hhs.gov/ocio/policy/collection/infocollectfaq.html#1>

school meal program. Since States vary significantly in their implementation of the NSLP and SBP and their research and technology capabilities, the inclusion of different or more States in the panel or in the review of the panel recommendations may have provided experiences and insights not captured in this report.

## 6. Summary and Future Considerations

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### *Summary of the Proposed Measurement Approaches*

This chapter provides a summary of the MSG expert panel's three proposed approaches to measuring erroneous payments in the school meal program at the State level. It also includes a discussion on future considerations needed to further build on the proposed approaches.

**Exhibit 6-1: Summary of the MSG Expert Panel’s Proposed Approaches to Measuring Erroneous Payments in the School Meal Program at the State Level**

	<b>Sampling Approach</b>	<b>Modeling Approach</b>	<b>Mixed Approach</b>
Description	<p>Surveys using samples of a population to make inferences about the population. The success of the research is dependent on the representativeness of the sample with respect to a target population of interest to the researcher.</p> <p>The sampling approach utilizes the APEC methodology for estimating improper payments and payment errors and applies it to the State level. The APEC studies draw on a nationally-representative sample of students, schools, and SFAs from the coterminous United States.</p>	<p>Models are abstract simplifications of the systems they represent in order to focus on the primary performance elements of the systems.</p> <p>The modeling approach uses 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 of all SFAs in the United States. To do this, the model relies upon a set of statistical assumptions about SFA characteristics, such as the number of free or reduced-price lunches served or average household income of students, and their relationship to each of the three types of payment errors within the NSLP and SBP. These assumptions, once verified through additional research, can then be used to estimate or predict error rates in SFAs with a particular degree of certainty.</p>	<p>The mixed approach leverages an already-existing reporting requirement—the Administrative Review—to produce sample-based estimates of aggregation and meal claiming errors, as well as certification errors that occur when students are incorrectly certified by administrators (i.e., administrative error). It would probably use a model-based approach to estimate improper payments that occur due to errors in the reporting of household income by NSLP and SBP applicants (i.e., income reporting error).</p>
Approach	<ul style="list-style-type: none"> <li>• In-person household surveys collect information on household composition, income sources with supporting documentation, and the sampled student’s participation in NSLP and SBP.</li> <li>• On-site observations in schools and school cafeterias collect data to assess meal claiming errors, such as the type of items on a tray, the transaction involved, who the meal was provided to (student versus other person), and whether the cashier recorded the tray as a reimbursable meal.</li> <li>• Aggregation data on the counting, consolidating, and claiming of meal reimbursements for each sampled school and SFA.</li> </ul>	<ul style="list-style-type: none"> <li>• Collecting SFA-level information from the U.S. Department of Education, National Center for Education Statistics’ Common Core of Data (CCD) database, Census-level information on the SFA population, SFA-level information on poverty, and administrative data found in the FNS-742 SFA Verification Collection Report and Administrative Review process.</li> <li>• Building models for predicting the three types of payment error—with one set of models created to use only CCD data, Census-level information, and SFA-level information on poverty, and another set of models created using data from the FNS-742 SFA Verification Collection Report and Administrative Review process.</li> <li>• Predicting the three types of payment error for each SFA using the above models, beginning with models with the most available data.</li> <li>• Conducting a study to validate the accuracy of these model estimates by comparing them to direct estimates generated for the same SFA, or an SFA with similar characteristics.</li> </ul>	<ul style="list-style-type: none"> <li>• Utilizing the existing process wherein States conduct Administrative Reviews of all SFAs participating in the NSLP and/or SBP at least once during each three-year review cycle, provided that each SFA is reviewed at least once every four years.</li> <li>• Using a random sample of schools is preferable to error prone sampling to make better inferences about the population of schools.</li> <li>• Sampling additional schools within an SFA under Administrative Review in order to obtain error estimates at the SFA level or sampling additional schools outside of SFAs under administrative review in order to obtain State-level error estimates.</li> <li>• Developing an abridged Administrative Review process for the additional schools sampled that focuses on collecting data used to provide direct estimates of meal claiming and aggregation errors (e.g. cafeteria or point-of-sale observations), as well as administrative certification error.</li> <li>• Developing a statistical model to estimate certification error resulting from income reporting error using data from FNS-742 SFA Verification Collection Report, similar to that discussed in the modeling approach, or utilizing a household survey to provide direct estimates of this type of error, similar to that discussed in the sampling approach.</li> </ul>

	<b>Sampling Approach</b>	<b>Modeling Approach</b>	<b>Mixed Approach</b>
Implementation	<ul style="list-style-type: none"> <li>• Drawing a representative sample of SFAs within each State. The exact number of SFAs to be included in the sample would vary, but the panel suggests selecting SFAs with probability proportional to student population size (to ensure that larger SFAs have a greater chance of being selected).</li> </ul> <p>The precision of the estimates would have to be specified; estimates may not need to meet the same standards that OMB requires of national estimates</p> <ul style="list-style-type: none"> <li>• Sampling schools and students within the sample of SFAs.</li> <li>• Collecting data at the school and student level, similar to those data collected by APEC studies, that could be used to create direct estimates for each SFA on the extent of certification, meal claiming, and aggregation error. As described above, this would involve the administration of household surveys, observations in schools and school cafeterias, and the abstraction of relevant administrative data (e.g., free/reduced-price meal applications).</li> <li>• Aggregating the estimates generated at the SFA level to produce State-level estimates.</li> </ul>	<p>Use 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 of all SFAs in the United States.</p> <p>Identify a set of statistical assumptions to estimate or predict error rates in SFAs with a particular degree of certainty. The assumptions would relate to SFA characteristics, such as the number of free or reduced-price lunches served or average household income of students, and their relationship to each of the three types of payment errors within the NSLP and SBP.</p>	<p>The SA could facilitate this approach during the three year Administrative Review cycle, sampling additional schools within the SFA or sampling additional schools of other SFAs under AR guidelines or a similar format. SA personnel could be deployed as part of the AR team in order to ensure that the additional data is collected during review cycle. For ease of data collection an established collection tool similar to the School Meals AR Tool could be created for familiarity. This additional data collection process can be simplified through having it appear seamless and familiar to an SFA. The SA could also facilitate the use of the FNS-742 report to obtain additional data from an SFA.</p>
Feasibility	<p>The sampling approach would provide the most accurate estimates, but it would impose a heavy burden on the SAs. SAs stated that they (including their SFAs) would not have the capability both in funds and personnel to conduct the household surveys.</p>	<p>This approach uses data that is already being collected. However, currently collected data are not SFA-wide and additional schools would need to be reviewed for certification and benefit issuance, along with meal counting and claiming data. This would create additional costs for the SA and SFA. The collection of SFA-wide data would be a challenge. Expanding verification from the sample of applications used for the FNS-742 report would also be difficult for SAs.</p>	<p>SAs indicated that resources are limited and that additional funding from FNS would be needed to implement a Mixed Approach. SAs could facilitate this approach during the three year Administrative Review cycle, sampling additional schools within the SFA or sampling additional schools of other SFAs under AR guidelines or a similar format. SA personnel could be deployed as part of the AR team in order to ensure that the additional data is collected during review cycle.</p>
Accuracy	<p>Likely to be the most accurate of the three approaches</p>	<p>The Model Approach's accuracy is difficult to determine without verification and validation studies. An unknown number of statistical models may be necessary due to a variety of variables – urban, rural, enrollment, ethnicity, Community Eligibility Provision (CEP), level of State support, and poverty levels.</p>	<p>Likely to be more accurate than Modeling Approach and less accurate than Sampling Approach</p>
Limitations	<p>While the Sampling Approach would likely produce the most reliable estimates of improper payments at the State level, it would also be the most expensive. Household surveys and data collection involving direct observation would require a large amount of State resources, both in terms of staff hours and financial resources, even if immediate costs were covered by FNS or USDA. In addition, these resources would need to be expended regularly in order to create annual</p>	<p>While modeling is a relatively low-cost strategy for estimating improper payments at the State level, the accuracy of these models is not known without further study. The quality of the modeling approach depends squarely on the availability of “predictor variables”—that is, the SFA characteristics used to estimate improper payments for all SFAs—and their statistical association with the amount of error observed in</p>	<ul style="list-style-type: none"> <li>• Because the Administrative Review is conducted for each SFA once every three years, it would be difficult to provide annual estimates of erroneous payments at the State and SFA levels. Estimates could reasonably be provided once every three years or on a rolling basis.</li> <li>• To estimate administrative certification errors, additional schools would need to be sampled within each SFA under Administrative Review.</li> </ul>

	<b>Sampling Approach</b>	<b>Modeling Approach</b>	<b>Mixed Approach</b>
	State-level estimates of payment errors. At the time of this writing, FNS has not yet indicated if funding would be available to States to support the implementation of this approach. Without such support, many panelists feel that this approach would not be infeasible for States to reliably and consistently implement.	sampled SFAs. Sources such as the FNS-742 SFA Verification Collection Report or the CCD database are likely to have the information necessary to identify these predictor variables, but it would remain to be determined that such information is suitable for these research purposes.	<ul style="list-style-type: none"> <li>• The State would have to report the Administrative Review data reported on the FNS-640 form at the SFA level if SFA-level estimates or the distribution of errors among SFAs is desired.</li> <li>• The Administrative Review process and FNS-640 form data are changing and it is unclear what, exactly, will be included in these new reports and forms.</li> </ul>
Barriers	SAs lack experience in planning and implementing large sampling efforts. SAs expressed concern about potential lack of household cooperation and language barriers.	The variety of school systems creates a barrier to implementation, particularly for private and charter schools. Additionally, States have great discretion and therefore various ways of administering Child Nutrition Programs. Some States have county-wide districts, which may be large and diverse, while others require non-public schools to operate under the public district of their locale. Collecting data is more difficult for SFAs that are non-public and operating independently. It would, therefore, be difficult to assess State error rates based on the suggested data, in the absence of the data for some entities. It would also be difficult to have to use two different evaluation methods, one for public and non-public entities where data exists, one for the non-public entities where it does not	<p>Most SAs identified lack of staff with research experience and overall lack of resources as major barriers.</p> <p>Some States were concerned that the diversity of SFAs in the State is a barrier to implementation. Some SAs believe charter schools and private schools need the most assistance to implement the approach.</p>
Further Considerations	SAs are not suited to implement the sampling approach as it requires a different skillset than those that SAs possess. Contractors capable of APEC-like studies would be better suited to implement the approach. With separate studies for each State, the overall resources needed may be prohibitively high.	The modeling approach relies on data already collected by States, but the collected data does not sufficiently cover SFAs for the purposes of modeling erroneous payments. This approach requires multiple statistical assumptions and 'predictor variables' suited to the characteristics of various SFAs and its accuracy must be validated.	The mixed approach, while more accurate than the modeling approach, rests of the quality of data obtained from the Administrative Review process and the statistical properties of these data. It would also require SFAs and States to increase the number of schools that are reviewed under the Administrative Review process, which would be challenging for the States.

## *Future Considerations*

The MSG expert panel was formed to propose strategies to provide State-level estimates of the extent of erroneous payments in the school meal program. The sampling approach was proposed to represent the approach that the panel believed would produce the most accurate estimates of erroneous payments without any consideration of the cost to obtain these estimates. While the panel did not produce precise estimates of the cost of this approach, the ‘back-of-the-envelope’ calculations produced by panel members and the costs of the APEC studies suggested the cost of the approach to both FNS and the State agencies would be so significant that it was doubtful that the benefits of pursuing this approach or even a pared down version of this approach could be justified.

FNS needs to consider how the State-level estimates will be used by FNS and States in the management of the school meal program. Knowing how the estimates will be used is crucial in determining the level of accuracy in the estimates that will be needed and the benefits of pursuing one strategy over another strategy. For example, if the estimates are being used to decide where FNS might direct additional administrative resources to States, the accuracy of the modeling approach might be viewed as being sufficient. However, if the purpose has higher stakes for the States (for example, penalizing States with high rates of erroneous payments) higher levels of accuracy might be required that might only be able to be provided by the sampling and/or mixed approach(es). Depending on FNS’s purposes and the perceived benefits of the erroneous payments estimates, even some version of the sampling approach might pass a benefits to cost comparison.

The panel questioned the utility to the States of knowing only how they ranked relative to other States for the management of their programs. If a State’s estimated rate of erroneous payments was found to be higher than average, other than knowing they should do something to improve their efforts, it is unclear how the estimate would help the State improve. Certainly, States could look to other States with lower rates of erroneous payments and try to mimic them, but that may not be sufficient. What seems to be more important is to understand how the rate of erroneous payments varies within their State so as to target their efforts on ‘trouble spots’ within their State. And even then, not all of the factors that affect the rate of erroneous payments within an SFA may be within a State’s control.<sup>13</sup>

### **Measurement Accuracy**

While the choice of sample design will affect the ultimate accuracy of the sample approach, the accuracy of the model and mixed approaches are largely unknown in the absence of other research outside the scope of this project. Currently a modeling approach is used to produce annual estimates of erroneous payments at the national level. The validation studies of the modeling error that are possible by comparing APEC I and II might have been instructive for this panel’s deliberations but were not available to the panel. These studies would not produce confidence bounds for the model’s estimates, but could inform how well model estimates can predict future estimates of erroneous payments even when policy is dramatically changing the

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<sup>13</sup> Environmental factors related to the community served are not within a State’s control. Some program characteristics, such as the decision to use of direct certification, are within a State’s control.

landscape. For example, CEP was introduced during the interval between APEC I and II. The potential appeal of the mixed approach is that it attempts to incorporate more timely direct estimates of non-certification payment errors into the estimation strategy. However, it should be noted that modeling and mixed approaches will rely upon the modeling of certification errors using data that is collected only periodically and will be nationally representative but not representative of any given State or group of States. Additional research would be needed to examine the accuracy of the modeling and mixed approaches at the State level and the validity of the modeling in each State over time.

### **Level of State Involvement**

The level of needed State involvement varies across the three approaches. As described to the States, the burden of implementing the sample approach may be entirely placed upon their shoulders. Their reaction to this idea was not surprising. They acknowledged that they didn't have the resources or ability to undertake this approach. Even if they were given the financial resources to undertake the needed sampling and analysis, they admitted that they would likely have to contract with outside third parties (universities or contractors). Some States doubted their ability to manage the technical aspects of such contracts. From the panel's perspective the use of third parties to undertake the data collection would be preferable to the States doing so since it would likely minimize the 'chilling effect' that the contact may have on eligible families' decisions to participate in the school meal program. Relying upon States to produce their own estimates of erroneous payments also raises the issue of comparability of estimates between States. To the extent that States or the third party acting on behalf of the State employ different sampling strategies or assumptions in their analysis of the data, comparability becomes more of an issue. If comparability of State estimates is desired then FNS should expect to have to establish a common survey and analytical methodology and monitor its implementation. Given the cost, it might be preferable to reduce the role the State and local SFAs to the role that they play in the current APEC studies.

The States have a limited role in the implementation of the model and mixed approaches. Common to both these strategies is that certification errors will be modeled. In the model approach, non-certification payment errors will be modeled while in the mixed approach, data from the Administrative Review process will be utilized to construct 'direct' estimates of non-certification errors. The panel envisioned that FNS or a contractor would be assigned the responsibility of producing the estimates using data supplied by the States for the model and mixed approaches.

### **Data Collection and Analysis Efforts**

In the model and mixed approaches, the modeling estimates would use data currently supplied by States including summaries of the income verification surveys conducted by the SFAs. Currently SFAs can employ one of two different sampling strategies for income verification: random sampling or an error prone sample. The panel suggested that instead of giving SFAs a choice all SFAs should employ a random sample not only of students who were certified but also including students who were denied on the basis of their applications; in other words the States would randomly sample from the population of students who applied for the program. The panel did not

believe that the States sufficiently addressed this portion of the proposal to have a good reading of any potential reaction to the requirement that States move away from employing an error prone sampling. While it was suggested by the State representatives on the panel that random sampling may actually be easier to implement than an error prone sample, the responses from the eight States didn't provide guidance on the importance an error prone sample plays a role in their management strategy. The panel suggested that FNS further explore this issue. (MPR's national modeling effort utilizes the income verification data submitted by the State to FNS but the panel believe that the predictive power of the model would be improved if all data were collected in the same manner.)

The mixed approach was proposed to be an enhancement over the model approach by asking States through their Administrative Review process to provide data that could be used to estimate the State's rate of non-certification payment errors. These 'direct' estimates of non-certification payment errors would then be combined with the estimates of certification errors derived from a modeling effort. While in theory the collection of the needed data could be accomplished through the Administrative Review, problems arise due to the scheduling of the reviews within the State. Given that in any year SFAs are not randomly chosen but chosen on a schedule so that every SFA is reviewed at least once every four years, there is no reason to believe that annual estimates of non-certification errors at the State level will be unbiased. In order to construct unbiased estimates, the panel recommended that additional schools and SFAs be sampled to undergo a 'simplified' review so when these SFAs are combined with those SFAs that are undergoing their scheduled review the resulting combined sample would be closer to a random sample and sufficient size to construct sufficiently accurate estimates of non-certification payment errors. While the States might be expected to carry out these additional but shorter reviews, it is not reasonable to expect the States to have the capability to determine how to select or determine the additional number of SFAs to review. The panel suggested this is an area in which FNS would have to provide some additional technical assistance to all States. The panel didn't have sufficient time to fully explore the complete implications of using the Administrative Review process as a source of information on the extent of non-certification payment errors but felt it was a promising avenue to pursue. Given that the States were somewhat receptive to the idea, the panel recommend that FNS fund additional studies to further explore how the Administrative Reviews could be used.

Even within the mixed approach, certain decisions affect the usefulness of the approach and the willingness to undertake it. If the estimates are annual, the mixed model becomes somewhat more burdensome, An alternative solution might be to provide estimates once over a longer time period, such as State-level estimates once every three years. Whether or not this is a reasonable solution depends upon the uses for which these estimates are developed.

