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FOOD STAMP PROGRAM

National Academy of Sciences' Recommendations on the Sanctions Backlog

GAO

United States
General Accounting Office
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Resources, Community, and
Economic Development Division

B-217883

October 21, 1987

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

Dear Mr. Chairman:

This briefing report responds to your request of June 22, 1987, that we calculate the effect of certain National Academy of Sciences' recommendations on the backlog of outstanding food stamp error-rate sanctions (financial penalties) levied against states by the U.S. Department of Agriculture's Food and Nutrition Service.[1] During fiscal years 1981-86, the Service levied a total of 188 sanctions against 49 states for about $550 million. As of August 31, 1987, a backlog of 144 sanctions involving 49 states and about $514 million was still outstanding.

The National Academy of Sciences' proposed changes for handling the backlog of food stamp sanctions generally employ the same criteria as the procedures the Service currently uses to calculate the sanction amount, but the Academy's proposal differs substantially in the criteria used to determine if a state should be sanctioned. Under both the Academy's and the Service's current methods, the sanction amount is based on the difference between an estimated error rate determined from a statistical sample and the target error rate that is set by the federal government for each state for each fiscal year. The Service also uses this same difference to determine whether a state should be sanctioned. However, the Academy recommends using the lower bound (limit) of the error-rate estimate range that results from a state's error-rate sample to determine whether a state should be sanctioned.

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[1]See the National Academy of Sciences' report, Rethinking Quality Control: A New System for the Food Stamp Program, May 22, 1987.

Under the Academy's proposal, a state would be sanctioned only if the lower bound of the Academy's "yet-to-be-recommended" error-rate estimate exceeds the state's target error rate. In addition, the Academy would require that the interval between the "yet-to-be-recommended" estimate and its lower bound be (1) the same for all states and (2) based on the largest sampling error in the states' error-rate estimates for the fiscal year involved. The Academy's recommendations for resolving the backlog of error-rate sanctions are detailed in appendix I.

A key to the Academy's recommendations is its "yet-to-be-recommended" statistical method for estimating the states' official error rates. However, an Academy official told us that the Academy will not be able to provide details on this new error-rate estimate until it finishes two mandated studies of error-rate sanctions that are scheduled for completion by the end of calendar year 1987.

As agreed with your office, we limited the scope of our work to the 138 outstanding sanctions comprising the backlog for fiscal years 1983-86. These cover almost all of the backlog as of August 31, 1987. (See section 1.) In addition, we calculated the sanctions backlog for these years on the assumption that the Academy's "yet-to-be-recommended" measure of state error rates will equal the existing official error rates that the Service determined and used to levy the sanctions comprising the current backlog. For comparison purposes, we also assumed that the "yet-to-be-recommended" error-rate estimates could be as much as 25-percent higher and 25-percent lower than the official Food Stamp Program error rates.

Table 1 summarizes our findings regarding changes in the number and dollar amount of sanctions and the number of states to be sanctioned under the three assumed error rates.

Table 1

Sanctions Backlog for Fiscal Years 1983-86,
Under the Three Error-Rate Assumptions

| | | If the "yet-to-be-recommended" error-rate | | |
	Current	Equals the official rate	Is 25-percent below the official rate	Is 25-percent above the official rate
Sanctions	138	43	8	92
Amount (millions)	$507.8	$299.5	$47.4	$801.5
Number of states sanctioned	49	25	5	39

Note: Outstanding sanctions backlog as of August 31, 1987.

Section 1 describes the Food Stamp Program's error-rate sanction system, established by the Congress at the start of fiscal year 1981. The sanctions are based on the official Food Stamp Program error rate that the Service determines for each state. Originally, the official rates represented the percentage of benefits that were either overissued or underissued by the states each year.[2] Starting in fiscal year 1983, states were held liable for excessive overissuances only, and the liability amounts were based on the states' federally reimbursed administrative costs as well as the error-rate targets set by law.

