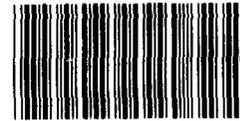


July 1990

FOOD STAMP PROGRAM

The Household Definition Is Not a Major Source of Caseworker Errors



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**Resources, Community, and
Economic Development Division**

B-217883

July 26, 1990

The Honorable Patrick J. Leahy
Chairman,
The Honorable Richard Lugar
Ranking Minority Member, Committee
on Agriculture, Nutrition, and Forestry
United States Senate

The Honorable Tom Harkin
Chairman, Subcommittee on Nutrition
and Investigations, Committee on
Agriculture, Nutrition, and Forestry
United States Senate

The Honorable Charles Hatcher
Chairman, Subcommittee on Domestic
Marketing, Consumer Relations and Nutrition
Committee on Agriculture
House of Representatives

This report is the first part of our response to your request for information on the household definition used in the Food Stamp Program. It discusses our evaluation of whether the current household definition used to compute food stamp benefits is a significant cause of caseworker errors. A second report, Food Stamp Program: Alternative Definitions of a Household for Food Stamp Eligibility (GAO/RCED-90-137), will be issued shortly and will provide information on the historical evolution and complexity of the current household definition; whether the definition contributes to homelessness; and 11 alternative definitions and their potential effects on participation and benefit payments, homelessness, and program simplicity.

Results in Brief

The current definition of a household does not significantly contribute to caseworker errors. We estimate, on the basis of a statistically valid sample, that caseworkers, nationwide, made household definition errors in about 1 percent, or between 0.4 million and 1.2 million, of the 80 million food stamp issuances in fiscal year 1988, the latest year for which complete data were available. As a result, between \$23 million and \$75 million of the \$10.3 billion in food stamp benefits issued were either

overpaid or underpaid to recipients because of household definition errors.¹

Background

The Food Stamp Program, administered by the Food and Nutrition Service of the U.S. Department of Agriculture (USDA), is the nation's largest food assistance program, delivering about \$11.1 billion in benefits to a monthly average of 7.1 million households (18.6 million people) in fiscal year 1988. Since food stamp benefits are provided to households rather than to individuals, a key factor in determining applicants' eligibility and benefits is how accurately caseworkers apply the household definition. Under the current household definition, people who live together and who customarily purchase food and prepare meals together must generally form a single household. Several exceptions allow some family members and certain other people or groups to form separate food stamp households while sharing housing.

While the basis of the current household definition became effective in 1977, the exceptions, which stem mostly from the Omnibus Budget and Reconciliation Acts of 1981 and 1982 and the 1987 Stewart B. McKinney Homeless Assistance Act, must be applied by caseworkers to determine the proper composition of households. (See app. II for a list of major exceptions in the current household definition.) Because food stamp benefits are allocated according to the size and economic resources of a household, determining household composition—the people who should be included in or excluded from a household—is a key element in making accurate eligibility and benefit determinations. Other key elements include correctly establishing the income, resources (assets), and deductions or expenses of household members.

The Food Stamp Act of 1977 established the quality control review system used in the Food Stamp Program. Under this system, each state is required to conduct quality control reviews by selecting a statistically valid sample of its food stamp caseload. Each state's quality control staff must review the cases in the sample to verify the accuracy of the state's benefit and eligibility determinations. From this information, the state determines its error rate and reports it to the Service.

¹This dollar value represents the total, or absolute value, of all overissuances plus all underissuances—not the net amount of overissuances less underissuances. The \$10.3 billion amount is for the benefits issued to food stamp cases that were subject to the Food and Nutrition Service's quality control review during fiscal year 1988.

The results of each state's quality control reviews are validated by the Service's reviewers. The reviewers select a subsample of the cases from each state's quality control sample and determine if the state properly reviewed the cases and reported the results. The Service then notifies the state of its finding and applies a statistical procedure to calculate the official error rate.

How Food Stamp Eligibility Errors Are Caused, Tracked, and Categorized

Either recipients or caseworkers can cause incorrect eligibility determinations resulting in over/under-issuances of food stamp benefits. Recipient-caused errors occur when recipients do not provide information on changes in household membership or provide inaccurate information. Caseworker errors occur when caseworkers make calculation errors or misapply provisions of the Food Stamp Act or other administrative provisions.

At the federal level, the Food and Nutrition Service tracks errors which lead to improper food stamp benefit determination, and for analytical purposes, groups them into several categories. We have compressed the Service's error categories into three major segments—financial, nonfinancial, and other—to simplify their presentation in this report.