### **State Concerns**

While no one disputes that the extent of erroneous payments at a national level should be a concern and deserves attention by policymakers both at the federal and State levels, the States expressed a level of frustration in their feedback to the proposed approaches. The States believe that they have to cope in an ever-changing policy environment and State-based estimates would be perceived as another obligation for them to complete when they are having difficulty meeting

their current obligations. Many States realize that the largest source of errors is certification errors associated with application forms submitted by households. But as States rely more on direct certification and programs such as CEP, States believe certification errors will decline. One State even noted that they viewed the approaches as being framed by an out-of-date vision of the application and certification process being used in the meals program. The research being conducted for the APEC III study may answer the question of whether the States are correct in their assumptions about the effect that CEP changes will have on certification errors. A simple but helpful study would be to examine the variation in how SFAs administer the application and certification process across the nation. Important questions such a study could answer include: Are the States correct that the old process is used by a decreasing number of SFAs? If so, what are the characteristics of those SFAs compared to SFAs using new processes? The panel encouraged FNS to undertake such research.

The panel noted that States need to buy into the need to measure erroneous payments for them to supply quality data to FNS. The level of frustration the panel noted in some of the State's responses does not suggest that all States would supply the effort needed to produce sound estimates, without substantial oversight from FNS. The panel suggested that prior to requesting any increased effort by States to either change their current data collection efforts or collect more data, FNS should consider ways to achieve the cooperation from the States.

## Appendix 1: Feedback from States that Reviewed the MSG Expert Panel's Measurement Approaches

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MSG received responses from eight States regarding a letter MSG sent the States summarizing the panel's three proposed approaches to measuring erroneous payments in the school meal program at the State level. The eight States that provided feedback are:

1. Arkansas
2. Florida
3. Indiana
4. Kentucky
5. Maryland
6. Michigan
7. New Mexico
8. New York

MSG informed the States that they could provide feedback in whatever format was most convenient for them. Some States provided their feedback in the body of an email, other States provided formal responses on agency letterhead, and one State provided their feedback in an Excel file. The raw feedback from the States is provided in this section with minor formatting changes to integrate the feedback into this document.

### *Arkansas*

Arkansas Department of Education/Child Nutrition Unit (ADE/CNU) agreed to participate in the phone call on September 9<sup>th</sup> to gain information related to the State Agency's (SA) participation in the review of the three approaches proposed by the panel to measure erroneous payments at the State-level. ADE/CNU cannot, at this time, commit SA funds or staff time to this study. The unanswered questions as to an estimated amount of funds needed to cover the expenses of the study or the amount of staff time involved to complete the study would be issues for both the SA and the SFA's reviewed.

ADE/CNU has the below comments related to the three approaches described in the announcement letter and the phone call:

- The unanticipated cost expected of the SA in both money and staff time is difficult to plan participation in the study. With SAE funds and staff time already stretched to the limit in Arkansas both these factors would be a barrier in Arkansas.
- The collection of SFA data not already collected by the SA would be an issue for ADE/CNU,  
Ex: certification and benefit issuance information along with meal counting and claiming data is currently not collected SFA-wide. The collection of SFA-wide data on all reviewed SFA's during the review cycle is an unrealistic expectation of the SA.

- With **Approach I** being described as the most expensive and time consuming with information needed makes this approach start out as a negative. ADE/CNU has an issue with the unknown cost to develop a household survey as well as ADE/CNU would not send State Agency Staff or ask SFA's to send District Staff out into a community to conduct these household surveys because of the possible security for staff safety. ADE/CNU agrees when these type surveys are sent to households for completion many households decide not to apply for benefits because the household is afraid other possible benefit for the family might be affected.
- It appears that **Approach II** is only slightly different from Approach I in that a third party be hired (an additional cost) to gather the data. Even though the data is stated to come from already required reporting, the data is not SFA-wide, requiring additional schools to be review for certification and benefit issuance information along with meal counting and claiming data. Creating additional cost to be taken on by the SA and the SFA.
- As USDA knows, the FNS-742 aggregate data reported for enrollment and eligibility status, is only from a sample of the applications received by the SFA. The requirement for a SFA to verify all income applications would be an unrealistic expectation.
- **Approach III** described as a mix of the other two Approaches' and to utilize already existing reporting. The main barrier to this approach would be the requirement to conduct a review of additional schools during a monitoring review, even though it was describes as an abridged review. USDA's new Administrative Review is not finalized and there are states that are currently conducting a modified version of the previous Coordinated Review Effort, Arkansas being one of those states.

Possible solutions:

- USDA already uses verified SNAP data to automatically qualify a household for benefits through direct certification, could information submitted to the IRS or some other government agency that currently collects economic data not also be used to establish household eligibility.
- Universal meals for all students might need to be revisited. The NSLP/SBP's are being forced into a feeding program for only economically disadvantaged students rather than a feeding program for all children.

## *Florida*

### **Approach I: Sampling Approach**

#### **1. Could your State collect the necessary information or data to implement each proposed approach?**

The in person household survey would be beyond state agency capacity; however, on-site observations are within state agency capacity. The State Agency (SA) would need a template or resource to be created to generate a site sampling. The SA would also need to know whether or not this form of observation would be in conjunction with the Administrative Review (AR) selected sites. The SA has the ability to submit aggregation data on the counting, consolidating, and claiming of meal reimbursements. Examples of this include, but are not limited to, the SA FNS-742 report, the SA FNS-640 report or

individual AR data. The SA would need a template of information/data sets requested and the creation of the sampling would need to be established.

**2. What do you believe are the steps by step actions your State would need to take to implement each proposed approach?**

An in person household survey would be beyond SA capacity. The specific criteria of data collection with formatting need to be created by FNS or the SA (needs to be determined) for the on-site approach. The SA could use existing resources to facilitate an on-site approach for data on the counting, consolidating, and claiming. The SA would also need established mechanisms for collecting and reporting the appropriate data.

**3. What resources and level of effort, in terms of staff hours and any other direct costs, would be needed to implement each approach? What could be done to mitigate the burden over time?**

The SA could utilize current resources to facilitate an on-site approach to collect the data regarding counting, consolidating, and claiming of meal reimbursement for each sampled pool and SFA. Staff hours would need to be determined once final details are established for the approach.

**4. What are the barriers to implementing each approach?**

The SA would need to receive expected timeframes to implement the approach.

**5. What is your perception of the accuracy of each approach?**

From a SA perspective, observation of schools and school cafeterias has proven to be effective measure of Meal Claiming Errors.

**6. What recommendations does your State have to implement and/or improve each approach?**

Establish a team that could conduct in person survey. Provide a detailed synopsis to the SA to outline all criteria needed to be observed in the schools and school cafeterias. Provide pointed data sets needed for collection for the aggregation data for each sampled school within the SFA.

**7. Are there other approaches to estimating improper payments that should be considered?**

Direct Certification has proven to be a reliable source to capture many of the children who are in the free lunch category. What other data collection points could be used to certify children in free and reduced categories that already collect verifiable income information? One possibility is expanding the Medicaid direct certification to capture the reduced population.

**8. How helpful would State-level information on improper payments be for your State's efforts to reduce payment errors? What other kinds of information would be useful?**

This information collected from this approach would assist in facilitating targeted training opportunities and create proactive measures to assist SFAs in reducing errors.

Other useful information for the SA would be to show trends that commonly contribute to improper payments.

## **Approach II: Modelling Approach**

**1. Could your State collect the necessary information or data to implement each proposed approach?**

Creation of the data model utilizing the exemplified data sets will need to be established by FNS or the SA. If the SA would be tasked to create the model, the SA will have to employ the appropriate personnel with those skill sets to appropriately oversee the study and analyze the variables. Would the modeling approach need to be established nationwide to be consistent or effective? The SA could provide data from the FNS-742 and any additional data needed for collection including the FNS-640. The SA would need to know if models for prediction would be established by FNS or need to be created at the SA level.

**2. What do you believe are the steps by step actions your State would need to take to implement each proposed approach?**

Identify the key personnel to create and administer the model. Train and inform the SFAs involved for the additional data collected. The SA would designate a point person or team for collecting and reporting the data.

**3. What resources and level of effort, in terms of staff hours and any other direct costs, would be needed to implement each approach? What could be done to mitigate the burden over time?**

The SA would need to designate dedicated state staff members to ensure that all data is collected from the SFA and reported in a consistent format. FNS or SA will need to establish who will be creating the models and who could administer and validate the study. Staff hours would need to be determined once final details are established for the approach.

**4. What are the barriers to implementing each approach?**

The SA would need to receive expected timeframes to administer the approach.

**5. What is your perception of the accuracy of each approach?**

This approach does not address aggregation errors or meal claiming errors.

**6. What recommendations does your State have to implement and/or improve each approach?**

To capture all payment errors that contribute to improper payments, this approach would need to include aggregation analysis and meal claiming errors.

**7. Are there other approaches to estimating improper payments that should be considered?**

Direct Certification has proven to be a reliable source to capture many of the children who are in the free lunch category. What other data collection points could be used to

certify children in free and reduced categories? One possibility is expanding the Medicaid direct certification to capture the reduced population.

**8. How helpful would State-level information on improper payments be for your State's efforts to reduce payment errors? What other kinds of information would be useful?**

This information collected from this approach would assist in facilitating targeted training opportunities and create proactive measures to assist SFAs in reducing errors. Other useful information for the SA would be to show trends that commonly contribute to improper payments.

**Approach III: Mixed Approach**

**1. Could your State collect the necessary information or data to implement each proposed approach?**

The SA could facilitate this approach during the three year Administrative Review cycle, sampling additional schools within an SFA or sampling additional schools of other SFAs under AR guidelines or a similar format. SA personnel could be deployed as part of the AR team in order to ensure that the additional data is collected during review cycle. For ease of data collection an established collection tool similar to the School Meals Administrative Review Tool could be created for familiarity. This additional data collection process can be simplified through having it appear seamless and familiar to an SFA. The SA could also facilitate the use of the FNS-742 report to obtain additional data from an SFA.

**2. What do you believe are the steps by step actions your State would need to take to implement each proposed approach?**

An initial step that a SA would need to take is to train the Administrative Review team on the data needed to be collected. During the training and scheduling the SA could train staff to make the process familiar and seamless within their processes. Communication with the SFA on the additional data collection during the Administrative Review process is essential to the success of the data collection.

**3. What resources and level of effort, in terms of staff hours and any other direct costs, would be needed to implement each approach? What could be done to mitigate the burden over time?**

The SA would need to designate staff personnel on each review to collect survey data. SA staff will be designated to collect and provide the appropriate aggregated data from each review. FNS will need to establish who will review the data collection. Staff hours would need to be determined once final details are established for the approach.

**4. What are the barriers to implementing each approach?**

Would the additional data collection and the review of the additional school be considered a part the Administrative Review process? If a finding is identified during the additional sites being reviewed would that be considered a part of the Administrative Review Report with fiscal action applied? We would recommend that the data being

collected as part of the survey not be considered part of the Administrative Review and therefore would not result in any findings. It would be viewed as informing.

**5. What is your perception of the accuracy of each approach?**

From a SA perspective, this approach addresses all three types of payment errors. This approach would be familiar to SA and SFA staff and can easily be placed into existing processes.

**6. What recommendations does your State have to implement and/or improve each approach?**

Direct Certification has proven to be a reliable source to capture many of the children who are in the free lunch category. What other data collection points could be used to certify children in free and reduced categories that already collect verifiable income information? One possibility is expanding the Medicaid direct certification to capture the reduced population.

**7. Are there other approaches to estimating improper payments that should be considered?**

All have been considered in the approaches presented.

**8. How helpful would State-level information on improper payments be for your State's efforts to reduce payment errors? What other kinds of information would be useful?**

This information collected from this approach would assist in facilitating targeted training opportunities and create proactive measures to assist SFAs in reducing errors. Other useful information for the SA would be to show trends that commonly contribute to improper payments.

## *Indiana*

I reread the document again over the weekend, and I stand my initial comments that I expressed during our phone call recently:

1. These proposed initiatives, most of which would impose further burdens (probably unfunded) on state agencies, come at a time that every state is struggling to implement the new Administrative Review guidelines, the guidelines themselves are a drastic change from past evaluations of LEA operations, and have meant significant shifts in resources and development of new information systems in all states. Beyond the initial effect of these changes, the Federal authorities continue to make changes in the review scheme, giving very little lead time to implement significant changes. Recently we received in Late August a list of changes that must be made of all reviews conducted during the current school year. Little respect for state agencies seems to be given when coming up with implementation schedules. These changes ARE NOT even directly

required by any legislation, but rather just the continual “fine tuning” by USDA. I know of no state that would welcome additional data collection burdens at this time.

2. While erroneous payments concern us all, the proposed methodology seems to be very much tied to the past in how it looks at the elements that can cause an erroneous payment. It seems overly tied to the Traditional (Paper) Application Process, and errors made by families/parents/guardians. This is at a time that significant new models for determining eligibility are being emphasized and even encouraged such as Community Eligibility. The CEP approach makes many of the elements in the proposed model irrelevant. CEP will have its own vulnerabilities and opportunities for fraud or just unintended error, but they are very different than what is being investigated in the proposed models.
3. What are the vulnerabilities in the CEP process, the opportunities to make erroneous determinations and calculations.
4. I would be interesting to investigate how the various facts mentioned above would “cluster”, i.e. are the schools that have the highest error rates in eligibility determinations the most likely to apply for/be attracted to CEP? What does that say.... Is it a further cause for concern, or is it a positive development.
5. This study and its data collection burdens don't promise to add to the basic global understanding of the problem, but only to investigate the issue on a state by state basis. A lot of work for information of limited worth. Based on the national sample/study determine what states need to do. This is just a further layer of “thinking about thinking about...”

Thanks for the opportunity to respond to this study.

## *Kentucky*

### **From a Claiming and Payment Perspective**

In the event of an erroneous payment sponsors contact the SCN Support Branch to inform staff of an incorrect payment. Since the claim is driven by the approved application, the Support Branch staff then works with the programmatic staff to ensure all approvals driving the particular payments have been submitted and correctly approved. In the event of an erroneous payment, the application is corrected and the sponsor is directed to submit a revised claim. Should the revised claim fall outside of the designated timeframe for claim submission, the Division Director will complete a manual override noting the reason for the claim revision.

Should incorrect meal rates be entered, the claim system is equipped to allow the rates to be revised and reprocessed by the State Agency. With all claim adjustment, any monies owed to the sponsor are processed and paid on the upcoming payment run. Any monies owed back to the State Agency are recouped from the next payment processed to the sponsor.

In regards to claim errors, the claims system contains edit checks for each program. When the claim is submitted by the sponsor, the claim is processed through the most recently approved application. Any errors that may occur will reference the particular meal service and other

information that can be reviewed by the programmatic staff. In the event of a claim error, the online system will not process the claim for payment until the error has been corrected.

### **From an IT Perspective**

Method 1: I think it might be difficult to draw a representative sample of SFAs within Kentucky due to the disparate skillsets, resources and geographic characteristics PARTICULARLY taking into account the high CEP adoption rate. We also lack staff with knowledge of statistics and survey sampling methodology. This could be outsourced, but the outsourced vendor/university would still have to be managed. Again, without the knowledge, the state would likely have to outsource to another vendor for Independent Verification and Validation (IV&V) of the primary vendor's work, again requiring state oversight. Enabling FNS to perform the work while minimizing oversight/involvement from the state would help minimize the acknowledged resource issues.

Method 2: Since it is not possible to detail the specific types of data that States would be required to provide under this proposed approach without further study the state is unable to provide feedback on the ease or difficulty in providing such data. It may or may not be readily available, therefore it has the potential of placing a significant administrative burden on the states or possibly preclude it from being an option at all.

Method 3: Has a combination of concerns stated above along with the additional concern that the Admin Review process changes too regularly and would require additional changes to the sampling methodology accordingly.

### **From a Programmatic Perspective**

Approach I: With the majority of Kentucky's SFAs implementing the **Community Eligibility Provision** with increased participation in both NSLP and SBP, and our sponsors' practice of **monthly direct certification** downloads, an approach that includes conducting household surveys that collect household composition, income sources with supporting documentation and the sampled student's participation in NSLP and SBP would not be the practical approach. This would be a very expensive approach and would require a large amount of resources and labor.

Approach II: This approach involves a lot of data collection, research, and analysis of data to generate an estimate or prediction of error rates. Definitely less costly than Approach I, but not sure the product of this approach would be accurate.

Approach III: This approach involves the use of an already existing requirement – the Administrative Review. Recently Deborah and I reviewed the Administrative Reviews conducted last year to notify those sponsors that will be required to conduct the **Independent Review of Applications** and pleasantly surprised at the **low** number of SFAs that had met the threshold of certification errors that warrant the addition review of applications. Also I feel like with the **new USDA application prototype** enhancements, there will be a significant decrease in certification errors by the determining officials this current program year and the applicants will make less errors in reporting income.

*Question 1: Could your state collect the necessary information or data to implement each proposed approach?*

Approach 1 – Possibly; however, it would be very difficult and burdensome

Approach 2 – Yes; could gather and analyze data

Approach 3 – Yes; would need to make modifications to compliance module we use to facilitate the AR

*Question 2: What do you believe are the steps by step actions your State would need to take to implement each proposed approach?*

Approach 1 – This would be overwhelming! A lot of steps that would require coordination conducted by a Project Manager.

Approach 2 – Gather and collect all of the data elements, receive training on analysis of data, and analyze.

Approach 3 – Start with determining how we can best utilize the compliance module to implement this approach.

*Question 3: What resources and level of effort in terms of staff hours and any other direct costs, would be needed to implement each approach? What could be done to mitigate the burden over time?*

Approach 1 – Definitely require additional staff to conduct surveys and conduct the onsite observations and that has an understanding of the APEC methodology.