The Service's official error-rate estimates are based on the results from statistically valid random samples of food stamp cases for each state each year. Since fiscal year 1983, the official error rate has represented the Service's estimate of the percentage of food stamp benefits overissued by each state and is the point that equals the midpoint of the error-rate estimate range resulting from the sample. The error-rate range, called the confidence interval, is obtained by adding the sampling error to and subtracting it from the point estimate of the true error-rate to produce

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[2]For the Food Stamp Program the term "states" includes the 50 U.S. states plus the District of Columbia, Guam, and the U.S. Virgin Islands. Puerto Rico is not included because, in July 1982, its Food Stamp Program was replaced with an annual block grant.

for each state the upper and lower bounds (limits) within which the state's true payment error rate can be expected to lie.[3]

To estimate the impact of the Academy's proposal on the outstanding sanctions backlog for fiscal years 1983-86, we obtained the Service's error-rate and administrative cost data used to levy the sanctions and to determine the sanction amounts. Section 1 details the assumptions and methodology we employed to estimate the possible changes to the sanctions backlog resulting from the Academy's recommendations. Sections 2 through 5 detail the results from our sanction calculations for each state for fiscal years 1983-86 and compare the results with the sanction determinations by the Service for those same years.

We discussed the report's contents with cognizant Service and Academy officials and incorporated their comments where appropriate. However, as requested, we did not obtain official comments on a draft of this report.

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As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this briefing report until 30 days from the date of this letter. At that time we will send copies to the Secretary of Agriculture, the Director of the Office of Management and Budget, and other interested parties. Copies will be available to others upon request.

Major contributors to this report are listed in appendix III.

Sincerely yours,

Brian P. Crowley
Senior Associate Director

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[3]Sampling error is the maximum amount of expected difference between the true error rate and the Service's estimate and depends on the level of confidence desired, sample size, population size, and the variability of the data sampled.

C o n t e n t s

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ABBREVIATIONS

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AFDC   Aid to Families with Dependent Children
FNS   Food and Nutrition Service
FY   fiscal year
GAO   General Accounting Office
QC   quality control
RCED   Resources, Community, and Economic Development
             Division
USDA   U. S. Department of Agriculture

STATUS OF SANCTIONS LEVIED UNDER THE FOOD STAMP PROGRAM'S

QUALITY CONTROL AND ERROR-RATE SANCTION SYSTEMS

BACKGROUND

The Food Stamp Program provides food assistance benefits in the form of food coupons to households that meet program eligibility requirements. The coupons enable these households to purchase food and thus obtain a more nutritious diet. The program is administered nationally by the U.S. Department of Agriculture's (USDA) Food and Nutrition Service. States are responsible for local administration and day-to-day operation of the program.[1] The federal government finances 100 percent of the food stamp benefits and part (usually 50 percent) of the states' administrative costs. In fiscal year 1986, food stamp benefits totaled about $10.6 billion, and the Service's share of state administrative expenses totaled about $947 million. The estimated state overissuance of fiscal year 1986 food stamp benefits totaled about $850 million, resulting in sanctions (financial penalties) against 44 states of about $217 million.

The Quality Control and Error-Rate
Sanction Systems

The Food Stamp Act of 1977 authorized the Secretary of Agriculture to establish standards of performance for efficient and effective administration of the program and required state agencies to establish procedures for monitoring and reporting on program performance. In response to the act, the Food and Nutrition Service established the current quality control review system, which measures the percentage of benefits issued to ineligible households and overissued and underissued to eligible households. (For the purposes of this report, we will refer to issuances to ineligible households and overissuances to eligible households as "overissuances.") To determine these percentages, the Service relies on information obtained from its quality control system. Under the quality control system, a state is required to take a statistically representative sample of active food stamp cases, based on a state sampling plan approved by the Service, and determine whether the benefit amounts paid to the households were correct. The Service reviews cases from the states' samples to determine the accuracy of benefit payments and to calculate Food

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[1]As used here, "states" refers to the 50 United States plus the District of Columbia, Guam, and the U.S. Virgin Islands. Puerto Rico is not included because, in July 1982, its Food Stamp Program was replaced with an annual block grant.

Stamp Program overissuance and underissuance error rates for each state.