For fiscal year 1988—the latest year for which complete data were available—the Service estimated that mistakes, both recipient- and caseworker-caused, occurred in about 23.9 percent of all food stamp cases,² resulting in total erroneous payments of about \$1 billion (about 10 percent of the food stamp benefits paid). To ascertain the cause of errors, the Service analyzes and reports on “variances”.³ Financial variances—those made in the calculation of income, deductions, or resources—accounted for 87 percent of all variances. Nonfinancial variances—which include household composition errors—accounted for 11 percent of the variances, while the “other” errors category accounted for the remaining 2 percent of the fiscal year 1988 variances.

²The Service estimated the food stamp overpayment error rate at 15.47 percent and the underissuance error rate at 8.42 percent of its food stamp issuances. This error rate is known as the “case error rate.” Dollar overpayments and underissuances related to the case error rate are referred to as the “dollar error rate.” The Service estimated its dollar error rate for overpayments at 7.42 percent (about \$763 million) and 2.53 percent (about \$260 million) for underissuances.

³A variance occurs when information verified by quality control reviewers is different from the information on which caseworkers made eligibility determinations or when food stamp policy has been misapplied. Because of the way the states report data, several variances can occur in a single case. The variance numbers which the Service reports reflect the relative frequency with which each variance is identified.

According to USDA quality control officials, the Service's way of categorizing food stamp errors has been useful for its program management purposes. However, by design, the Service's Quality Control Data Base does not track—and we could not determine directly from it—which errors resulted from caseworkers who misapplied the household definition. Therefore, for the purposes of this report, we created an error category which we called "household definition errors." By definition, this category excludes all household composition errors caused by food stamp recipients. For example, if a food stamp recipient failed to report the birth of a child to the caseworker, a household composition error would exist because the food stamp household would contain one less person than it should. However, this error would not have been caused by a caseworker who misapplied the definition because the caseworker did not have accurate information on which to act. For us to classify an error as a household definition error, one of three conditions had to be met: the caseworker (1) did not acquire a piece of information that was critical to making a proper determination, e.g., he/she did not determine whether the people who lived together also purchased food and prepared meals together; (2) had all the information required to make a proper household determination but made an incorrect determination; or (3) had all the information required to make a proper household determination but did not take any action, e.g., the caseworker did not include a child in a food stamp household after being informed of the infant's birth or adoption.⁴

Household Definition Is Not a Major Cause of Errors

The current definition of a food stamp household is complex and, according to state officials, difficult to apply. However, caseworkers make few mistakes in applying the definition and thus it is not a major source of caseworker error.

We selected a probability sample⁵ of about 2,400 issuances which contained about 500 error cases drawn from the Service's fiscal year 1988 Quality Control Data Base. This data base is used by the Service to identify the sources of food stamp errors. After selecting our sample, we examined the quality control case file to determine whether the caseworker had made an error in applying the household definition. The

⁴While household definition errors are usually found within the errors which the Food and Nutrition Service categorizes as household composition (nonfinancial) errors, we found a few household definition errors listed in other error categories tracked by the Service.

⁵A probability sample is a sample where each item in the universe has a known nonzero chance of selection.

sampling technique we employed allowed us to form nationwide estimates of the number and value of incorrect food stamp issuances which were caused by caseworkers who misapplied the household definition.⁶

From our examination of that sample, we estimated that, in fiscal year 1988, caseworkers made errors in applying the household definition in about 1 percent of the food stamp issuances. We estimated that, nationwide, between 0.4 million and 1.2 million household definition errors were made in the nearly 80 million fiscal year 1988 food stamp issuances. Thus, household definition errors amounted to about 2 to 6 percent of the 19.1 million food stamp issuance errors which the Service estimated were made from all sources that year. The combined over/under-issuances made as a result of these household definition errors amounted to between \$23 million and \$75 million of the \$10.3 billion in food stamp benefits paid. (See app. I for a detailed discussion of our methodology.)

Generally, the state social service officials in the 12 states included in our sample believed that our estimate of the caseworker errors attributable to the household definition was representative of what occurred. They agreed that the number was small and pointed out that caseworkers were comfortable with applying the exceptions to the basic definition introduced by the Omnibus Budget and Reconciliation and McKinney Acts. Although some officials would prefer a household definition which was simpler to administer or was uniform for several social assistance programs, they pointed out that applying any household definition which groups people together, and does not entitle each person to separate benefits, requires training and the use of judgment on the caseworkers' part. Because of this, some amount of caseworker error will be associated with any household definition.

According to these state service officials, changing the current definition would probably change the household definition error rate. Whether the rate would increase or decrease would depend on the provisions of the new definition. Some officials stressed that constant changes in the food stamp household definition result in increased errors until caseworkers are trained on and become familiar with applying the new definition. For this reason, most officials said that they prefer to work with a stable household definition even if they do not agree with all of its provisions.

⁶If we applied the same review procedure to all fiscal year 1988 issuances, the results would lie between the upper and lower bounds of our estimate about 19 of 20 times.