Approach 2 – Again, additional staff that knows how to analyze data and understand all of the variables.

Approach 3 – This approach would require less effort (additional staff) and resources, by using a resource currently available that could be enhanced – Compliance module.

*Question 4: What barriers to implementing each approach?*

All three. Currently, lack of staff with experience with projects of this nature and magnitude.

*Question 5: What is your perception of the accuracy of each approach?*

Accuracy would be best obtained with Approach 3.

*Question 6: What recommendations does your State have to implement and/or improve each approach?*

Approach 1 – support with funding and appointment of regional office project manager

Approach 2 – provide avenue of data collection or reporting – software?

Approach 3 – FNS/SERO assistance and input when considering enhancements to compliance module to assist with implementation of this approach.

Question 7: Are there other approaches to estimating improper payments that should be considered?

Do not know.

Question 8: How helpful would State-level information on improper payments be for your State's efforts to reduce payment errors? What other kinds of information would be useful?

Not knowing the current rate of payment errors, do not know.

### Maryland

MSG Questions	Sampling Approach	Modeling Approach	Mixed Approach
Could your State collect the necessary information or data to implement each proposed approach?	Maryland does not have the necessary resources to administer household surveys, or conduct additional reviews, sampling and data collection in addition to meeting the current regulatory requirements.	It would be difficult because the data requirements to collect are unknown.	Unknown insufficient detail to determine.
What do you believe are the steps by step actions your State would need to take to implement each proposed approach?	Additional financial resources and time would be needed to hire, train, and equip additional personnel and procure resources to conduct surveys.	Retrain LEA's on collection process. Vendor would have to revise State's electronic system. Additional monetary resources would be needed.	Additional financial resources and hire additional staff. Training, LEA acceptance, and redesign data system.
What resources and level of effort, in terms of staff hours and any other direct costs, would be needed to implement each approach? What could be done to mitigate the burden over time?	It would be difficult to estimate the amount of additional work required because the sample size is unknown. State agency personnel are involved in program operations and not research.	State agency should not be involved. APEC study researchers are more suited for this task. Lack of specific information makes it difficult to give specific information.	FNS could conduct additional reviews.
What are the barriers to implementing each approach?	Barriers include: Lack of specifics on the amount of effort; financial barriers because of the unknown sample size; lack of household cooperation and language barriers; and the State Agency also has a philisophical difficulty with the household surveys since this approach is a barrier to the program and our mission.	Resources. Interpretation of requirements by State Agency could yield inconstant information.	Lack of resources to conduct additional reviews. Interpretation of requirements by State Agency could yield inconstant information.

<b>MSG Questions</b>	<b>Sampling Approach</b>	<b>Modeling Approach</b>	<b>Mixed Approach</b>
What is your perception of the accuracy of each approach?	Questionable.	Questionable.	Questionable.
What recommendations does your State have to implement and/or improve each approach?	State agency should not be involved. APEC study researchers are more suited for this task. Lack of specific information makes it difficult to give specific information.	State agency should not be involved. APEC study researchers are more suited for this task. Lack of specific information makes it difficult to give specific information.	State agency should not be involved. APEC study researchers are more suited for this task. Lack of specific information makes it difficult to give specific information.
Are there other approaches to estimating improper payments that should be considered?	No.	No.	No.
How helpful would State-level information on improper payments be for your State's efforts to reduce payment errors? What other kinds of information would be useful?	LEA verification data that is already collected at district level.	LEA verification data that is already collected at district level.	LEA verification data that is already collected at district level.

## *Michigan*

In reference to the letter dated August 24, 2015, here is the response on behalf of the State of Michigan and myself to the proposed models. The three different approaches in addressing the problem of Improper Payments in the National School Lunch Program (NSLP) all have respective advantages and disadvantages for the Michigan Department of Education (MDE) and our local sponsors/local educational agencies (LEAs). Following are brief summaries highlighting these advantages/ disadvantages for the three different proposed approaches to address improper payments in the areas of: 1) Certification Errors, 2) Aggregation Errors, and 3) Meal Claiming Errors.

### **Approach I: Sampling Approach**

If states could, in effect, implement the Access, Participation, Eligibility and Certification (APEC) style of gathering the required data, the approach would provide the most accurate data for each state. It will also be the most resource intensive method as well. Depending on the level of support from Food and Nutrition Services (FNS) (both guidance type support and financial), it will take significant effort at the state level to procure all of the desired information. Needless to say, this approach could not be done utilizing current State Agency (SA) staff. A commitment of human resources from FNS would be required to get all data elements from the

various parties that would be affected by this approach (SAs, LEAs/School Food Authorities (SFAs), SFA staff, students, parents/head of households). Not surprisingly, the largest barrier to this approach is the amount of human resources required to make this successful. The exact number of hours of human resources that would be required to complete this work would be dependent on the number of SFAs, the number of schools in each SFA, the number of household interviews, and the other variables that at this point, we are not aware of. As time goes by, the frequency of implementing this approach could be adjusted accordingly as well as evaluating indications of which states/cities/areas need the most technical assistance and follow up Sampling Reviews.

In addition to any additional data requests from FNS being problematic at the SA level, any significant burden at the LEA/SFA level will cause considerable pushback from LEA staff including the local food service director. Over the past three years, the challenges of operating successful School Nutrition Programs (SNP), has increased at an overwhelming rate. Adding any significant burden at the local level will not be met with a positive response. Any additional work placed at the local level should be de minimis in nature.

The SNP staff have great relationships with other groups working to feed the children of Michigan, including Michigan State University (MSU), No Kid Hungry, United Way, and United Dairy Industry of Michigan. While these organizations may assist us in collecting required data, there may be costs involved in working with these organizations. Internally, the SNP unit does not have staff experienced and/or educated in statistics or survey sampling. MSU would be the most likely candidate to work with us as the campus is only a few miles from the MDE offices, and they would have a broad range of knowledge and experience. In addition, I think potential participants would respond more openly and honestly to an institution like MSU and would help minimize the “chilling effect” of what may be perceived as potential punitive consequences. Funding for this work would need to come from FNS as the Michigan SNP staff do not have the capacity to pay for work done by any participating organization.

Centralizing this work by FNS for national evaluations would be acceptable if the burden on LEAs/SFAs is minimal. As stated above, our districts have had significant changes requiring largely increased workloads to successfully operate their SNP. Some LEAs/SFAs may “volunteer” if it would be statistically accurate to work only with schools that volunteer.

There is no question the Sampling Approach would provide the most accurate data and also be the most cost prohibitive. Full funding for this effort would need to be made available by FNS with the acceptable addition of some de minimis work from SFAs and SAs. While this is the most accurate of the three methods, it is also the most expensive, time consuming, and intrusive.

## **Approach II: Modeling Approach**

While this is a low cost strategy for estimating improper payments at the state level, its accuracy would not be guaranteed while still entailing significant costs. A substantial reason for these additional costs and uncertain accuracy would be attributable to validating, at this point, an unknown number of statistical models that may be necessary due to a variety of variables – urban, rural, enrollment, ethnicity, Community Eligibility Provision (CEP), level of state

support, and poverty levels. In addition, should these multiple models be necessary, they may also need to be evaluated over time.

One of the great advantages of this method is that it would largely be dependent on existing data already provided or available from SAs and SFAs. As I have not worked with other states, I do not know how much variation in the methods of procuring and reporting data exists that would result in additional modeling methods. The SFAs chosen to participate and use their data would need to be selected carefully as the method for choosing the school(s) for an Administrative Review (AR) can vary, including error prone which could skew results. However, the use of existing data from multiple sources with only modest input from SFAs/SAs is an attractive, and I believe, a fairly accurate method of obtaining required data. As stated in the summary letter, the availability of “predictor variables” will be critical in the success and accuracy of this method of estimating overpayments. One disadvantage of only using the currently available data is the likely inaccurate, to whatever degree, the reported levels of errors related to income as for the most part we would be taking data at face value. While unsure of exact percentages, households that purposely or through innocent errors misreport the income of the household. The level of checking the accuracy of the errors in a free/reduced application does not reach nearly the depth of the APEC level of study. As the free/reduced applications are going through the verification process, the income reported still relies on self-reported information and, to date, there has not been any legal action taken against an inaccurately completed application, the information is accepted at face value without penalty (other than potential change in eligibility status).

Michigan has a fairly robust data collection system to assist in obtaining information. Reviewing Appendix A, the vast majority of the data supporting the requested variables would be readily available using our Information Technology (IT) systems. In stating this, the group must be cognizant of the fact that there is also likely valuable information that MDE does not collect and would require some level of programming with associated costs. Modifying our systems is possible but depending on the complexity of the desired data, it can take sufficient periods of time to put in place an accurate and dependable process of pulling data at minimal costs. In addition, personally identifiable information adds a level of security risk.

The statements in the letter, to a large degree, reflect my concern with this approach. One of the more simple methods of collecting data currently not being collected would be to simply add a “few” more data fields to already existing data sources such as the FNS-640 and FNS-742. Some of this information added to existing forms could come from data collected from the ARs which, at this time, is our best way of evaluating an SFA/LEA accuracy in requesting the proper amounts of reimbursement. This would be especially true in the areas of Aggregation Errors and Meal Claiming Errors.

While this method may pose some minor barriers, it certainly seems the overall burden on all parties (except FNS) would be minimized. It also is much less intrusive on our “customers” (parents, students, SFAs). It is unfortunate that this method is likely least accurate with true Certification Errors. On balance, however, it is a viable method of reaching reasonably accurate levels of improper payments.

### **Approach III: Mixed Approach**

In Approach II, I had already stated the possible use of AR data. This method would heavily rely on this information. Due to the fact that reviewing SFAs every three years, it helps to insure all types of SFAs are reviewed and the data from those SFAs can be used on a rotating basis. While some SFAs level of accurate claims may vary widely, the 3 year window, for most SFAs, I think would demonstrate fairly consistent results through the three year period. The SFAs most likely to have inconsistent records are small charter and private schools as there is typically a financial issue in having a full time Food Service Director and there is significant turnover at these schools so training and technical assistance is an ongoing challenge to make sure compliance in all parts of the AR are followed.

As stated with the other Approaches, Michigan's SNP staff already have significant capacity issues with the many changes due to the Healthy, Hunger-Free Kids Act. Adding additional schools outside of the AR to evaluate for the purpose of identifying improper payments would likely create an untenable situation for Michigan at its current level of support (funding) from the United States Department of Agriculture (USDA). I have previously suggested requesting permission from USDA/FNS to allow the SA utilizing this mixed approach to help determine improper payments to count the school being evaluated for improper payments to be one of the required schools being evaluated. For example, if USDA guidelines require the SA to review four schools in an SFA, that three schools would be evaluated under normal AR guidelines while the fourth would be allowed to be evaluated only under the requirements for helping to calculate improper payments. This would minimize an additional burden while still providing necessary data. For SFAs that are a single school, a percentage of these SFAs could be evaluated only on AR guidelines and another percent would be evaluated only on the improper payment guidelines.

Other required studies to help evaluate the accuracy of this data would be necessary and I would assume this would also be dependent on the support from USDA/FNS to evaluate the value of the additional cost. Administrative certification, in Michigan, would be minimal as we emphasize that this is a last resort type step to ensure students receive proper nutrition on school days.

It is agreed that certification errors from improper reporting of income from families is both one of the largest areas of improper payments and one of the most difficult areas to address. As guidance tells us during the verification process, we must take the information provided, at least at some point, at face value. It is not difficult to either innocently or purposely misrepresent a household income. With the exception of changing eligibility status, there is no "hammer" in addressing apparent misuse or fraud of the current application process. And putting a "hammer" in place could well discourage households that truly need these benefits to not apply at all.

Another limitation of using the AR and the resultant verification of applications is the percent required to be evaluated. In most cases, this is 3% of the applications. As a non-statistician, is this a statistically reliable percent to evaluate? And within the 3%, how many respond, first, at all, and secondly, to what degree of honesty. The APEC study may provide some help in evaluating this situation.

Not requiring a Resource Management comprehensive review at the additional school is to a large degree a moot point. RM comprehensive reviews are done at the SFA level, not school level, so excluding the one school would have minimal effect on the need for a comprehensive review.

## **Conclusions and Summary**

In all approaches, there is an obvious need of some level of support from USDA/FNS. This support may be necessary for virtually all areas that will be impacted. As a SA, our capacity is currently strained and school food professionals across the state have absorbed additional duties and responsibilities over the past few years. This is not to say we should not aggressively try to make improvement in reducing improper payments in the child nutrition programs. It is how we get there to be the major challenge and barrier as regardless, change will be required.

The letter repeatedly states that while additional resources will be needed, there is no indication on the level of support from FNS. From my viewpoint, this should result in a careful cost/benefit analysis. For example only, if utilizing one of the above methods would require the placing of two full-time equivalents (FTEs) per state at a cost of \$200,000 (salary, benefits, travel, computer, etc.) per FTE, the national cost would be \$20,000,000. A lot of money, certainly, but a fraction (about 1%) of the \$1.9 billion in improper payments in a single school year, 2012-2013. In addition, regardless of the approach to funding this project, it may only be needed for a limited time as LEAs/SFAs adapt to the higher level of scrutiny.

As a former business executive, I would attack those revenues/expenses that were the most problematic for a successful business. With that being said, 60% of the \$1.9 billion in improper payments are due to Certification errors. It would make most sense to have this area be the focus of any of the three plans chosen. The other two areas of error, Aggregation (minimal issue) and Meal Claiming, would not be ignored but the focus and investment would be on Certification errors.

Approach I – Coordinating with MSU (or other partner) the APEC type study may be possible if the payment of say \$400,000 (example above) is made to MSU to be used for APEC type evaluation. The impact on the SA and SFAs must be minimal. This would likely have the largest impact on Certification errors of the three approaches. Without full financial and administrative support, this is not a viable option.

Approach II – This approach is very appealing as it uses data that is already being collected. Over the next few years, these documents already created could be changed to even better meet the requirements of a new system of minimizing improper payments without creating significant additional burden to SAs or SFAs. The downsides of this method, however, are significant. The accuracy and availability of predictor variables are important. We also do not know at this point how many models may need to be created in order to have statistically accurate data to evaluate improper payment levels. As with the other Approaches, FNS support will be necessary.

Approach III – This approach is also appealing as it uses data states are already collecting, to a large degree, through the AR. While as I stated earlier, Administrator errors in Michigan are rare, the problem of errors in reporting of household income is not as rare as we would like. The most

significant problem is the additional school(s) being required to be evaluated during the AR. Resources are tight. Two potential solutions, would be: 1) USDA/FNS funding for the time and resources necessary to do this evaluation or 2) allowing the Improper Payment additional school to actually be included in the total number of schools being reviewed. Both of these solutions would need additional studies to assess their accuracy and potential success level.

All of the approaches have advantages and disadvantages. All approaches will require the support of FNS. On a cost/benefit basis, it seems making that Mr. investment would result in a large return on investment regardless of the method used. The third approach is most appealing as it uses data already available. There would need to be a solution proposed to the resources necessary to make this approach successful. In any case, it will be interesting in seeing what options are deemed the most likely to succeed. I will make the best possible effort in making any system chosen, successful in minimizing the amount of improper payments for school nutrition programs.

### *New Mexico*

1. New Mexico would be able to collect the data for certification errors, aggregation errors and meal claiming errors, however, it would require additional resources to work with the SFA's and ensure that they are doing this properly and reporting it properly.
2. Training would have to be provided in detail for each SFA that is collecting applications. Of course some training would also need to be provided for aggregation and meal claiming errors. Whoever is conducting this study would need to provide us the tools needed to meet the needs of the study.
3. This would probably take one full time person, but I am not sure exactly how much work will be needed to meet each of the 3 errors. It's hard to estimate it.
4. The barriers include time and effort for each error and who will be implementing it. Many of the SFA's in NM are at different levels of knowledge. The charters, BIE and private schools need the most assistance here.
5. I think they could be accurate if the SFA's receive the proper guidance and the state agency has the resources to do it.
6. Right now there are no recommendations for each approach other than the fact that this will require a considerable amount of work and training.
7. This would be helpful to the state agency to gauge how many errors are happening now.

## *New York*

The New York State Education Department, Child Nutrition Program Administration is providing feedback to Manhattan Strategy Group on the three proposed approaches to measure erroneous payments at the state-level in response to the recommendations posed by the panel of experts commissioned by the United States Department of Agriculture's Food and Nutrition Service. New York State (NYS) will provide feedback to the three approaches individually, incorporating comments for the considerations posed in the summary document.

To begin, we would like to commend USDA on the continuous work with State Agency partners and the industry in investing in system improvements and process reforms, which provide long-term reductions in error rates. The focus on direct certification, expansion of Community Eligibility Provision nationwide and opportunities to participate in alternative direct certification models such as the Medicaid Demonstration Project move states in the direction of greater accountability and program integrity and fewer erroneous payments in the certification arena. The continued focus on development and implementation of training programs and the requirement for professional hiring standards and continuing education for all food service personnel is vital to ensuring the operational capacity of school food service programs and should, over time, have an impact on erroneous payments in the meal claiming area. Finally, continued support and financial investments in technology improvements will impact the erroneous payments in the aggregation area. All of the action steps articulated in the APEC I and II studies are producing fewer erroneous payments and greater fiscal integrity of Child Nutrition Programs nationwide, and are assisting state administering agencies to consistently manage SFA operations, regardless of SFA size or demographics. This is greatly appreciated because while there is no one way to do business, the more consistently the Child Nutrition Programs are administered nationwide, the greater the support by Congress and the continued availability of these vital programs to all students.

As was noted in APEC reporting and reiterated in the September conference call conducted in support of this response, participation in the Community Eligibility Provision (CEP) significantly minimizes the erroneous payments in the certification area for participating entities. In NYS, a good number of high-need large and small city school districts participate LEA-wide in CEP, thereby changing the statistical pool in the State dramatically, especially if a 'representative sample' is necessary for proper statistical evaluation. These entities could be sampled for the other two errors addressed by APEC, but changes to the sampling methodologies would have to be considered to account for this.