In 1980 the Congress established a sanction system that made states financially responsible for a portion of their erroneous payments based on the results of quality control error-rate targets that states had to meet each fiscal year. The sanctions are levied by the Service and are based on the official Food Stamp Program error rate, which the Service determines for each state. For fiscal years 1981-82, the official rate represented the percentage of benefits that were either overissued or underissued by each state. Since fiscal year 1983, the official error rate has represented the Service's estimate of the percentage of food stamp benefits overissued by each state each fiscal year.

The official error rate is used to determine if a sanction is required and the amount of the sanction. It is the point that equals the midpoint of the error-rate estimate range that results from the quality control system sample the Service used to determine the official rate. The error-rate range is called the confidence interval and is obtained by adding the sampling error to and subtracting it from the point estimate of the true error rate to produce for each state the upper and lower bounds (limits) within which the state's true payment error rate can be expected to lie. Sampling error is the maximum amount of expected difference between the true error rate and the Service's official error-rate estimate and depends on the level of confidence desired, sample size, population size, and the variability of the data sampled.

The Food Stamp Act Amendments of 1982 established the Service's current procedures for applying sanctions against states with official error rates in excess of specified target goals. Each state has a predetermined target error rate for each fiscal year established in accordance with the 1982 amendments. As shown in table 1.1, if the state's official payment error rate is below the target figure, the state is not sanctioned. If the official error rate is above the target, the sanction amount is a percentage of the state's federally reimbursed administrative costs for the fiscal year. Prior to fiscal year 1983, the sanction was based on total benefits issued.[2]

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[2]Appendix II lists several GAO reports that provide a detailed description of the food stamp error-rate sanction system.

Table 1.1

Sanction Amounts for States With Error-Rate Targets of 5, 7, and 9 Percent

Official Error rate (percent)	Sanction as a percentage of federally reimbursed administrative costs for a state with an error-rate target of:		
	5 percent	7 percent	9 percent
5.00 or less	none	none	none
5.01 - 6.00	5	none	none
6.01 - 7.00	10	none	none
7.01 - 8.00	15	5	none
8.01 - 9.00	25	10	none
9.01 - 10.00	35	15	5
10.01 - 11.00	45	25	10
11.01 - 12.00	55	35	15
12.01 or more[a]			

Note: The target error rates were set at 9 percent for fiscal year 1983, 7 percent for fiscal year 1984, and 5 percent for fiscal year 1985 and beyond. However, the Food Stamp Act Amendments of 1982 permitted some states to meet less stringent, individually determined target error rates for fiscal years 1983 and 1984.

[a]The sanction increases by 10 percentage points for each additional percentage point or part of a percentage point in the error rate. No state, however, can be sanctioned more than the value of benefits issued in error above its target.

The difference between the official and target error rates determines the amount of sanction. The 1982 amendments required that the federally funded share of the state's administrative costs be reduced by 5 percent for each of the first 3 percentage points or fraction thereof by which the state's official error rate exceeded its target error rate for a fiscal year, and by 10 percent for each additional percentage point or fraction thereof by which the target error rate for the fiscal year was exceeded. For example, Wisconsin, which had a 9.6 percent error rate in fiscal year 1984, as compared with its target error rate of 7 percent, was penalized an amount equal to 15 percent of its fiscal year 1984 federal reimbursement for administrative costs--5 percent for each of the 3 percentage points or fraction thereof by which it exceeded its 7 percent target error rate.

Status of Error-Rate Sanctions

Since USDA implemented the food stamp sanction program in fiscal year 1981, 49 states have been assessed 188 sanctions totaling about $550 million for food stamp payment errors. As of