Agency Comments

USDA generally agreed with our finding that caseworkers make few errors in applying the current household definition. It suggested a few minor technical changes to our draft report, which have been incorporated into the text where appropriate. The full text of USDA's comments is reproduced as appendix III of this report.

Our evaluation is based on our estimate of the frequency that caseworkers misapply the household definition. This estimate was developed by examining a probability sample of about 2,400 issuances which contained about 500 error cases drawn from the fiscal year 1988 Quality Control Data Base. This data base contains information on all types of food stamp issuance errors. The errors are reported by the states and validated, compiled, and analyzed by the Service. These are the same data which the Service relies on in assessing overall food stamp issuance errors among the states. We also obtained the opinions of food stamp officials in 13 states regarding the impact of the household definition on caseworker errors. (For more detailed information on our objectives, scope, and methodology, see app. I.)

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days after the date of this letter. At that time, we will send copies of this report to the appropriate House and Senate committees and subcommittees, interested Members of Congress, the Secretary of Agriculture, and other interested parties.

We conducted this review between June 1989 and May 1990 in accordance with generally accepted government auditing standards. If you have any questions on the material in this report, please call me on (202) 275-5138. Major contributors are listed in appendix IV.

Sincerely yours,



John W. Harman
Director, Food and
Agriculture Issues

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Abbreviations

GAO	General Accounting Office
USDA	U.S. Department of Agriculture

Objectives, Scope, and Methodology

In response to requests from the Chairman and Ranking Minority Member, Senate Committee on Agriculture, Nutrition and Forestry; the Chairman, Subcommittee on Nutrition and Investigations, Senate Committee on Agriculture, Nutrition, and Forestry; and the Chairman, Subcommittee on Domestic Marketing, Consumer Relations and Nutrition, House Committee on Agriculture, and as modified in subsequent discussions with their offices, we agreed to provide a nationwide estimate of the food stamp error rate caused by caseworkers who misapplied the household definition.

To gain an understanding of the problems that caseworkers experience in applying the household definition as well as the strategies that state officials have developed to reduce those problems, we talked to food stamp program and quality control officials in 13 states—Alabama, Arizona, Georgia, Illinois, Louisiana, Michigan, Missouri, North Carolina, New Hampshire, Pennsylvania, Texas, Vermont, and Washington. We also asked these officials for their assessments of the impact of the household definition on caseworker errors and asked them to comment orally on our estimate of the number and dollar value of issuance errors attributable to caseworkers who misapplied the household definition.

To determine the extent to which caseworker errors were attributable to the food stamp household definition, we reviewed cases extracted from the Service's Quality Control Data Base. This data base contains all of the different types of errors made by both caseworkers and participants but does not specifically identify errors that resulted from caseworkers who misapplied the household definition. Because the data base did not contain this information, after consulting with Service officials, we created an error category which we called "household definition errors." For us to classify an error as a household definition error, one of three conditions had to be met: the caseworker (1) did not acquire a piece of information that was critical to making a proper determination, e.g., he/she did not determine whether the people who lived together also purchased food and prepared meals together; (2) had all the information required to make a proper household determination but made an incorrect determination; or (3) had all the information required to make a proper household determination but did not take any action, e.g., the caseworker did not include a child in a food stamp household after being informed of the infant's birth or adoption.

To estimate the number of errors caseworkers made in fiscal year 1988 benefit determinations due to misapplying the food stamp household

definition, we drew a probability sample¹ of cases from the Service's fiscal year 1988 Quality Control Sample, the most recent year for which complete data were available for our review. The Quality Control Sample is a stratified sample of about 72,000 of the 80 million fiscal year 1988 food stamp issuances. The statistical-sampling technique which we used in selecting our sample allowed us to make estimates about the entire 80 million fiscal year 1988 food stamp issuances on the basis of a sample of about 2,400 issuances which contained about 500 error cases.

To select our probability sample, we used a two-step process to draw cases. The Quality Control Sample is divided into 85 strata, some of which represent the food stamp issuances of an entire state and others which represent only a portion of a state's issuances. We selected strata for review after having assigned each a probability of selection on the basis of the percentage of all fiscal year 1988 issuances contained in that stratum. Thus, if a stratum contained 5 percent of the fiscal year 1988 issuances, it had a 5-percent probability of selection each time we drew a stratum for our sample. Once selected, a stratum was replaced into the group of strata that made up the universe so that it had a chance of being selected more than once.

Second, we selected a simple random sample of cases from each stratum chosen. The sample size was set so that 30 error cases would be expected to be found. For example, if 20 percent of the state's quality control cases had errors, we would expect a sample of 150 cases to contain about 30 error cases, and we chose a random sample of 150 cases. If 35 or fewer error cases were in the stratum, we selected all of the quality control cases rather than take a sample of them.