For all approaches noted, we feel that the statistical sample model should be established and provided to states by USDA using the already established model employed by APEC I and II. If each state was expected to develop its own model, statisticians would be required, which most states probably do not have, and there would be no true assurance of consistency nationwide. The statistical model should ensure that the same SFAs are not sampled year after year after year and should provide enough guidance to yield confident results. We also feel that the best results would occur if states provide FNS with the data collected for analysis by FNS or an evaluation contractor. This would ensure that the analysis is consistent nationwide and that it mirrors previously conducted APEC I and II studies. It would probably be more cost effective in total to

have FNS conduct the analysis using one vendor, than to have 50 states paying 50 different vendors for the same activity.

### **Approach 1: Sampling Approach**

The Sampling Approach, as noted, would require a large financial and human resource commitment, especially if the Approach is to be administered annually. In a state like NYS where there are over 1,200 SFAs operating in over 6,000 buildings, the required administrative oversight via the Administrative Review requires Child Nutrition staff to conduct at least 400 reviews annually, in hundreds more buildings. Fully staffed, the three-year Administrative Review alone consumes the majority of time to complete reviews. Add to this the mandatory three-year Procurement Review that begins in the 2016-17 school year for as many SFAs, the provision of annual training to meet the Professional Standards Continuing Education mandates, the administration of Fresh Fruit and Vegetable Programs, Equipment and other grants, and there is virtually no staff time left to adequately commit to a state-level APEC without additional funding for staffing from FNS. If a state-level APEC were mandated within existing SAE, there would not be adequate staff to complete all other mandatory activities and work productivity and high quality of outcomes could not be guaranteed.

If NYS were required to use Sampling Approach 1, we would have to team with a local university or private vendor for the household survey sampling, but would need additional funding from FNS to do so. One problem with this Approach is that an RFP/IFB or MOU would have to be developed, at least in large states, to complete this task. The development of an RFP/IFB or MOU and the contract or memorandum of understanding approval process for this type of activity is a very time-consuming and onerous task, and one which would probably have to be conducted every few years. This is another staff commitment that should be considered when evaluating this Approach.

NYS could potentially conduct the on-site meal service observations for the statistical sample by including the buildings in one of the mandatory Administrative or Procurement reviews as either an additional building while on site, or as a replacement to another building chosen for review if USDA allowed the state agency to move SFAs within cycles to accommodate this additional responsibility. New York State already collects building level data on counting, consolidating and claiming meals for each SFA and could readily provide this claim data upon request to FNS without additional funding. The method of report and the timeframe should be clearly articulated by FNS to states.

### **Approach II: Modeling Approach**

The Modeling Approach would not require the staff intensive effort of the Sampling Approach, but has limitations because of the nature of the data being proposed for evaluation purposes. Although this method would have the least detrimental effect on state staffing and workloads, other than the provision of particular data to FNS annually, the data from FNS-742 and the economic data from the Common Core of Data is SFA self-report data, and is therefore 'suspect' without the household sampling that has been historically conducted as part of APEC. It should be noted that for states like NYS in the Northeast Region, that the school year does not begin

until early September each year. With the USDA allowance for the 30 day carryover of previous year eligibility, the FNS-742 data is not necessarily reflective of true error rates. USDA requires that the verification sample be drawn on October 1. In NYS, the 30-day carryover extends through as late as October 26 in some years. This significantly lessens the verification pool that must be chosen on October 1, and therefore could underestimate the error rate for certifications. The free and reduced price data contained in the Common Core of Data is from school reported free and reduced price eligibility at some point in the school year, possibly as of Basic Educational Data reporting (BEDS) day in NYS, which is the first week of October, and includes both previous year and current year data. The BEDS reporting is prior to the conclusion of annual verification activities, so could overestimate the number of free and reduced price eligible students.

Another problem with using CCD and even Census data for evaluation purposes in a state like NYS is that half of the 1,200 operating SFAs are public districts, while the other half are non-public schools operating independently. States have great discretion and therefore various ways of administering Child Nutrition Programs. Some states have county-wide districts, while others require non-public schools to operate under the public district of their locale. Gleaning data from the noted sources is more difficult for SFAs that are non-public operating independently as the data may or may not exist. It would, therefore, be difficult to assess state error rates based on the suggested data, in the absence of the data for some entities. It would also be difficult to have to use two different evaluation methods, one for the public and non-public entities where data exists, and one for the non-public entities where it does not.

Although we are in favor of a system of evaluation that does not further burden our already overwhelmed workforce, I am not sure the results of the Modeling Approach for NYS would yield data with enough confidence to project erroneous payments statewide.

### **Approach III: Mixed Approach**

Gleaning data from the mandatory Administrative Review process and new FNS-640 reporting is a method that would not substantially impact the existing workforce, as the addition of an on-site observation of meal service in another building is really the only additional activity that would be required under this approach if a building other than one chosen for Administrative Review was generated in the statistical sample for APEC. While the workgroup felt that additional school level certifications would need to be sampled within the Administrative Review process to estimate administrative certification errors, the errors found during the Administrative Review could be extended to the entire SFA rather than to just the buildings being reviewed as part of the Administrative Review. That is a way of estimating an error rate for the entire SFA without doing additional work, and a reasonable way to estimate as you would not expect the errors in one building to be greater than the errors in another building because certification is an SFA level responsibility, not a building level responsibility. Projecting the error rate over the entire SFA would provide a rate with greater confidence than to focus staff effort on additional certifications in a single building.

This approach, as with all approaches noted by the workgroup, proposes to add an abbreviated review in additional buildings in the SFA receiving an Administrative Review. In NYS, almost

half of the SFAs are one building SFAs. If additional buildings are required for the state-level APEC evaluation, then abbreviated reviews in these one-building SFAs may have to be conducted in years other than the Administrative Review year. This would put an additional burden on current staffing levels to conduct reviews additional to the 400 Administrative Reviews each year, in order to collect data for the state-level APEC. We would suggest that if the Mixed Approach is deemed to be the most viable approach for state-level APEC data collection, and the statistical model generates a one-building SFA for state-level APEC review, that the Administrative Review process, which includes certification evaluation, meal observation, and SFA and building level claim data, be able to be used for state-level APEC purposes also.

Adding household surveys to the evaluation process for erroneous certification error under the Mixed Approach would be a burden to the NYS agency as noted previously under the Sampling Approach with all of the same arguments. The gleaning of data from the data sources noted in the Modeling Approach would present the same limitations as noted previously.

Finally, we understand that there is the possibility that USDA will be increasing the percent of applications to be verified and reported on the FNS-742 from three percent to ten percent in upcoming years. If that occurs, FNS may be able to assess with greater confidence the erroneous errors in household certifications at the state-level, and therefore may be able to pull this aspect out of the state-level APEC. Although FNS found through APEC I and II that some of the non-responders to the verification process were indeed eligible for free or reduced price meals, when changes in benefits occur as a result of verification, it is more likely that the benefits are decreased rather than increased when families provide evidence documents.

Thank you for the opportunity to provide feedback regarding the three approaches for measuring state-level improper payments within the National School Lunch Program and School Breakfast Program.

If you have any additional questions or need further clarification of our response, please do not hesitate to reach out.

# Appendix 2: Montgomery County, Maryland Household Application



## Household Application for Free and Reduced-Price Meals 2014–2015

Division of Food and Nutrition Services • Montgomery County Public Schools • Rockville, Maryland 20855  
 www.montgomeryschoolsmd.org/departments/foodserv—(Translations available)

ELIG \_\_\_\_\_  
 INITIALS \_\_\_\_\_  
 DATE \_\_\_\_\_  
 FOR DFNS OFFICE USE ONLY

**Meal benefit eligibility from last school year will remain current only through September 2014 OR until a 2014-2015 application is processed.**

- If you are **NOT** applying for meal benefits, discard this form.
- If you **ARE** applying for free or reduced-price meals, complete all appropriate sections of this application. Incomplete applications cannot be approved and will be returned.
- Use **ONE** application for **ALL students in the household**—including Pre-K, kindergarten, and foster—even if they attend different schools.

**A. STUDENT INFORMATION.** List ALL children enrolled in Montgomery County Public Schools ONLY, Student ID, Birth Date, School and Grade. If ALL children listed are foster children, skip to part E for signature and address. Use additional paper if needed. List all current student income before expenses and deductions for taxes, etc., and how often it is paid: weekly (wk), every two weeks (bi-wk), twice a month (twice), or monthly (mo).

PLEASE PRINT CLEARLY Last Name	First Name	MI	Student ID#	Birth Date	School	Grade	Student Income		CHECK if student is FOSTER HEAD START
							Amount (if no income write 0)	How often	
							\$ .		<input type="checkbox"/> <input type="checkbox"/>
							\$ .		<input type="checkbox"/> <input type="checkbox"/>
							\$ .		<input type="checkbox"/> <input type="checkbox"/>
							\$ .		<input type="checkbox"/> <input type="checkbox"/>
							\$ .		<input type="checkbox"/> <input type="checkbox"/>
							\$ .		<input type="checkbox"/> <input type="checkbox"/>
							\$ .		<input type="checkbox"/> <input type="checkbox"/>

**B. CASE NUMBER.** Enter CASE Number if household qualifies for FSP, or TCA. Social Security numbers, Medicaid and EBT numbers are not accepted. Must be a nine digit number.

-----

*If a case number is provided, income information and last four digits of your social security number are not necessary, skip to Part E. The signature of adult in household and address are required.*

**C. IF ANY CHILD YOU ARE APPLYING FOR IS HOMELESS, MIGRANT, OR A RUNAWAY, CHECK ONE:**  HOMELESS  MIGRANT  RUNAWAY and call your school or Homeless Liaison at **301-279-3322**.

**D. ALL OTHER HOUSEHOLD MEMBERS.** List all other people living in the household, **DO NOT INCLUDE STUDENTS LISTED IN PART A.** Your household includes all those living as one economic unit—including yourself and anyone living with you, whether or not they are related to you, including all foster children who are not listed in section A. List all current household income before expenses and deductions for taxes, etc., and how often it is paid: weekly (wk), every two weeks (bi-wk), twice a month (twice), or monthly (mo). If your income varies, write the amount you usually earn.

PLEASE PRINT CLEARLY Last Name	First Name	MI	EARNINGS from WORK before deductions Job 1		EARNINGS from WORK before deductions Job 2		ALL OTHER INCOME Child Support, Alimony, TCA, Retirement, Social Security		CHECK if NO Income
			Amount	How often	Amount	How often	Amount	How often	
			\$ .		\$ .		\$ .		<input type="checkbox"/>
			\$ .		\$ .		\$ .		<input type="checkbox"/>
			\$ .		\$ .		\$ .		<input type="checkbox"/>
			\$ .		\$ .		\$ .		<input type="checkbox"/>
			\$ .		\$ .		\$ .		<input type="checkbox"/>

**E. SIGNATURE AND LAST FOUR DIGITS OF SOCIAL SECURITY NUMBER.** I certify that information on this application is true and that all income is reported. I understand that the school will receive Federal funds based on the information I give. I understand that school officials may verify the information. I understand that if I purposely give false information, my children may lose meal benefits, and I may be prosecuted. I understand my child's eligibility status may be shared as allowed by law.

Signature, Adult in Household \_\_\_\_\_ Social Security Last 4 digits **X X X X - X X -**  I do not have a Social Security Number

Print Name \_\_\_\_\_ Home Phone \_\_\_\_\_ Work Phone \_\_\_\_\_

Address \_\_\_\_\_ City \_\_\_\_\_ ZIP Code \_\_\_\_\_ Date \_\_\_\_\_

The Richard B. Russell National School Lunch Act requires the information on this application. You do not have to give the information, but if you do not, we cannot approve your child for free or reduced-price meals. You must include the last four digits of the Social Security Number of the adult household member who signs the application. The last four digits of the Social Security Number are not required when you are only applying for foster children, or you list a Food Supplement Program or Temporary Cash Assistance case number, or when you indicate that the adult household member signing the application does not have a Social Security Number. We will use your information to determine if your child is eligible for free or reduced-price meals, and for administration and enforcement of the lunch and breakfast programs. We MAY share your eligibility information with education, health, and nutrition programs to help them evaluate, fund, or determine benefits for their programs, auditors for program reviews, and law enforcement officials to help them look into violations of program rules.

Division of Food and Nutrition Services  
Montgomery County Public Schools  
16644 Crabbs Branch Way • Rockville, Maryland 20855

Dear Parent or Guardian:

Montgomery County Public Schools serve breakfast and lunch every school day. If your total household income is the same or less than the amounts on the **Income Chart** below, your child may qualify for **free or reduced-price** meals.

The following students **may** be eligible for free meals:

- Students enrolled in Even Start
- Students in households participating in WIC

The following students **qualify** for free meals:

- Foster children
- Students certified as homeless or runaway
- Students enrolled in the Migrant Education program
- Students enrolled in the Head Start program
- Students in households receiving Food Supplement Program (FSP) or Temporary Cash Assistance (TCA)

**U.S. CITIZENSHIP IS NOT REQUIRED TO QUALIFY FOR FREE OR REDUCED-PRICE MEALS**

<b>INCOME CHART</b>			
<b>NUMBER IN HOUSEHOLD</b>	<b>INCOME</b>		
	ANNUAL	MONTHLY	WEEKLY
1.....	\$ 21,590	1,800	416
2.....	29,101	2,426	560
3.....	36,612	3,051	705
4.....	44,123	3,677	849
5.....	51,634	4,303	993
6.....	59,145	4,929	1,138
7.....	66,656	5,555	1,282
8.....	74,167	6,181	1,427
For each additional family member add ...	\$ 7,511	626	145

<b>INCOME TO REPORT</b>	
Report all income before taxes, insurance, and other expenses are deducted or taken out.	
Wages, Salaries, Tips	Cash from Savings
Strike benefits	Veteran's payments
Unemployment Compensation	Disability benefits
Worker's Compensation	Interest, Dividends
Income from self-owned farm or business	Income from Estates and Trusts
Temporary Cash Assistance (TCA)	Investment Income
Alimony and Child support	Income from anyone not living in the household
Pensions and Retirement Income	Royalties, Annuities
All Social Security Income, including Supplemental Social Security income	ALL other income
<b>NOTE:</b> If you are in the Military Privatized Housing Initiative or get combat pay, do not report these allowances as income.	

All meals served must meet nutrition standards established by the U.S. Department of Agriculture. If a child has been determined by a doctor to have a disability that would prevent the child from eating a regular school meal, the school will make substitutions prescribed by the doctor at no extra charge for the meal. If you believe your child needs substitutions because of a disability, please contact us for further information.

**IN ORDER TO RECEIVE FREE OR REDUCED-PRICE MEALS, A NEW MEAL BENEFIT APPLICATION MUST BE COMPLETED EVERY YEAR UNLESS YOU WERE TOLD THAT YOUR CHILD IS ELIGIBLE FOR THE NEW SCHOOL YEAR.**

**Confidentiality**—School officials use the information on the application to determine if your children should get free or reduced-price meals. Also, the name and eligibility status of your children may be:

- Given to local Title 1 officials for allocation and evaluation purposes.
- Used for National Assessment of Educational Progress analyses or other authorized purposes.
- Given to other Federal and State education or State health programs.

**No other use of this information is permitted.**

**Apply for Meals**—You may apply for meals anytime during the school year. If you do not qualify now, you may reapply anytime during the school year. If you become unemployed, you may become eligible for meal benefits during the time you are unemployed.

**Verification**—School officials may ask you for proof of your income or Food Supplement Program (FSP) (formerly Food Stamps) or TCA benefits at any time during the school year. If you are unable to provide proof, your children may no longer receive free or reduced-price meals.

**Fair Hearing**—You may talk to school officials if you do not agree with the decision about your children's meal benefits or the results of Verification. You also may ask for a fair hearing by calling or writing to:

**Director, Department of Materials Management**  
16644 Crabbs Branch Way  
Rockville, MD 20855  
Telephone: (301) 840-8170

Please contact Montgomery County Public Schools for program documents in other languages upon request, or if you need assistance with completing this application: (301) 840-8170 (you may call collect) or Maryland Relay number: (800) 735-2258.

Sincerely,



Marla R. Caplon, Director  
Division of Food and Nutrition Services

**Non-Discrimination Statement:** The U.S. Department of Agriculture prohibits discrimination against its customers, employees, and applicants for employment on the basis of race, color, national origin, age, disability, sex, gender identity, religion, reprisal, and where applicable, political beliefs, marital status, familial or parental status, sexual orientation, or all or part of an individual's income is derived from any public assistance program, or protected genetic information in employment or in any program or activity conducted or funded by the Department. (Not all prohibited basis will apply to all program and/or employment activities.)

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html) or at any USDA office, or call (866)632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at [program.intake@usda.gov](mailto:program.intake@usda.gov).

Individuals who are deaf, hard of hearing or have speech disabilities may contact USDA through the Federal Relay Service at (800) 877-8339; or (800) 845-6136 (Spanish). USDA is an equal opportunity provider and employer.

The Maryland State Department of Education does not discriminate on the basis of age, ancestry, color, creed, gender identity and expression, genetic information, marital status, disability, national origin, race, religion, sex, or sexual orientation in matters affecting employment or in providing access to programs. For inquiries related to departmental policy, please contact the Equity Assurance and Compliance Office, 410-767-0433 (voice) 410-333-6442 (TTY/TDD).

**(Optional) Children's Ethnic and Racial Identities**

You are not required to answer this question to get meal benefits. This information will help to ensure that everyone is treated fairly.