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August 31, 1987, only five sanctions had been paid. The remaining
sanctions have been challenged by states in administrative hearings
and/or federal court, have been waived by the Service, or are still
pending. The outstanding sanctions backlog, as of August 31, 1987,
included 144 sanctions against 49 states totaling about $514
million, covering fiscal years 1981-86. Only four states--Hawaii,
Nevada, North Dakota, and South Dakota--have not been sanctioned
under the Food Stamp Program. Figure 1.1 shows the substantial
growth in the number of sanctions and sanction amounts levied by
the Service for fiscal years 1981-86 as well as the outstanding
sanctions backlog for those years.
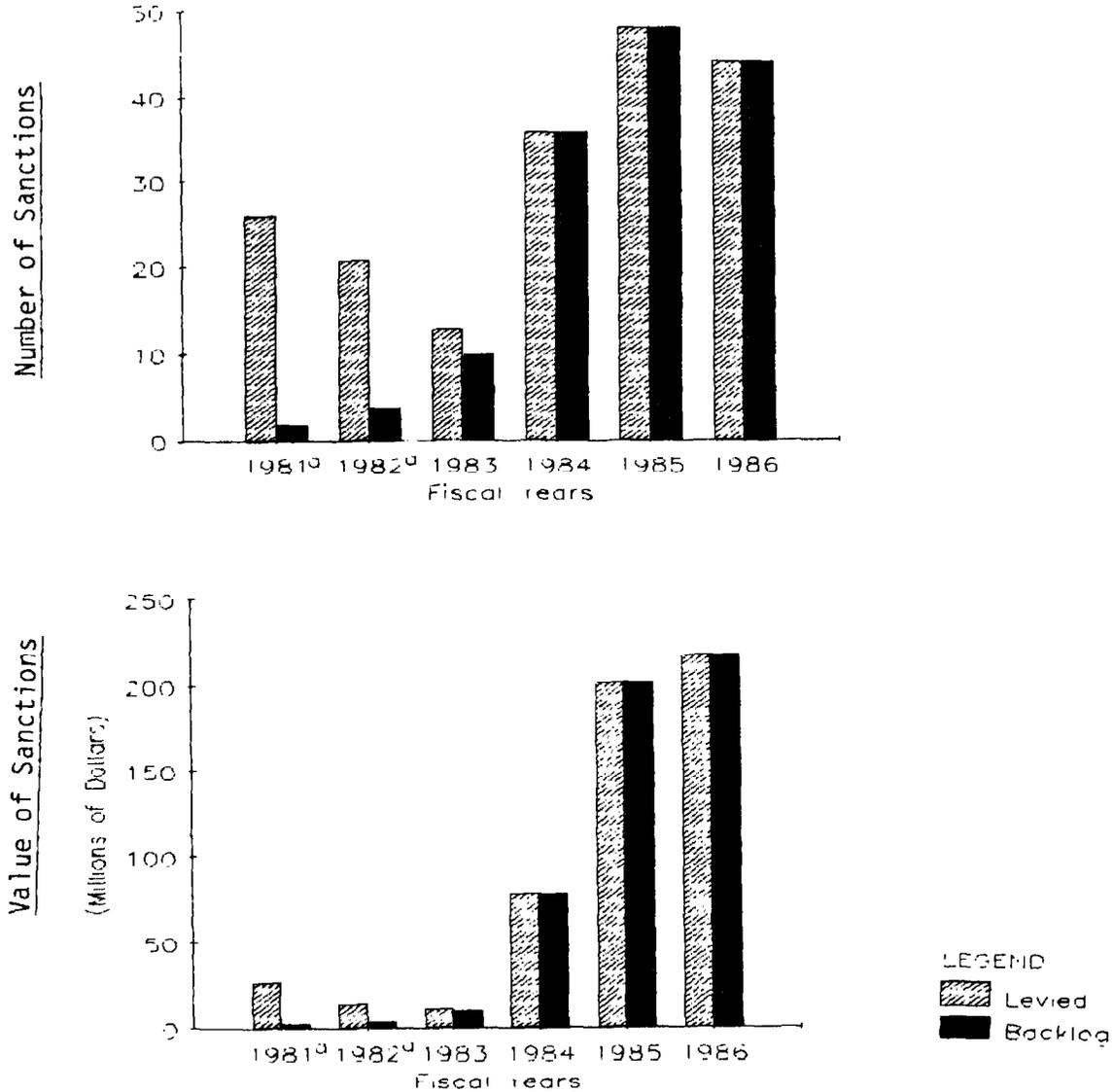
Note: Outstanding sanctions backlog as of August 31, 1987.

aSeparate error-rate sanctions were levied for the first and second half of fiscal years 1981 and 1982.   Beginning with fiscal year 1983, the Service levied a fiscal year sanction.