We made 17 stratum selections using this two-step method, and chose a sample of about 2,400 cases, of which about 500 were cases that state quality control reviewers had determined contained errors, as shown in table I.1.

¹A probability sample is a sample where each item in the universe has a known nonzero chance of selection.

**Appendix I
Objectives, Scope, and Methodology**

Table I.1: Probability Sample of Food Stamp Error Cases

Stratum identification ^a	Fiscal year 1988 issuances (in millions)	Stratum quality control sample size	GAO sample	
			All cases	Error cases
Alabama	1.8	1,931	126	29
Arizona (37)	.5	1,616	142	24
Georgia (02)	1.1	599	116	31
Illinois (24)	.3	376	96	31
Illinois (41)	1.3	634	129	38
Louisiana	2.7	1,248	112	34
Michigan (01)	2.2	1,279	157	31
Michigan (02)	1.6	828	155	28
Missouri	1.5	2,649	272 ^b	56 ^b
North Carolina	1.8	1,328	173	29 ^c
New Hampshire	.1	503	193	28
Pennsylvania	4.3	1,323	178	32
Texas (03)	.4	99	99	20
Texas (05)	.7	177	177	32
Texas (08)	1.2	177	121	29
Washington	1.4	2,600	156	26
Total			2,402	498

^aStates with quality control samples composed of a number of strata are identified by a number in parentheses. This number is the stratum code number of the stratum we selected for review.

^bMissouri was selected twice (as the first and third strata selected) in our sampling procedure. Therefore, we selected two independent subsamples of 136 issuances each. The first sample contained 23 error cases and the second 33.

^cOne North Carolina error case was unavailable for our review.

We assumed in our review procedure that cases that state reviewers found to be correct were actually correct. Although the number of error cases could be understated as a result, in our opinion, the amount of the understatement is likely to be small because the states' quality control reviews were validated by the Service.

Because we reviewed a probability sample of issuances, each estimate developed from the sample has a measurable precision.² We express this precision using ranges formed by the lower and upper bounds of the 95-percent confidence interval. If we applied the same review procedures to all fiscal year 1988 issuances, the results of such a review would lie

²Our estimates were based on standard statistical formulas. (See, for example, William G. Cochran, *Sampling Techniques*, 3rd edition equations 11.31 and 11.35 and 2nd edition equations 11.37 and 11.39.)

between the lower and upper bounds of the confidence interval about 19 out of 20 times. Because we observed no household definition errors in 4 of the 17 strata selected for review, the ranges we formed from the confidence intervals for estimates related to such errors may be somewhat misstated. We are unable to statistically estimate the size of this misstatement; however, we believe it to be small.

Major Exceptions to the Food Stamp Household Definition

The household definition contained in the Food Stamp Act of 1977 generally requires that people who live together and who customarily purchase food and prepare meals together be counted as a single household. Related individuals such as spouses, parents and their children, and siblings who live together are considered to be purchasing food and preparing meals together whether they do so or not. However, several exceptions allow certain persons to form separate food stamp households. For example:

- Parents having minor children and living with their parents or siblings can form separate households with their children if they purchase their food and prepare their meals separately from the relatives with whom they live.
- Elderly or disabled people and their spouses can form separate households from the relatives with whom they live if they purchase food and prepare meals separately.
- Elderly disabled people who are unable to prepare their own meals can form households with their spouses separate from relatives with whom they live if the gross income of the relatives does not exceed 165 percent of the poverty level.
- Some household members, such as college students who do not meet specific eligibility requirements, illegal aliens, intentional program violators, those refusing to provide their social security numbers, and those who have not complied with workfare requirements, are excluded by law from participating in the Food Stamp Program.
- Roomers and live-in attendants are generally defined as nonmembers of the household with which they live. If otherwise qualified, they can form separate households apart from the families they live with.
- Boarders—those residing with others and paying reasonable compensation for lodging and meals—are ineligible to participate in the Food Stamp Program independent of the household providing the board. They may participate as members of the household they board with only at the request of that household.

Comments From the U.S. Department of Agriculture



United States
Department of
Agriculture

Food and
Nutrition
Service

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Alexandria, VA 22302

John W. Harman, Director
Food and Agriculture Issues
U.S. General Accounting Office
411 G Street, N.W.
Washington, D.C. 20548

JUN 29 1990

Dear Mr. Harman:

We have reviewed your draft report entitled, Food Stamp Program: The Household Definition Is Not a Major Source of Caseworker Errors, RCED-90-183.

In this study, State quality control files were examined to determine whether the current household definition is a significant cause of caseworker errors. The report confirms our information that few errors actually result from the household definition.

On the whole, we have no problems with the report. My staff has already provided comments to yours on a few technical details. Thank you for giving us the opportunity to comment.

Sincerely,


Betty Jo Nelsen
Administrator

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