**Choose one ethnicity:**  Hispanic/Latino  Not Hispanic/Latino

**Choose one or more (regardless of ethnicity):**

Asian  White  Black or African American

American Indian or Alaska Native  Native Hawaiian or other Pacific Islander

**Sharing Information With Other Programs**

The eligibility status of your children may be used for other authorized purposes, shared with local Title 1 officials, and used for National Assessment of Educational Progress analyses. Your family may also be eligible to receive benefits under the Food Supplement Program (FSP) or the Women, Infants, and Children (WIC) Program.

To share your information with these programs, **we must have your permission.** Your decision will not change whether your children receive free or reduced-price meals. If you want information shared with FSP or WIC check the YES below. You may be contacted about submitting an application for the FSP or WIC.

**Yes, I want** information shared from the Free and Reduced-Price Meal Benefit Application with FSP

**Yes, I want** information shared from the Free and Reduced-Price Meal Benefit Application with WIC.

Children eligible for free or reduced-price school meals may also be able to get free or low-cost health insurance through Medicaid or the MD Children's Health Insurance Program (MCHIP). The law allows us to inform Medicaid and MCHIP that your children are eligible for free or reduced-price meals, unless you say No. Your decision will not change whether your children receive free or reduced-price meals. If you do **not** want information shared with Medicaid or MCHIP, check  **NO**.

## Appendix 3: 2015-2016 Prototype Application of Free and Reduced Price School Meals

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FNS website, *Applying for Free and Reduced Price School Meals*:

<http://www.fns.usda.gov/school-meals/applying-free-and-reduced-price-school-meals>

**2015-2016 Prototype Application for Free and Reduced Price School Meals**  
 Complete one application per household. Please use a pen (not a pencil).

Apply online at [www.abcdefgh.edu](http://www.abcdefgh.edu)

**STEP 1** List ALL Household Members who are infants, children, and students up to and including grade 12 (if more spaces are required for additional names, attach another sheet of paper)

**Definition of Household Member:** "Anyone who is living with you and shares income and expenses, even if not related."  
 Children in Foster care and children who meet the definition of Homeless, Migrant or Runaway are eligible for free meals. Read How to Apply for Free and Reduced Price School Meals for more information.

Child's First Name	MI	Child's Last Name	Student? Yes No	Foster Child	Homeless, Migrant, Runaway
			<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
			<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
			<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
			<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
			<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>

Click all that apply

**STEP 2** Do any Household Members (including you) currently participate in one or more of the following assistance programs: SNAP, TANF, or FDPIR? Circle one: Yes / No

If you answered NO > Complete STEP 3.      If you answered YES > Write a case number here then go to STEP 4 (Do not complete STEP 3)

Case Number:

Write only one case number in this space.

**STEP 3** Report Income for ALL Household Members (Skip this step if you answered 'Yes' to STEP 2)

Please read **How to Apply for Free and Reduced Price School Meals** for more information. The **Sources of Income for Children** section will help you with the **Child Income** question. The **Sources of Income for Adults** section will help you with the **All Adult Household Members** section.

**A. Child Income**  
 Sometimes children in the household earn income. Please include the TOTAL income earned by all Household Members listed in STEP 1 here.

Child income      How often?

\$   Weekly  Bi-Weekly  2x Month  Monthly

**B. All Adult Household Members (including yourself)**  
 List all Household Members not listed in STEP 1 (including yourself) **even if they do not receive income.** For each Household Member listed, if they do receive income, report total income for each source in whole dollars only. If they do not receive income from any source, write '0'. If you enter '0' or leave any fields blank, you are certifying (promising) that there is no income to report.

Name of Adult Household Members (First and Last)	Earnings from Work	How often?				Public Assistance/ Child Support/Alimony	How often?				Pensions/Retirement/ All Other Income	How often?			
		Weekly	Bi-Weekly	2x Month	Monthly		Weekly	Bi-Weekly	2x Month	Monthly		Weekly	Bi-Weekly	2x Month	Monthly
	\$ <input style="width: 40px;" type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	\$ <input style="width: 40px;" type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	\$ <input style="width: 40px;" type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	\$ <input style="width: 40px;" type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	\$ <input style="width: 40px;" type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	\$ <input style="width: 40px;" type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	\$ <input style="width: 40px;" type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	\$ <input style="width: 40px;" type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	\$ <input style="width: 40px;" type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	\$ <input style="width: 40px;" type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	\$ <input style="width: 40px;" type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	\$ <input style="width: 40px;" type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Total Household Members (Children and Adults)

Last Four Digits of Social Security Number (SSN) of Primary Wage Earner or Other Adult Household Member

Check if no SSN

**STEP 4** Contact information and adult signature

\*I certify (promise) that all information on this application is true and that all income is reported. I understand that this information is given in connection with the receipt of Federal funds, and that school officials may verify (check) the information. I am aware that if I purposely give false information, my children may lose meal benefits, and I may be prosecuted under applicable State and Federal laws.\*

<input style="width: 200px;" type="text"/>	<input style="width: 60px;" type="text"/>	<input style="width: 60px;" type="text"/>	<input style="width: 60px;" type="text"/>	<input style="width: 200px;" type="text"/>
Street Address (if available)	Apt #	City	State	Zip
<input style="width: 200px;" type="text"/>	<input style="width: 200px;" type="text"/>			<input style="width: 200px;" type="text"/>
Printed name of adult completing the form	Signature of adult completing the form			Today's date

**OPTIONAL****Children's Racial and Ethnic Identities**

We are required to ask for information about your children's race and ethnicity. This information is important and helps to make sure we are fully serving our community. Responding to this section is optional and does not affect your children's eligibility for free or reduced price meals.

**Ethnicity (check one):**

- Hispanic or Latino
- Not Hispanic or Latino

**Race (check one or more):**

- American Indian or Alaskan Native
- Asian
- Black or African American
- Native Hawaiian or Other Pacific Islander
- White

The **Richard B. Russell National School Lunch Act** requires the information on this application. You do not have to give the information, but if you do not, we cannot approve your child for free or reduced price meals. You must include the last four digits of the social security number of the adult household member who signs the application. The last four digits of the social security number is not required when you apply on behalf of a foster child or you list a Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF) Program or Food Distribution Program on Indian Reservations (FDPIR) case number or other FDPIR identifier for your child or when you indicate that the adult household member signing the application does not have a social security number. We will use your information to determine if your child is eligible for free or reduced price meals, and for administration and enforcement of the lunch and breakfast programs. We MAY share your eligibility information with education, health, and nutrition programs to help them evaluate, fund, or determine benefits for their programs, auditors for program reviews, and law enforcement officials to help them look into violations of program rules.

The U.S Department of Agriculture prohibits discrimination against its customers, employees, and applicants for employment on the bases of race, color, national origin, age, disability, sex, gender identity, religion, reprisal, and where applicable, political beliefs, marital status, familial or parental status, sexual orientation, or all or part of an

individual's income is derived from any public assistance program, or protected genetic information in employment or in any program or activity conducted or funded by the Department. (Not all prohibited bases will apply to all programs and/or employment activities.)

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html), or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at [program.intake@usda.gov](mailto:program.intake@usda.gov).

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## Appendix 4: Coordinated Review Effort (FNS-640)

Source: FNS website, *Coordinated Review Form 640*,  
<http://www.fns.usda.gov/sites/default/files/cn/SP04-2015a11.pdf>

### COORDINATED REVIEW EFFORT

### FNS 640 DATA SUMMARY

SFA Name:		Review Date:	
1. SFA Enrollment:		2. Type of Review: (SFA-1, header) <input type="checkbox"/> 1 <sup>st</sup> <input type="checkbox"/> Follow-up	
3. Number of schools in SFA (SFA-1, #2): Total:                      Reviewed		4. Number selected and reviewed based on error prone criteria (School Selection Worksheet, O-2):	
5. Did the SFA have an adequate system for consolidating claims? (SFA-1, #3): <input type="checkbox"/> Yes <input type="checkbox"/> No		6. Lunches observed on day of review in reviewed schools (SFA-1, #3): Number incomplete lunches observed: Total lunches observed:	
7. How many schools had 10% or more (and at least 100) free and reduced price meals claimed incorrectly? (SFA-1, #4):		8. How many schools did NOT have an adequate counting and claiming system for the day of review or the review month? (SFA-1, #4):	
9. Did the SFA exceed the PS 1 Threshold? (SFA-1, #7) <input type="checkbox"/> Yes <input type="checkbox"/> No		10. Did the SFA exceed the PS 2 Threshold? (SFA-1, #8) <input type="checkbox"/> Yes <input type="checkbox"/> No	
11. Total meals claimed by SFA in the review month (SFA-2, #103, "SFA Claimed Lunch Counts"):			
Free		Reduced Price	Paid
12. Total meals claimed in error due to SFA consolidation error for the review month (SFA-2, #103, "Difference"):			
Free		Reduced Price	Paid
Over (+)			
Under (-)			
13. Total meals claimed for reviewed schools in the review month (S-1, #15, "SFA Claim for this School for Review Period") - sum totals by category across all reviewed schools:			
Free		Reduced Price	Paid
14. Total meals claimed in error by reviewed schools in review month (S-1, #15, "Difference") – sum totals for over and under by category across all reviewed schools:			
Free		Reduced Price	Paid
Over (+)			
Under (-)			
15: Number of schools recalculated:			
16. # of meals claimed by SFA for recalculated schools (S-1, #15, "SFA Claim for this School for Review Period"), sum totals by category across all RECALCULATED SCHOOLS ONLY:			
Free		Reduced Price	Paid
17. # of meals in error for review period based on recalculation (FA 4, #6 and/or FA 5, #7 – REVIEW PERIOD ONLY) – sum totals by category across all RECALCULATED SCHOOLS ONLY			
Free		Reduced Price	Paid
Over (+)			
Under (-)			
18. Reviewers count of free and reduced price eligibles (S-1, #13, Free plus Reduced) – sum across all reviewed schools:		19. # of free AND reduced price meals claimed incorrectly due to cert./benefit iss. Errors (SFA-1, #4, "Number of Lunches Claimed Incorrectly" – sum across all reviewed schools)	
20. Total meals missing item/components during review period for reviewed schools (S-7, # 11,12,13) – sum totals by category across all reviewed schools:			
Free		Reduced Price	Paid

## INSTRUCTIONS FOR CRE 640 OPTIONAL SUMMARY

### FNS 640 DATA SUMMARY

Enter the name of the School Food Authority  
Enter the date(s) on which the review was conducted

**BLOCK 1:**

Enter the total enrollment for the SFA.

**BLOCK 2:**

Check the appropriate box to indicate whether the review is a first or follow-up review the agreement

**BLOCK 3:**

From SFA-1, Block 2, enter the total number of schools participating in the National School Lunch Program and the number reviewed.

**BLOCK 4:**

For multi school SFAs: Enter the number of schools that were selected for review because they had 100 percent or higher free Average Daily Participation with at least 100 Average Daily Free Meals. For single school SFAs: Enter zero.

**BLOCK 5-6:**

Record the answers from SFA-1, #3.

**BLOCKS 7-8:**

On SFA-1, #4, (including the continuation sheet, if used) count the total number of schools with 10% or more and at least 100 Free/RP lunches claimed incorrectly. Count the total number of schools with a NO answer under Adequate Counting and Claiming System for Day and/or Review Period. Record the counts in the appropriate items. (Note: Record these counts whether or not the SFA exceeded the PS 1 Threshold).

**BLOCKS 9-10:**

In block 9, record the answers from SFA-1, #7 and in block 10, record the number from SFA-1 #8.

**BLOCKS 11-12:**

Record the SFA Claimed Lunch Counts and the Difference (Over or Under) for each category from SFA-2, #103.

**BLOCKS 13-14:**

From S-1, # 15: Total the SFA Claim for this School for Review Period for each meal category, for all reviewed schools. Total the Difference by category for all reviewed schools, netting out Over(+) and Under(-) differences. Record the totals claimed by category in Block 13 and the net over or under differences by category in Block 14.

**BLOCK 15:**

Enter the number of schools that were recalculated.

**BLOCK 16-17:**

For recalculated schools only: From S-1, # 15: Total the SFA Claim for this School for Review Period for each meal category, for all reviewed schools. Total the Difference by category for all reviewed schools, netting out Over(+) and Under(-) differences. Record the totals claimed by category in Block 16 and the net over or under differences by category in Block 17.

**BLOCK 18:**

From S-1, #13: Total the Reviewers Count of Free Eligibles plus the Reviewers Count of Reduced Price Eligibles for all reviewed schools.

**BLOCK 19:**

From SFA-1, #4, Total the "Number of Lunches Claimed Incorrectly" for all reviewed schools.

**BLOCK 20**

From S-1, # 11,12,13: Total the number of Lunches Missing Item Component, by category, for all reviewed schools.

**September 1, 2014**

**COORDINATED REVIEW EFFORT**

**FNS 640 DATA SUMMARY (CONTINUED)**

Complete items 21 through 23 after Fiscal Action is completed:		
21. a. Did the SFA have a net underclaim? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES:		
b. \$ amount of net underclaim (FA-6, # 13, "B. Underclaims):		
c. Was part or all of the underclaim repaid to the SFA? <input type="checkbox"/> Yes <input type="checkbox"/> No		
d. If yes, \$ amount that was repaid to the SFA:		
22. a. Did the SFA have a net overclaim? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES:		
b. \$ amount of net overclaim (FA-6, # 13, "A. Overclaims): :		
c. Was the overclaim disregarded? <input type="checkbox"/> Yes <input type="checkbox"/> No If NO:		
d. What was the \$ value of the overclaims and underclaims for:		
	<b>Overclaims</b>	<b>Underclaims</b>
Certification and benefit issuance errors (FA-6, # 7)		N/A
Meal count and component errors (FA-6, # 8)		
SFA level claim consolidation errors (FA-6, # 9)		
Recalculations (FA-6, # 12)		
23. Were payments withheld from this SFA? <input type="checkbox"/> Yes <input type="checkbox"/> No		

# Appendix 5: School Food Authority (SFA) Verification Collection Report (FNS-742)

Source: FNS website, *Release of the New School Food Authority Verification Collection Report*: <http://www.fns.usda.gov/release-new-school-food-authority-verification-collection-report>

Print		OMB APPROVED NO. 0584-0026 Expiration Date: 04/30/2016	
Department of Agriculture, Food and Nutrition Service <b>School Food Authority (SFA) Verification Collection Report</b>			
State agencies must report the information on this form ANNUALLY for each SFA with schools operating the National School Lunch Program (NSLP) and/or the School Breakfast Program (SBP). All SFAs, including SFAs with all schools exempt from verification requirements, must complete applicable sections.			
According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it contains a valid OMB control number. The valid OMB number for this collection is 0584-0026. The time required to complete this information collection is 45 minutes per response, including the time to review instructions, search existing data resources, gather the data needed and complete and review the information collection.			
State Agency Name:		SFA ID#:	Type of SFA: <input type="checkbox"/> Public <input type="checkbox"/> Nonprofit/Private
SFA Name:		SFA City:	School Year: From: 20      To: 20
			SFA Zip code: <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
<b>Section 1</b>	Total Schools, Residential Child Care Institutions (RCCIs) and Enrolled Students	<b>**All SFAs must report Section 1**</b>	
		1-1: Total schools (Do not include RCCIs):	A. Number of Schools OR Institutions
		1-2: Total RCCIs (Do not include schools counted in 1-1):	B. Number of Students
		1-2a: RCCIs with day students (Report ONLY day students in 1-2aB):	
		1-2b: RCCIs with NO day students:	
<b>Section 2</b>	SFAs with schools operating alternate provisions	<b>**ONLY SFAs with alternate provisions must report Section 2**</b>	
		2-1: Operating Provision 2/3 in a BASE year for NSLP and SBP:	A. Number of Schools AND Institutions
		2-2: Operating Provision 2/3 in a NON BASE year for NSLP and SBP:	B. Number of Students
		2-2a: Provision 2/3 students reported as FREE in a NON BASE year:	
		2-2b: Provision 2/3 students reported as REDUCED PRICE in a NON BASE year:	
		2-3: Operating the Community Eligibility Option:	
2-4: Operating other alternatives for NSLP and SBP:			
2-5: Operating an alternate provision(s) for only SBP or only NSLP:			
<b>Section 3</b>	Students approved as FREE eligible NOT subject to verification	<b>**ALL SFAs must report Section 3 or check box 3-1 if applicable**</b>	
		3-1: <input type="checkbox"/> Check the box only if all schools and/or RCCIs in the SFA were not required to perform direct certification with SNAP (i.e. NON BASE year Provision 2/3 for all schools)	B. Number of FREE Students
		3-2: Students directly certified through Supplemental Nutrition Assistance Program (SNAP): Do not include students certified with SNAP through the letter method.	
		3-3: Students directly certified through other programs: Include those directly certified through Temporary Assistance for Needy Families (TANF), Food Distribution Program on Indian Reservations (FDPIR), or Medicaid (if applicable); those documented as homeless, migrant, runaway, foster, Head Start, Pre-K Even Start, or non-applicant but approved by local officials. DO NOT include SNAP students already reported in 3-2.	
3-4: Students certified categorically FREE eligible through SNAP letter method: Include students certified for free meals through the family providing a letter from the SNAP agency.			
<b>Section 4</b>	Students approved as FREE or REDUCED PRICE eligible through a household application	<b>**ALL SFAs collecting applications must report Section 4**</b>	
		4-1: Approved as categorically FREE Eligible: Based on those providing documentation (e.g. a case number for SNAP, TANF, FDPIR on an application)	A. Number of Applications
		4-2: Approved as FREE eligible: Based on household size and income information	B. Number of Students
		4-3: Approved as REDUCED PRICE eligible: Based on household size and income information	
T-1: Total FREE Eligible Students Reported: <input type="text"/>		T-2: Total REDUCED PRICE Eligible Students Reported: <input type="text"/>	

