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UNDERSTANDING ERRORS IN THE SCHOOL MEALS PROGRAMS

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The Agriculture Department recently published a rigorous study of error in the school lunch and breakfast programs (<http://www.fns.usda.gov/oane/MENU/Published/CNP/FILES/apecvol1.pdf>). The results show a troubling degree of error in the programs. As USDA notes, changes to reduce program errors should improve accuracy without impeding program access or increasing paperwork. Moreover, the study could easily be misunderstood by those who don't read all 350 pages of the report. As policymakers consider the study it is important to keep in mind the following points about the findings.

- **The error rates in the study are *not* a measure of fraud.** While some portion of the detected errors were likely the result of fraud on the part of families or school personnel, the study did not distinguish between honest mistakes and fraud. Many of the errors discussed in the report were obviously not deliberate, such as parents reporting information that qualified their children for smaller per-meal subsidies than the family was eligible for. The study focused on two kinds of error, neither of which necessarily reflects fraud.
 - “Certification errors” are mistakes by school staff and parents that result in children getting higher or lower subsidies than they qualify for. Typical examples include reporting a parent’s net pay instead of gross pay on a school meals application or calculating a household’s monthly income by multiplying its weekly income by 4 instead of 4.33 (the number of weeks in the average month).
 - “Operational errors” are administrative mistakes by cashiers or school administrative staff that result in miscounts of the number of subsidized meals served. Typical examples include counting a meal that does not meet the nutritional requirements for reimbursement or incorrectly adding up the number of meals served at all schools in a district or state.
- **Error rates include both overpayments and *underpayments* of meal subsidies.** The study found that as a result of certification errors, 15 percent of children who applied for school meals

received larger per-meal subsidies than they were eligible for. But certification errors also resulted in 8 percent of applicants getting *lower* subsidies than they were eligible for, causing them to miss out on needed benefits. In fact, more than one-third of the children who were denied free or reduced-price meals should have received them.

- **Underpayments partially offset the cost of errors.** As required by the Improper Payments Information Act of 2002, when reporting on erroneous payments the study adds together underpayments and overpayments to produce a *gross* erroneous payment figure of \$1.8 billion. While underpayments often have deplorable consequences, such as needy children not getting the meals for which they are eligible, they actually reduce federal costs. To identify the cost of errors to the federal government, one must subtract the amount of underpayments from the amount of overpayments to obtain a *net* cost figure. The net cost to the federal government of the errors studied was about \$1 billion. This includes \$484 million attributable to certification errors and \$546 million attributable to operational errors.

Any error-reduction strategies that are adopted should improve accuracy without sacrificing needy families' access to meals or overly burdening school personnel. One promising strategy would be to expand the use of "direct certification," under which children are enrolled based on data gathered and verified by other means-tested programs without the need for a duplicative application. Direct certification has been found to be highly accurate; it also makes the enrollment process easier for families and school administrators. Direct certification using data from the food stamp program is already required, but the use of data from the Medicaid program, which provides health insurance to millions of children with incomes low enough to qualify for free or reduced-price meals — is not currently permitted under the laws governing the school meals programs. More children could be enrolled through the simplified and highly accurate mechanism of direct certification if the law were changed to allow the use of Medicaid data.

In addition, while prior error-reduction efforts focused on certification errors, it is also important to reduce operational errors. Operational errors are typically made by school staff who, unlike caseworkers for other means-tested programs, receive minimal training and spend only a portion of their time on school meals. Identifying schools with high error rates (operational errors tend to be concentrated in a small number of schools) and providing appropriate training or oversight would be steps in the right direction.