<b>**ALL SFAs must report Section 5 or check box 5-1 if applicable**</b> <b>5-1: <input type="checkbox"/> Check the box if ALL schools and/or RCCIs are exempt from verification (see instructions for list of exemptions). If 5-1 is checked, no further reporting in Section 5 is required.</b>									
<b>5-2: Was verification performed and completed?</b> <input type="checkbox"/> Yes, completed by November 15th <input type="checkbox"/> Yes, completed after November 15th <input type="checkbox"/> No, verification was NOT performed or the process was not completed.					<b>5-3: Type of Verification process used:</b> 1. <input type="checkbox"/> Standard (Lesser of 3% or 3,000 error-prone) 2. <input type="checkbox"/> Alternate one (Lesser of 3% or 3,000 selected randomly) 3. <input type="checkbox"/> Alternate two (Lesser of 1% or 1,000 error prone applications PLUS lesser of one-half of one percent or 500 applications with SNAP/TANF/FDPIR case numbers)				
If 1 or 3 is checked in 5-3, report 5-4. If 2 is checked in 5-3, enter "N/A" in 5-4.			<b>5-4: Total ERROR PRONE applications:</b> <i>Report all applications as of October 1st considered error prone</i>			<b>5-5: Number of applications selected for verification sample:</b>			
<b>**ALL SFAs must report 5-7 or check box 5-6 if applicable**</b> <b>5-6: <input type="checkbox"/> Check the box if direct verification was not conducted in the SFA, (i.e. not one of the schools and/or RCCIs in the SFA performed direct verification). If 5-6 is checked, skip 5-7.</b>								<b>A. Number of Applications</b>	<b>B. Number of Students</b>
Report if FREE and/or REDUCED PRICE eligibility is confirmed through direct verification with SNAP/TANF/FDPIR/MEDICAID as of November 15th						<b>5-7: Confirmed through direct verification:</b>			
<b>5-8: Results of Verification by Original Benefit Type</b> For each original benefit type (A, B, & C), report the number of applications and students as of November 15th for each result category (1, 2, 3, & 4). Do NOT include students and applications already reported in 5-7A or 5-7B.									
<b>A. FREE-Categorically Eligible</b> <i>Certified as FREE based on SNAP/TANF/FDPIR documentation (e.g. case number) on application</i>			<b>B. FREE-Income</b> <i>Certified as FREE based on income/household size application</i>			<b>C. REDUCED PRICE-Income</b> <i>Certified as REDUCED PRICE based on income/household size application</i>			
Result Category	a. Applications	b. Students	Result Category	a. Applications	b. Students	Result Category	a. Applications	b. Students	
1. Responded, NO CHANGE:			1. Responded, NO CHANGE:			1. Responded, NO CHANGE:			
2. Responded, Changed to REDUCED PRICE:			2. Responded, Changed to REDUCED PRICE:			2. Responded, Changed to FREE:			
3. Responded, Changed to PAID:			3. Responded, Changed to PAID:			3. Responded, Changed to PAID:			
4. NOT Responded, Changed to PAID:			4. NOT Responded, Changed to PAID:			4. NOT Responded, Changed to PAID:			
<b>VC-1: Total questionable applications verified for cause (Enter "N/A" if not applicable);</b> <i>Report the number of applications as of November 15th verified for cause in addition to the verification requirement.</i>									

Section 5

### Additional Instructions for Reporting the FNS-742

For additional guidance on verification requirements and procedures, refer to the Eligibility Manual (<http://www.fns.usda.gov/cnd/guidance/EliMan.pdf>). Enter the State agency name, SFA name, SFA ID, SFA city, SFA zip code for each SFA with schools and/or RCCIs operating the NSLP and/or SBP. Select if the SFA overall is a public or a private/nonprofit entity and enter the school year for which the report is completed. Include schools and/or RCCIs and the enrolled students **only once** if operating both NSLP and SBP.

#### Section 1

All SFAs with schools or RCCIs operating the NSLP and/or SBP must complete this section regardless if all schools are exempt from verification. Report schools or institutions operating the NSLP and/or SBP and students with access to the NSLP and/or SBP as of the **last operating day in October**.

**1-1A & B:** TOTAL number of schools (not including RCCIs) operating the NSLP and/or SBP and the TOTAL number of enrolled students with access to the NSLP and/or SBP.

**1-2A & B:** TOTAL number of RCCIs operating the NSLP and/or SBP and the TOTAL number of enrolled students with access to the NSLP and/or SBP in RCCIs.

**1-2aA & 1-2aB:** Of the RCCIs reported in **1-2A**; enter the number of RCCIs with DAY students and ONLY the DAY students with access to the NSLP and/or SBP in RCCIs (**day students are those students NOT institutionalized and eligibility is determined individually by application or direct certification as applicable**).

**1-2bA & 1-2bB:** Of the RCCIs reported in **1-2A**; enter the number of RCCIs with NO day students and the TOTAL number of institutionalized students.

NOTE: The sum of the students reported in 1-2aB and 1-2bB will NOT equal the total in 1-2B.

#### Section 2

All SFAs with some or all schools and/or RCCIs operating under an alternate provision must complete this section. For RCCIs operating an alternate provision, include both day and residential students. Report students with access to the NSLP and/or SBP as of the **last operating day in October**. 2-1 through 2-4 should be reported only if the school operates alternate provisions for BOTH programs resulting in no collection of applications for the school. Schools operating Provision 2/3 for only one program and collecting household applications for the other program should report applicable provision data in 2-5.

**2-1A & B:** BASE year is when certification procedures are conducted.

**2-2A & B:** NON BASE year is when no certification procedures are conducted.

**2-2aB, 2-2bB:** Multiply the most recent base year FREE percentage by the enrollment reported in **2-2B** to determine **2-2aB**. Multiply the base year REDUCED PRICE percentage by the enrollment reported in **2-2B** to determine **2-2bB**.

**2-3A & B:** Number of schools operating the Community Eligibility Option and the number of enrolled students in the schools with access to the NSLP and/or SBP.

**2-4A & B:** Other alternatives include Provision 1 and universal meal service through census data or socioeconomic surveys.

**2-5A & B:** Enter the number of schools and/or RCCIs and students enrolled operating an alternate provision for **ONLY SBP or ONLY NSLP**. Include schools/RCCIs operating in both a base year and non base year.

#### Section 3

All SFAs must complete this section. If all schools and/or RCCIs in the SFA were not required to perform direct certification with SNAP, then check box 3-1. Direct certification is the process by which the student is certified eligible based on documentation received directly from the applicable program (e.g. SNAP or TANF agency). This process eliminates the need for the household to submit an application. Report students approved FREE eligible as of the **last operating day in October**.

**3-2B:** Include students directly certified with SNAP. If a student is directly certified with SNAP as well as with another program (e.g. TANF/eligible homeless), include the student in this SNAP count (3-2B). Also include in this count any student in the SFA deemed eligible based on extended categorical eligibility via an eligible student in the primary household who has been directly certified with SNAP. DO NOT include SNAP letter method certifications in this SNAP count, report these in 3-4B below. (SNAP letter method certifications are when the family submits a letter from the SNAP agency to document receipt of SNAP benefits. This is no longer considered to be direct certification.)

**3-3B:** Include students directly certified through programs other than SNAP. Include students in the SFA deemed eligible due to extended categorical eligibility via an eligible student in the primary household directly certified with TANF or FDPIR. DO NOT include SNAP students already reported in 3-2 or to be reported in 3-4 as certified categorically through SNAP letter method.

**3-4B:** Include ONLY students certified as categorically FREE eligible based on a letter submitted by family from the SNAP agency. Include students in the SFA deemed eligible due to extended categorical eligibility via an eligible student in the primary household certified as FREE categorically eligible with the letter method with SNAP.

#### Section 4

All SFAs with schools and/or RCCIs collecting individual household applications must report this section, including schools and/or RCCIs in a Provision 2/3 base year. Report number of **applications (A)** approved as of **October 1st**. Report number of **students (B) as of the last operating day in October**.

**4-1A & B:** Number of **applications** approved FREE eligible based on documentation submitted on an application (i.e. case number for SNAP, TANF, or FDPIR on an application) on file as of **October 1st** and the number of **students as of the last operating day in October** approved FREE eligible based on documentation submitted on an application (i.e. case number for SNAP, TANF, or FDPIR on an application). *Include students in the SFA deemed eligible due to extended categorical eligibility via an eligible student in the primary household categorically FREE eligible with SNAP, TANF, or FDPIR.*

**4-2A & B:** Number of **applications** approved FREE eligible based on income information submitted by the household on file as of **October 1st** and the number of **students as of the last operating day in October** approved FREE eligible based on income information submitted by the household.

**4-3A & B:** Number of **applications** approved REDUCED PRICE eligible based on income information submitted by the household on file as of **October 1st** and the number of **students as of last operating day in October** approved REDUCED PRICE eligible based on income information submitted by the household.

**T-1:** Enter the total number of students reported as FREE eligible. (3-2B) + (3-3B) + (3-4B) + (4-1B) + (4-2B) + (2-2aB, if applicable)

**T-2:** Enter the total number of students reported as REDUCED PRICE eligible. (4-3B) + (2-2bB, if applicable)

If **ALL** schools and/or RCCIs in the SFA are exempt from verification activities, check box **5-1** and no further reporting is required in Section 5. Verification activities are NOT required for:

- schools/RCCIs in which all children have been certified under direct certification procedures including children documented as eligible foster, migrant, runaway or homeless children;
- RCCIs which do not have day students;
- schools electing the Community Eligibility Option;
- schools/RCCIs in which FNS has approved universal meal service through census data or using socioeconomic surveys; e.g., special cash assistance claims based on economic statistics regarding per capita income (Puerto Rico and the Virgin Islands);
- schools participating only in the Special Milk Program;
- schools in which all children are served with no separate charge for food service and no special cash assistance is claimed, (i.e., non-pricing programs claiming only the paid rate of reimbursement);
- all schools are Provision 2/3 schools in a non base year;
- schools which do not have any free or reduced price eligible students;
- other FNS determined exemptions on a case-by-case basis.

**5-2:** Indicate whether verification was performed and completed by the deadline of November 15th. If verification was completed after the deadline, report the remainder of Section 5 as applicable.

**5-3:** If verification was completed, check the type of verification process used to comply with the requirements of 7 CFR 245.6a. Please note the qualification requirements in 7 CFR 245.6a(d) must be met to use the two alternate sample sizes.

- *Standard:* Verify 3% or 3,000 of approved applications, whichever is less, selected from error-prone applications on file as of **October 1st**. If there are not enough error-prone applications, LEAs must select at random additional applications to complete sample size.
- *Alternate one:* Verify 3% or 3,000, whichever is less, of all randomly selected approved applications on file as of **October 1st**.
- *Alternate two:* Verify the lesser of 1% or 1,000 approved applications as of **October 1st** selected from error prone applications PLUS the lesser of one-half of one percent or 500 applications approved as of **October 1st** that provided a case number in lieu of income.

**5-4:** Error-prone applications are household applications approved as of **October 1st** indicating monthly income within \$100 of the monthly limit or annual income within \$1,200 of the annual limit of the applicable income eligibility guidelines.

**5-5:** Enter the total number of applications initially selected for the verification process as indicated in 5-3.

**5-6:** Check if direct verification was not conducted in the SFA (not one school in the SFA conducted direct verification). Direct verification is using records from public agencies to verify income and/or program participation.

**5-7A & B:** Only report applications and students if FREE and/or REDUCED PRICE eligibility is confirmed through direct verification. Report applications and students not directly verified in the appropriate category in **5-8**.

**5-8:** For the purposes of this report verification is complete:

- for households whose eligibility does not change as of the date of the confirmation of eligibility by a reviewing official;
- for households which do not appeal a change in eligibility as of the first operating day following the last date for filing an appeal in response to a notice of change in eligibility;
- for households which appeal a change in eligibility as of the first operating day following a decision by the hearing official.

**Responded:** The household provided sufficient documentation. This includes verbal or written notification that the household declines benefits.

**NOT Responded:** The household did not provide sufficient documentation or the household did not provide a response.

**A1, B1, & C1:** Number of applications with no change and the number of students on these applications.

**A2 & B2:** Number of applications changed to REDUCED PRICE based on sufficient documentation provided by the household and the number of students on the applications.

**C2:** Number of applications changed to FREE based on sufficient documentation provided by the household and the number of students on the applications.

**A3, B3, & C3:** Number of applications for which the eligibility was changed to PAID based on sufficient documentation by the household and the number of students on the applications.

**A4, B4, & C4:** Number of applications for which the eligibility was changed to PAID because documentation necessary to complete the verification process was NOT provided and the number of students on the applications.

The number of applications reported in 5-8 should include both the results of verification from verification process and the results from any applications verified for cause reported in VC-1.

**VC-1:** If applicable in at least one school and/or RCCI, report all applications verified for cause outside of the verification process (7 CFR 245.6a) as of November 15th. Applications verified for cause are NOT considered part of the required sample size.

**Include the results of verification for cause by original benefit type in the appropriate category in 5-8.**

## Appendix 6: Data Catalog

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This Appendix provides a catalogue of extant data that may be useful when constructing new methods for estimating erroneous payments with in the NSLP and SBP. While not exhaustive, the data catalogue captures data variables derived from large, nationally-representative samples as well as those derived from annual reporting documents completed by States as part of NSLP and SBP participation.

### Description of Data Sources Included in this Catalogue

#### Private School Universe Survey (PSS)

The purposes of this data collection activity are to generate biennial data on the total number of private schools, teachers, and students; and to build an accurate and complete list of private schools to serve as a sampling frame for NCES surveys of private schools. The PSS consists of a single survey that is completed by administrative personnel in private schools. Information collected includes: religious orientation; level of school; size of school; length of school year, length of school day; total enrollment (K-12); number of high school graduates, whether a school is single-sexed or coeducational and enrollment by sex; number of teachers employed; program emphasis; existence and type of kindergarten program.

The target population for the survey consists of all private schools in the U.S. that meet the NCES definition (i.e., a private school is not supported primarily by public funds, provides classroom instruction for one or more of grades K-12 or comparable ungraded levels, and has one or more teachers. Organizations or institutions that provide support for home schooling without offering classroom instruction for students are not included. The survey universe is composed of schools from several sources. The main source is a list frame, initially developed for the 1989-90 survey. The list is updated periodically by matching it with lists provided by nationwide private school associations, State departments of education, and other national private school guides and sources. Additionally, an area frame search is conducted by the Bureau of the Census.

Source: <http://nces.ed.gov/surveys/pss/index.asp>

## **Common Core of Data (CCD) Public Elementary / Secondary School Universe Survey**

The CCD is a national statistical program that collects and compiles administrative data from State education agencies (SEAs) covering the universe of all public elementary and secondary schools and school districts in the United States. The Public Elementary/Secondary School Universe Survey is one of five annual surveys that comprise the CCD.<sup>14</sup>

The scope of the CCD public school universe covers the 50 States, the District of Columbia, and five U.S. Island Areas (American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands). Schools that are supported by the Department of Defense Education Activity (DoDEA) and the Bureau of Indian Education (BIE) are also included in the universe. SEAs report school-, agency-, and State-level education data for each school year through the U.S. Department of Education's EDFacts Submission System (ESS). While each SEA maintains its own public education data systems, NCES and SEAs work cooperatively to develop and accept common data items and definitions in the goal of producing consistent and comparable statistical data that are critical to NCES' mission to report complete statistics on the condition of education in the United States.

*Source:* <https://nces.ed.gov/ccd/pdf/2015009.pdf>

## **Small Area Income and Poverty Estimates (SAIPE)**

The U.S. Census Bureau's Small Area Income and Poverty Estimates (SAIPE) program provides annual estimates of income and poverty statistics for all school districts, counties, and States. The main objective of this program is to provide estimates of income and poverty for the administration of federal programs and the allocation of federal funds to local jurisdictions. The estimates are not direct counts from enumerations or administrative records, nor direct estimates from sample surveys. Instead, for counties and States, Census models income and poverty estimates by combining survey data with population estimates and administrative records. For school districts, Census use the model-based county estimates and inputs from federal tax information and multi-year survey data to produce estimates of poverty.<sup>15</sup> Single-year direct survey ACS estimates are annually available for counties and other areas with population size of 65,000 or more. Three-year ACS estimates are annually available for areas with population size of 20,000 or more. Five-year ACS estimates are annually available for all counties and school districts, as well as for other small geographic areas (e.g., census tracts). Since modeling produces estimates with reduced sampling error, the SAIPE program continues to annually produce single-year model-based estimates for all school districts, counties, and States.

*Source:* <https://www.census.gov/did/www/saipe/about/index.html>

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<sup>14</sup> The other four surveys are the Local Education Agency Universe Survey, the State Nonfiscal Survey of Public Elementary/Secondary Education, the National Public Education Finance Survey, and the School District Finance Survey.

<sup>15</sup> See the [Methodology](#) page for further details on the models and see [Information about Data Inputs](#) for details on the data sources.

## **School Food Authority Verification Collection Support (FNS-742)**

The revised form FNS-742, the SFA Verification Collection Report, is used to report the results of verification activities of free and reduced price applications in the National School Lunch Program (NSLP) and School Breakfast Program (SBP). On April 19, 2013, the Office of Management and Budget (OMB) approved the revised form. The revised form will be used starting School Year 2013-2014. The primary impetus for the development of the new version of the form was the need to capture data related to Direct Certification with the Supplemental Nutrition Assistance Program (SNAP) required by the final rule National School Lunch Program: Direct Certification Continuous Improvement Plans Required by the Healthy, Hunger-Free Kids Act of 2010. The form will continue to capture program data for each school food authority (SFA) and information related to the annual statutorily required verification activity. Additionally, the new form was redesigned to streamline data collection and provide additional instructions to facilitate the reporting process.

Source: <http://www.fns.usda.gov/release-new-school-food-authority-verification-collection-report>

### **Coordinated Review Effort (CRE) Data Report**

The CRE is a comprehensive, on-site review system used by both State agencies (SA) and FNS to evaluate program operations in a school food authority (SFA) that participates in the National School Lunch Program (NSLP). SAs are required to conduct administrative reviews of all SFAs that operate the NSLP under their jurisdiction at least once during a five-year review cycle with no more than six years between the reviews.

During a CRE, SFAs' compliance with Program requirements is evaluated using two primary review components: Critical Areas of Review and General Areas of Review. Within the Critical Areas of Review, there are two specific standards that are prescribed by law and are found in 7 CFR Part 210.18:

1. Performance Standard 1 (PS-1) concerns accountability related to meal counting and claiming. All free, reduced price, and paid lunches claimed for reimbursement are served only to children eligible for free, reduced price or paid lunches respectively; and are counted, recorded, consolidated and reported through a system which consistently yields correct claims; and
2. Performance Standard 2 (PS-2) evaluates lunches to determine if the meals claimed meet the Federal requirements for a reimbursable lunch. Lunches claimed for reimbursement within the SFA contain meal elements (menu items/food items) as required under 7 CFR Part 210.10.

The General Areas of Review include: Free and reduced price process; food quantities; civil rights; monitoring; and reporting and recordkeeping.

Although all SFAs must be reviewed at least once during a five-year review cycle, SAs are not required to review a specific number or percentage of SFAs in any given year, and the SFAs

reviewed in any given year are not a random sample. Consequently, the results of CREs for any single year are not statistically representative of the performance of all SFAs nationwide.

*Source:* <http://www.fns.usda.gov/sites/default/files/SP18-2014a.pdf>

## Common Core of Data (CCD) Public Elementary/Secondary School Universe Survey

Variable Name	Definition	Format	Notes (e.g. frequency of data collection, reference point)
GSLO, GSHI	The lowest and highest grades offered in each school		<b>GENERAL NOTES: Biennial Survey. Retrieved from <a href="https://nces.ed.gov/ccd/pdf/2015009.pdf">https://nces.ed.gov/ccd/pdf/2015009.pdf</a></b>
LEVEL	Indicates the instructional level of the school	1 = Primary (low grade: PK through 03; high grade: PK through 08) 2 = Middle (low grade: 04 through 07; high grade: 04 through 11) 3 = High (low grade: 07 through 12; high grade: 12 only) 4 = Other (any other configuration not falling within the above three categories, including ungraded and operational schools with non-applicable grade spans)	
FRELCH	Free Lunch Eligible Students	Numerical	This student count may be taken by a school at a different time than the membership count; therefore, free lunch and membership counts may not be comparable within a given school.  NSLP provides alternative means for schools to certify eligibility. Under these alternatives, schools are not required to recount students each year, so the FRELCH counts reported to CCD are not necessarily direct counts for the current school year. Also, under the Community Eligibility Option (CEO), schools may report all of their membership as eligible under NSLP.
REDLCH	Reduced-Price Lunch Eligible Students	Numerical	See FRELCH notes above.
TOTFRL	Total Free and Reduced-Price Lunch Eligible Students	Numerical	
TITLEISTAT	Flag that indicates whether and in which Title I program a school is eligible for participation under authorization of Title I of Public Law 103-382. There are two types of Title I programs: Targeted Assistance (TAS) and Schoolwide (SWP).	1 = School is eligible for Title I Targeted Assistance (TAS) but provides no program 2 = School is eligible for Title I Targeted Assistance (TAS) and provides TAS program 3 = School is eligible for Title I Schoolwide program (SWP) and provides TAS program 4 = School is eligible for Title I Schoolwide program (SWP) but provides no program 5 = School is eligible for Title I Schoolwide program (SWP) and provides Title I Schoolwide program 6 = School is not eligible for either Title I Targeted Assistance (TAS) or Schoolwide program	
TITLEI	Flag that indicates whether a school is eligible for participation in either TAS or SWP program	1 = Yes 2 = No	
STITLI	Indicates whether a school is eligible for participation in Schoolwide program	1 = Yes 2 = No	
SFLE	Flag that indicates whether the ratio of total students eligible for free lunch to total membership passed the edit comparing the change from prior year data to this value's variability over the past five years.	1 = Failed the edit 2 = Passed the edit	
ISFLE	Indicates the response from the State to the corresponding edit	FE = State provided satisfactory response as to why anomalous data are correct; data not suppressed FA = Analyst accepts anomalous data as correct; data not suppressed FB = State does not give satisfactory response as to why anomalous data are correct; data suppressed	

		FN = State did not provide a response as to why anomalous data are correct; data suppressed PS = Passed edits	
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### Small Area Income and Poverty Estimates (SAIPE)

Variable Name	Definition	Format	Notes (e.g. frequency of data collection, reference point)
Total population	Estimate of total population of school district	Numerical	<b>GENERAL Notes: Annual model-based estimate. Data retrieved from</b> <a href="https://www.census.gov/did/www/saipe/data/index.html">https://www.census.gov/did/www/saipe/data/index.html</a>
Children ages 5 - 17	Estimate of total population of children in school district aged 5 to 17 years	Numerical	
Related children ages 5 - 17 in families in poverty	Estimate of number of children aged 5 to 17 years from families in poverty	Numerical	

### School Food Authority Verification Collection Support (FNS-742)

Variable Name <sup>16</sup>	Definition	Format	Notes (e.g. frequency of data collection, reference point)
Total Schools	Total number of schools (not including RCCIs) operating the NSLP and/or SBP	Numerical	<b>GENERAL NOTES: Reported by States annually for each SFA with schools operating NSLP and/or SBP. Data retrieved from</b> <a href="http://www.ped.State.nm.us/nutrition/2013/SP%2038-2013a.pdf">http://www.ped.State.nm.us/nutrition/2013/SP%2038-2013a.pdf</a>
Total Students School	Total number of enrolled students with access to the NSLP and/or SBP.	Numerical	
Total RCCI	Total number of Residential Child Care Institutions (RCCI) not including schools operating the NSLP and/or SBP	Numerical	
Total Students RCCI	Total number of enrolled RCCI students with access to the NSLP and/or SBP.	Numerical	
Provision 2/3 Base	Schools and RCCIs Operating Provision 2/3 in a base year for NSLP and SBP	Numerical	Provision 2 operates on a 4-year cycle. During the first year of Provision 2, known as the base year, the school serves all children meals at no charge regardless of the children's free, reduced price or paid eligibility category, but otherwise operates the meal programs under standard procedures. The most significant difference between Provision 2 schools and those not operating under Provision 2 is that Provision 2 schools must offer reimbursable meals to all participating children at no charge for as long as they operate Provision 2.  Amendments to the National School Lunch Act now provide for Provision 3, an alternative method of counting and claiming meals for reimbursements by school districts. By opting for Provision 3, the district agrees to pay, from other than federal funds, the meal cost differential not covered by program income.
Provision 2/3 Non-Base	Schools and RCCIs Operating Provision 2/3 in a non-base year for NSLP and SBP	Numerical	See above

<sup>16</sup> Variables were named by MSG researchers using FNS-742 fields.

Variable Name <sup>16</sup>	Definition	Format	Notes (e.g. frequency of data collection, reference point)
Students Provision 2/3 Non-Base Free	Provision 2/3 students reported as free in a non-base year	Numerical	
Students Provision 2/3 Non-Base Reduced	Provision 2/3 students reported as reduced price in a non-base year	Numerical	
Direct Certification	Flag indicating if all schools and/or RCCIs in the SFA were not required to perform direct certification with SNAP (i.e. NON BASE year Provision 2/3 for all schools)	X= Schools/RCCIs in SFA were not required to perform direct certification with SNAP	
Student SNAP Cert. Free	Students directly certified Free through SNAP	Numerical	Does not include students certified with SNAP through the letter method.
Student Other Cert. Free	Students directly certified Free through other programs	Numerical	Includes those directly certified through Temporary Assistance for Needy Families (TANF), Food Distribution Program on Indian Reservations (FDPIR), or Medicaid (if applicable); those documented as homeless, migrant, runaway, foster, Head Start, Pre-K Even Start, or non-applicant but approved by local officials
Student SNAP Letter Cert. Free	Students certified categorically free eligible through SNAP letter method	Numerical	Includes students certified for free meals through the family providing a letter from the SNAP agency
Application Free Doc.	Number of applications approved FREE eligible based on documentation submitted on an application (i.e. case number for SNAP, TANF, or FDPIR on an application) on file as of October 1st and the	Numerical	Includes students in the SFA deemed eligible due to extended categorical eligibility via an eligible student in the primary household categorically FREE eligible with SNAP, TANF, or FDPIR.
Approved Free Doc.	Number of students as of the last operating day in October approved FREE eligible based on documentation submitted on an application (i.e. case number for SNAP, TANF, or FDPIR on an application).	Numerical	Includes students in the SFA deemed eligible due to extended categorical eligibility via an eligible student in the primary household categorically FREE eligible with SNAP, TANF, or FDPIR.
Application Free Income	Number of applications approved FREE eligible based on income information submitted by the household on file as of October 1st	Numerical	
Approved Free Income	Number of students as of the last operating day in October approved FREE eligible based on income information submitted by the household.	Numerical	
Application Reduced Income	Number of applications approved REDUCED PRICE eligible based on income information submitted by the household on file as of October 1st	Numerical	
Approved Reduced Income	Number of students as of last operating day in October approved REDUCED PRICE eligible based on income information submitted by the household.	Numerical	
Total Free	Total number of students reported as FREE eligible		
Total Reduced	Total number of students reported as REDUCED PRICE eligible		
Verification Exempt	Flag that indicates whether SFA is exempt from verification	X= All schools and/or RCCIs are exempt from verification	Verification activities are NOT required for: • schools/RCCIs in which all children have been certified under direct certification procedures including children documented as eligible foster, migrant, runaway or homeless children; • RCCIs which do not have day students; • schools electing the Community Eligibility Option; • schools/RCCIs in which FNS has approved universal meal service through census data or using socioeconomic surveys; e.g., special cash assistance claims based on economic statistics regarding per

Variable Name <sup>16</sup>	Definition	Format	Notes (e.g. frequency of data collection, reference point)
			capita income (Puerto Rico and the Virgin Islands); • schools participating only in the Special Milk Program; • schools in which all children are served with no separate charge for food service and no special cash assistance is claimed, (i.e., nonpricing programs claiming only the paid rate of reimbursement); • all schools are Provision 2/3 schools in a non base year; • schools which do not have any free or reduced price eligible students; • other FNS determined exemptions on a case-by-case basis.
Verification Complete		Yes= completed by November 15th Yes= completed after November 15th No= verification was not performed or the process was not completed.	
Verification Type	The type of verification process used to comply with the requirements of 7 CFR 245.6a	1= Standard (Lesser of 3% or 3,000 error-prone) 2= Alternate one (Lesser of 3% or 3,000 selected randomly) 3= Alternate two (Lesser of 1% or 1,000 error prone applications PLUS lesser of one-half of one percent or 500 applications with SNAP/TANF/FDPIR case numbers)	The qualification requirements must be met to use the two alternate sample sizes.  Standard: Verify 3% or 3,000 of approved applications, whichever is less, selected from error-prone applications on file as of October 1st. If there are not enough error-prone applications, LEAs must select at random additional applications to complete sample size.  Alternate one: Verify 3% or 3,000, whichever is less, of all randomly selected approved applications on file as of October 1st.  Alternate two: Verify the lesser of 1% or 1,000 approved applications as of October 1st selected from error prone applications PLUS the lesser of one-half of one percent or 500 applications approved as of October 1st that provided a case number in lieu of income
Total Error Prone Applications	Applications as of October 1st considered error prone	Numerical	Error-prone applications are household applications approved as of October 1st indicating monthly income within \$100 of the monthly limit or annual income within \$1,200 of the annual limit of the applicable income eligibility guidelines
Verification Sample	Number of applications selected for verification sample	Numerical	
Direct Verification	Flag that indicates if direct verification was NOT conducted	X= Not one of the schools and/or RCCIs in the SFA performed direct verification	
Applications Direct Confirmed	Number of FREE and/or REDUCED PRICE applications confirmed through direct verification with SNAP/TANF/FDPIR/MEDICAID as of November 15th	Numerical	
Students Direct Confirmed	Number of FREE and/or REDUCED PRICE eligibility students confirmed through direct verification with SNAP/TANF/FDPIR/MEDICAID as of November 15th	Numerical	
Applications Free Cert. Responded No Change	Number of applications certified as FREE based on SNAP/TANF/FDPIR documentation with no status change after responding	Numerical	Responded: The household provided sufficient documentation. This includes verbal or written notification that the household declines benefits.
Students Free Cert. Responded No Change	Number of students certified as FREE based on SNAP/TANF/FDPIR documentation with no status change after responding	Numerical	See above
Applications Free Cert. Responded CHANGE Reduced	Number of applications certified as FREE based on SNAP/TANF/FDPIR	Numerical	See above

Variable Name <sup>16</sup>	Definition	Format	Notes (e.g. frequency of data collection, reference point)
	documentation changed to REDUCED PRICE based on sufficient documentation provided by the household		
Students Free Cert. Responded CHANGE Reduced	Number of students certified as FREE based on SNAP/TANF/FDPIR documentation changed to REDUCED PRICE based on sufficient documentation provided by the household	Numerical	See above
Applications Free Cert. Responded CHANGE Paid	Number of applications certified as FREE based on SNAP/TANF/FDPIR documentation for which the eligibility was changed to PAID based on sufficient documentation by the household	Numerical	See above
Students Free Cert. Responded CHANGE Paid	Number of students certified as FREE based on SNAP/TANF/FDPIR documentation for which the eligibility was changed to PAID based on sufficient documentation by the household	Numerical	See above
Applications Free Cert. NOT Responded CHANGE Paid	Number of applications certified as FREE based on SNAP/TANF/FDPIR documentation for which the eligibility was changed to PAID because documentation necessary to complete the verification process was NOT provided	Numerical	See above
Students Free Cert. NOT Responded CHANGE Paid	Number of students certified as FREE based on SNAP/TANF/FDPIR documentation for which the eligibility was changed to PAID because documentation necessary to complete the verification process was NOT provided	Numerical	Not Responded: The household did not provide sufficient documentation or the household did not provide a response.
Applications Free Income Responded No Change	Number of applications certified free using income with no change	Numerical	Responded: The household provided sufficient documentation. This includes verbal or written notification that the household declines benefits.
Students Free Income Responded No Change	Number of students certified free using income with no change	Numerical	See above
Applications Free Income Responded CHANGE Reduced	Number of applications certified as FREE based on income changed to REDUCED PRICE based on sufficient documentation provided by the household	Numerical	See above
Students Free Income Responded CHANGE Reduced	Number of students certified as FREE based on income changed to REDUCED PRICE based on sufficient documentation provided by the household	Numerical	See above
Applications Free Income Responded CHANGE Paid	Number of applications certified as FREE based on income changed to Paid based on sufficient documentation provided by the household	Numerical	See above
Students Free Income Responded CHANGE Paid	Number of students certified as FREE based on income changed to Paid based on sufficient documentation provided by the household	Numerical	See above
Applications Free Income NOT Responded CHANGE Paid	Number of applications certified as FREE based on income which the eligibility was changed to PAID because documentation necessary to complete the verification process was NOT provided	Numerical	Not Responded: The household did not provide sufficient documentation or the household did not provide a response.
Students Free Income NOT Responded CHANGE Paid	Number of students certified as FREE based on income for which the eligibility was changed to PAID because documentation necessary to complete the verification process was NOT provided	Numerical	See above

Variable Name <sup>16</sup>	Definition	Format	Notes (e.g. frequency of data collection, reference point)
Applications Reduced Income Responded No Change	Number of applications certified reduced using income with no change	Numerical	Responded: The household provided sufficient documentation. This includes verbal or written notification that the household declines benefits.
Students Reduced Income Responded No Change	Number of students certified reduced using income with no change	Numerical	See above
Applications Reduced Income Responded CHANGE Free	Number of applications certified as reduced based on income changed to FREE based on sufficient documentation provided by the household	Numerical	See above
Students Reduced Income Responded CHANGE Free	Number of students certified as reduced based on income changed to FREE based on sufficient documentation provided by the household	Numerical	See above
Applications Reduced Income Responded CHANGE Paid	Number of applications certified as reduced based on income changed to PAID based on sufficient documentation provided by the household	Numerical	See above
Students Free Income Responded CHANGE Paid	Number of students certified as reduced based on income changed to PAID based on sufficient documentation provided by the household	Numerical	See above
Applications Reduced Income NOT Responded CHANGE Paid	Number of applications certified as reduced based on income which the eligibility was changed to PAID because documentation necessary to complete the verification process was NOT provided	Numerical	Not Responded: The household did not provide sufficient documentation or the household did not provide a response.
Students Reduced Income NOT Responded CHANGE Paid	Number of students certified as reduced based on income for which the eligibility was changed to PAID because documentation necessary to complete the verification process was NOT provided	Numerical	See above

## Coordinated Review Effort (CRE) Data Report

Variable Name <sup>17</sup>	Definition	Format	Notes (e.g. frequency of data collection, reference point)
First SFA Reviewed	Number of SFAs in first review	Numerical	<p><b>GENERAL INFORMATION: CRE is an annually report on the results of first and follow-up reviews conducted during the preceding school year review period. State agencies must report to FNS by March 1 of each school year. Data retrieved from <a href="http://www.fns.usda.gov/sites/default/files/cn/SP04-2015a13.pdf">http://www.fns.usda.gov/sites/default/files/cn/SP04-2015a13.pdf</a></b></p> <p>CRE reports the results of first reviews conducted during the school year (July 1-June 30) and follow-up reviews conducted either during the school year or by December 31 following the school year.</p> <p>Separate reports must be submitted on the results of reviews in SFAs with less than 40,000 children enrolled and those with 40,000 or more children enrolled.</p>
Follow Up SFA Reviewed	Number of SFAs in follow-up review	Numerical	
First Single School SFA	Number of single-school SFAs in first review	Numerical	
Follow Up Single School SFA	Number of single-school SFAs in follow-up review	Numerical	
First Multi SFA	Number of multi-school SFAs in first review	Numerical	

<sup>17</sup> Variables were named by MSG researchers using FNS-742 fields.

Variable Name <sup>17</sup>	Definition	Format	Notes (e.g. frequency of data collection, reference point)
Follow up Multi SFA	Number of multi-school SFAs in follow-up review	Numerical	
First Total School SFA	Total Number of schools in SFA selected for first review	Numerical	
Follow Up Total School SFA	Total Number of schools in SFA selected for follow-up review	Numerical	
First School Reviewed SFA	Number of schools in SFA selected for first review	Numerical	
Follow Up Schools Reviewed SFA	Number of schools in SFA selected for follow up review	Numerical	
First Total School Multi SFA	Total Number of schools in multi-SFA selected for first review	Numerical	
Follow Up Total School Multi SFA	Total Number of schools in multi-SFA selected for follow-up review	Numerical	
First School Reviewed Multi-SFA	Number of schools in multi-SFA selected for first review	Numerical	
Follow Up Schools Reviewed Multi-SFA	Number of schools in multi-SFA selected for follow up review	Numerical	
Multi SFA School Reviewed	For those SFAs reported, the number of schools which were selected for review based on the mandatory selection criteria in <a href="#">7 CFR 210.18(e)(1) and 210.18(e)(2)(i)</a> .	Numerical	
SFA PS1 First	The number of SFAs which exceeded Performance Standard 1 (PS1) in first review because of an inadequate system for consolidating claims at the SFA level.	Numerical	PS1 requires that all free, reduced price, and paid lunches claimed for reimbursement are served only to children eligible for free, reduced price, and paid lunches, respectively; and are counted, recorded, consolidated, and reported through a system which consistently yields correct claims
SFA PS1 Follow Up	The number of SFAs which exceeded Performance Standard 1 (PS1) in follow-up review because of an inadequate system for consolidating claims at the SFA level.	Numerical	See above
PS2 First Incomp. Lunch	Total number of incomplete lunches observed during first review	Numerical	PS 2 requires that reimbursable lunches meet the meal requirements in 7 CFR Part 210.10, as applicable to the age/grade group reviewed.
PS2 Follow up Incomp. Lunch	Total number of incomplete lunches observed during follow-up review	Numerical	See above
PS2 First Total Lunch	Total number of lunches observed in first review	Numerical	See above
PS2 Follow Up Total Lunch	Total number of lunches observed in follow-up review	Numerical	See above
Total PS1 First Schools	Total number of schools reviewed in those SFAs which exceeded the PS 1 threshold.	Numerical	
Total PS1 Follow Up Schools	Total number of schools reviewed during follow-up in those SFAs which exceeded the PS 1 threshold.	Numerical	
PS1 First Schools 10PC	Of those schools reported on <i>Total PS1 First Schools</i> , the number in which 10% or more, but not less than 100 free and reduced price lunches were claimed incorrectly in first review.	Numerical	
PS1 Follow up Schools 10PC	Of those schools reported on <i>Total PS1 First Schools</i> , the number in which 10% or more, but not less than 100 free and reduced price lunches were claimed incorrectly in follow-up review.	Numerical	
PS1 First Schools Sys. Error	Of those schools reported on <i>Total PS1 First School</i> , the number which had an inadequate counting and claiming system for the day of the first review or the review period.	Numerical	

Variable Name <sup>17</sup>	Definition	Format	Notes (e.g. frequency of data collection, reference point)
PS1 Follow Up Sys. Error	Of those schools reported on <i>Total PS1 First School</i> , the number which had an inadequate counting and claiming system for the day of the follow-up review or the review period.	Numerical	
Total PS1 First Threshold Exceed	Number of SFAs where PS1 threshold was exceeded in first review	Numerical	
Total PS1 Follow Up Threshold Exceed	Number of SFAs where PS2 threshold was exceeded in first review	Numerical	
Total PS2 First Threshold Exceed	Number of SFAs where PS2 threshold was exceeded in first review	Numerical	
Total PS2 Follow Up Threshold Exceed	Number of SFAs where PS2 threshold was exceeded in follow-up review	Numerical	
Total SFA Free Meals Claimed First	Total free meals claimed by reviewed SFAs in first review	Numerical	
Total SFA Free meals Claimed Follow Up	Total free meals claimed by reviewed SFAs in follow-up review	Numerical	
Total SFA Reduced Meals Claimed First	Total reduced meals claimed by reviewed SFAs in first review	Numerical	
Total SFA Reduced Meals Claimed Follow Up	Total reduced meals claimed by reviewed SFAs in follow-up review	Numerical	
Total SFA Paid Meals Claimed First	Total paid meals claimed by reviewed SFAs in first review	Numerical	
Total SFA Paid Meals Claimed Follow Up	Total paid meals claimed by reviewed SFAs in follow-up review	Numerical	
Total SFA Free Meals Claimed First OVER	Total free meals over-claimed by SFA in error in first review	Numerical	
Total SFA Free Meals Claimed Follow Up OVER	Total free meals over-claimed by SFA in error in follow-up review	Numerical	
Total SFA Reduced Meals Claimed First OVER	Total reduced meals over-claimed by SFA in error in first review	Numerical	
Total SFA Reduced Meals Claimed Follow Up OVER	Total reduced meals over-claimed by SFA in error in follow-up review	Numerical	
Total SFA Paid Meals Claimed First OVER	Total paid meals over-claimed by SFA in error in first review	Numerical	
Total SFA Paid Meals Claimed Follow Up OVER	Total paid meals over-claimed by SFA in error in follow-up review	Numerical	
Total SFA Free Meals Claimed First UNDER	Total free meals under-claimed by SFA in error in first review	Numerical	
Total SFA Free Meals Claimed Follow Up UNDER	Total free meals under-claimed by SFA in error in follow-up review	Numerical	
Total SFA Reduced Meals Claimed First UNDER	Total reduced meals under-claimed by SFA in error in first review	Numerical	
Total SFA Reduced Meals Claimed Follow Up UNDER	Total reduced meals under-claimed by SFA in error in follow-up review	Numerical	
Total SFA Paid Meals Claimed First UNDER	Total paid meals under-claimed by SFA in error in first review	Numerical	
Total SFA Paid Meals Claimed Follow Up UNDER	Total paid meals under-claimed by SFA in error in follow-up review	Numerical	
Total School Free Meals Claimed First	Total free meals claimed by all reviewed schools in first review	Numerical	
Total School Free meals Claimed Follow Up	Total free meals claimed by all reviewed schools in follow-up review	Numerical	
Total School Reduced Meals Claimed First	Total reduced meals claimed by all reviewed schools in first review	Numerical	

Variable Name <sup>17</sup>	Definition	Format	Notes (e.g. frequency of data collection, reference point)
Total School Reduced Meals Claimed Follow Up	Total reduced meals claimed by all reviewed schools in follow-up review	Numerical	
Total School Paid Meals Claimed First	Total paid meals claimed by all reviewed schools in first review	Numerical	
Total School Paid Meals Claimed Follow Up	Total paid meals claimed by all reviewed schools in follow-up review	Numerical	
Total School Free Meals Claimed First OVER	Total free meals over-claimed by all reviewed schools in error in first review	Numerical	
Total School Free Meals Claimed Follow Up OVER	Total free meals over-claimed by all reviewed schools in error in follow-up review	Numerical	
Total School Reduced Meals Claimed First OVER	Total reduced meals over-claimed by all reviewed schools in error in first review	Numerical	
Total School Reduced Meals Claimed Follow Up OVER	Total reduced meals over-claimed by all reviewed schools in error in follow-up review	Numerical	
Total School Paid Meals Claimed First OVER	Total paid meals over-claimed by all reviewed schools in error in first review	Numerical	
Total School Paid Meals Claimed Follow Up OVER	Total paid meals over-claimed by all reviewed schools in error in follow-up review	Numerical	
Total School Free Meals Claimed First UNDER	Total free meals under-claimed by all reviewed schools in error in first review	Numerical	
Total School Free Meals Claimed Follow Up UNDER	Total free meals under-claimed by all reviewed schools in error in follow-up review	Numerical	
Total School Reduced Meals Claimed First UNDER	Total reduced meals under-claimed by all reviewed schools in error in first review	Numerical	
Total School Reduced Meals Claimed Follow Up UNDER	Total reduced meals under-claimed by all reviewed schools in error in follow-up review	Numerical	
Total School Paid Meals Claimed First UNDER	Total paid meals under-claimed by all reviewed schools in error in first review	Numerical	
Total School Paid Meals Claimed Follow Up UNDER	Total paid meals under-claimed by all reviewed schools in error in follow-up review	Numerical	
First Recalc. Schools	Number of reviewed schools recalculated in first review	Numerical	Recalculation is required because the counting system used by the reviewed school is unreliable  Partial recalculation is necessary because accurate counts by category are unreliable, but the total meal count is reliable  See <a href="http://www.fns.usda.gov/sites/default/files/cn/SP04-2015a5.pdf">http://www.fns.usda.gov/sites/default/files/cn/SP04-2015a5.pdf</a> for more information
Follow Up Recalc. Schools	Number of reviewed schools recalculated in follow-up review	Numerical	See above
Total Free Meals Recalc. First	Total number of free meals claimed by SFA for recalculated schools in first review	Numerical	
Total Free Meals Recalc. Follow Up	Total number of free meals claimed by SFA for recalculated schools in follow-up review	Numerical	
Total Reduced Meals Recalc. First	Total number of reduced meals claimed by SFA for recalculated schools in first review	Numerical	
Total Reduced Meals Recalc. Follow Up	Total number of reduced meals claimed by SFA for recalculated schools in follow-up review	Numerical	
Total Paid Meals Recalc. First	Total number of paid meals claimed by SFA for recalculated schools in first review	Numerical	
Total Paid Meals Recalc. Follow Up	Total number of paid meals claimed by SFA for recalculated schools in follow-up review	Numerical	

Variable Name <sup>17</sup>	Definition	Format	Notes (e.g. frequency of data collection, reference point)
Total Free Meals Recalc. First OVER	Total free meals over-claimed in error for review period based on recalculation in first review	Numerical	
Total Free Meals Recalc. Follow Up OVER	Total free meals over-claimed in error for review period based on recalculation in follow-up review	Numerical	
Total Reduced Meals Recalc. First OVER	Total reduced meals over-claimed in error for review period based on recalculation in first review	Numerical	
Total Reduced Meals Recalc. Follow Up OVER	Total reduced meals over-claimed in error for review period based on recalculation in follow-up review	Numerical	
Total Paid Meals Recalc. First OVER	Total paid meals over-claimed in error for review period based on recalculation in first review	Numerical	
Total Paid Meals Recalc. Follow Up OVER	Total paid meals over-claimed in error for review period based on recalculation in follow-up review	Numerical	
Total Free Meals Recalc. First UNDER	Total free meals under-claimed in error for review period based on recalculation in first review	Numerical	
Total Free Meals Recalc. Follow Up UNDER	Total free meals under-claimed in error for review period based on recalculation in follow-up review	Numerical	
Total Reduced Meals Recalc. First UNDER	Total reduced meals under-claimed in error for review period based on recalculation in first review	Numerical	
Total Reduced Meals Recalc. Follow Up UNDER	Total reduced meals under-claimed in error for review period based on recalculation in follow-up review	Numerical	
Total Paid Meals Recalc. First UNDER	Total paid meals under-claimed in error for review period based on recalculation in first review	Numerical	
Total Paid Meals Recalc. Follow Up UNDER	Total paid meals under-claimed in error for review period based on recalculation in follow-up review	Numerical	
FRPL Count First	First reviewer's count of free and reduced price eligibles	Numerical	
FRPL Count Follow Up	Follow-up reviewer's count of free and reduced price eligibles	Numerical	
FRLP Cert. Ben. Error First	Number of free AND reduced price meals claimed in error due to certification & benefit issuance errors in first review	Numerical	
FRLP Cert. Ben. Error Follow Up	Number of free AND reduced price meals claimed in error due to certification & benefit issuance errors in follow-up review	Numerical	
Free Meal Missing First	Total free meals missing item/component(s) during review period for reviewed schools in first review	Numerical	
Free Meal Missing Follow Up	Total free meals missing item/component(s) during review period for reviewed schools in follow-up review	Numerical	
Reduced Meal Missing First	Total reduced meals missing item/component(s) during review period for reviewed schools in first review	Numerical	
Reduced Meal Missing Follow Up	Total reduced meals missing item/component(s) during review period for reviewed schools in follow-up review	Numerical	
Paid Meal Missing First	Total paid meals missing item/component(s) during review	Numerical	

Variable Name <sup>17</sup>	Definition	Format	Notes (e.g. frequency of data collection, reference point)
	period for reviewed schools in first review		
Paid Meal Missing Follow Up	Total paid meals missing item/component(s) during review period for reviewed schools in follow-up review	Numerical	
SFA Underclaim First	Number of SFAs with net underclaims in first review	Numerical	
SFA Underclaim Follow Up	Number of SFAs with net underclaims in follow-up review	Numerical	
Total Underclaim Value First	Value of all underclaims in first review	Numerical (\$)	
Total Underclaim Value Follow Up	Value of all underclaims in follow-up review	Numerical (\$)	
Underclaim Paid First	Value of underclaims actually paid to SFAs by State Agency in first review	Numerical (\$)	
Underclaim Paid Follow Up	Value of underclaims actually paid to SFAs by State Agency in follow-up review	Numerical (\$)	
Overclaim Disregard First	Number of SFAs with net overclaims disregarded in first review	Numerical	Does not include overclaims of less than \$600 that were collected
Overclaim Disregard Follow Up	Number of SFAs with net overclaims disregarded in follow-up review	Numerical	See above
Disregard Value First	Value of all disregards from first review	Numerical (\$)	
Disregard Value Follow Up	Value of all disregards from follow-up review	Numerical (\$)	
Overclaim NOT Disregard First	Number of SFAs with net overclaims which were not disregarded in first review	Numerical	
Overclaim NOT Disregard Follow Up	Number of SFAs with net overclaims which were not disregarded in follow-up review	Numerical	
Overclaim Value Cert. Ben. Error First	Value of overclaims for certification and benefit issuance errors in first review	Numerical (\$)	
Overclaim Value Cert. Ben. Error Follow-Up	Value of overclaims for certification and benefit issuance errors in follow-up review	Numerical (\$)	
Overclaim Value Count Comp. Error First	Value of overclaims for meal count and component errors in first review	Numerical (\$)	
Overclaim Value Count Comp. Error Follow Up	Value of overclaims for meal count and component errors in follow-up review	Numerical (\$)	
Underclaim Value Count Comp. Error First	Value of overclaims for meal count and component errors in first review	Numerical (\$)	
Underclaim Value Count Comp. Error Follow Up	Value of underclaims for meal count and component errors in follow-up review	Numerical (\$)	
Overclaim Value Consol. Error First	Value of overclaims for SFA level claim consolidation errors in first review	Numerical (\$)	
Overclaim Value Consol. Error Follow Up	Value of overclaims for SFA level claim consolidation errors in follow-up review	Numerical (\$)	
Underclaim Value Consol. Error First	Value of underclaims for SFA level claim consolidation errors in first review	Numerical (\$)	
Underclaim Value Consol. Error Follow Up	Value of underclaims for SFA level claim consolidation errors in follow-up review	Numerical (\$)	
Overclaim Value Recalc. First	Value of overclaims for recalculations in first review	Numerical (\$)	
Overclaim Value Recalc. Follow Up	Value of overclaims for recalculations in follow-up review	Numerical (\$)	
Underclaim Value Recalc. First	Value of underclaims for recalculations in first review	Numerical (\$)	

Variable Name <sup>17</sup>	Definition	Format	Notes (e.g. frequency of data collection, reference point)
Underclaim Value Recalc. Follow Up	Value of underclaims for recalculations in follow-up review	Numerical (\$)	
Funds Withheld First	Number of SFAs with funds withheld in first review	Numerical	
Funds Withheld Follow Up	Number of SFAs with funds withheld in follow-up review	Numerical	

### Private School Universe Survey (PSS)

Variable Name	Definition	Format	Notes (e.g. frequency of data collection, reference point)
HIGR20XX	Highest grade level in school	1 = All Ungraded 2 = Lowest grade in school is prekindergarten) 3 = Lowest grade in school is kindergarten 4 = Lowest grade in school is transitional kindergarten 5 = Lowest grade in school is transitional 1st grade 6 = Lowest grade in school is 1st grade 7 = Lowest grade in school is 2nd grade 8 = Lowest grade in school is 3rd grade 9 = Lowest grade in school is 4th grade 10 = Lowest grade in school is 5th grade 11 = Lowest grade in school is 6th grade 12 = Lowest grade in school is 7th grade 13 = Lowest grade in school is 8th grade 14 = Lowest grade in school is 9th grade 15 = Lowest grade in school is 10th grade 16 = Lowest grade in school is 11th grade 17 = Lowest grade in school is 12th grade	<b>GENERAL NOTES: Biennial survey. Data retrieved from <a href="http://nces.ed.gov/surveys/pss/index.asp">http://nces.ed.gov/surveys/pss/index.asp</a></b>
LOGR20XX	Lowest grade level in school	See above	
LEVEL	Grade level of school	1 = Elementary: A school is elementary if it has one or more of grades K–6 and does not have any grade higher than grade 8. 2 = Secondary: A school is secondary if it has one or more of grades 7–12 and does not have any grade lower than grade 7. 3 = Combined: A school is classified as combined if it has one or more of grades K–6 and one or more of grades 9–12. Schools in which all students are ungraded (i.e., not classified by standard grade levels) are also classified as combined.	
NUMSTUDS	Number of K-12 and ungraded students in the school	Numeric	