Source: USDA, Food and Nutrition Service.

Error Rate Adequacy Concerns Prompt the
Academy's Recommendations for Resolving
the Sanctions Backlog

Over the past several years, the Congress and others have been
concerned about the reliability of the quality control error rates
on which the sanctions are based. Addressing this concern, the
Congress included in the Food Security Act of 1985 (P.L. 99-198) a
provision that placed a 6-month moratorium on the collection of
food stamp sanctions and called for USDA and the National Academy
of Sciences to evaluate the error-rate data produced by the quality
control system.[3] The act also requires USDA to make any needed
revisions to the quality control system on the basis of the study
results and retroactively adjust sanctions accordingly. The study
results were reported to the Congress in May 1987. The Academy's
study included recommendations for resolving the outstanding
sanctions backlog using a measure of state error rates that is
"yet-to-be-recommended" by the Academy.

The National Academy of Sciences' proposed changes for
handling the backlog of food stamp sanctions generally employ the
same criteria as the procedures the Service currently uses to
calculate the sanction amount, but the Academy's proposal differs
substantially in the criteria used to determine if a state should
be sanctioned. Under both the Academy's and the Service's current
methods, the sanction amount is based on the difference between an
estimated error rate determined from a statistical sample and the
target error rate that is set by the federal government for each
state for each fiscal year. The Service also uses this same
difference to determine whether a state should be sanctioned.
However, the Academy recommends using the lower bound (limit) of
the error-rate estimate range that results from a state's error-
rate sample to determine whether a state should be sanctioned.

Under the Academy's proposal, a state would be sanctioned only if
the lower bound of the Academy's "yet-to-be-recommended" error-
rate estimate exceeds the state's target error rate. In addition,
the Academy would require that the interval between the "yet-to-be-
recommended" estimate and its lower bound (1) be the same for all
states and (2) be based on the largest sampling error in the
states' error-rate estimates for the fiscal year involved. The
Academy's recommendations for resolving the backlog of outstanding
error-rate sanctions are detailed in appendix I.

[3]The mandated moratorium prohibited the collection of food stamp
sanctions for 6 months beginning December 23, 1985. During the
moratorium the Secretary of Agriculture and the states were
required to continue to operate the existing quality control system
and calculate error rates.

SCOPE AND METHODOLOGY

As agreed, in the interest of time, we limited our analysis of the backlog sanctions determinations based on the Academy's proposal to those years for which the data we needed were readily available from the Service. Accordingly, we limited the scope of our work to the 138 outstanding sanctions comprising the backlog for fiscal years 1983-86, as shown in table 1.2. These involve all 49 states with outstanding sanctions as of August 31, 1987, and account for about 96 percent of the sanctions and over 98 percent of the sanction amounts comprising the backlog. We did not include in our analysis the remaining six sanctions that comprise the backlog for fiscal years 1981 and 1982 because the sampling error data we needed to determine the lower bound of the states' error-rate range estimates for those years were not readily available from the Service.

Table 1.2

Food Stamp Error Rate Sanctions Backlog, Fiscal Years 1983-86
(dollars in thousands)

STATE	1983	1984	1985	1986	Total
U.S. Total	$11,087.7	$78,789.1	$201,004.7	$216,897.0	$507,778.5
Alabama	-	7,545.0	13,118.7	12,140.2	32,803.9
Alaska	-	-	2,096.7	519.4	2,616.1
Arizona	-	1,199.0	4,329.8	2,037.7	7,566.5
Arkansas	-	1,144.3	1,243.0	853.6	3,240.9
California	-	4,263.7	13,137.0	20,742.4	38,143.1
Colorado	1,059.3	1,381.9	1,354.3	286.0	4,081.5
Connecticut	-	-	1,025.9	340.9	1,366.8
Delaware	-	-	246.8	173.4	420.2
District of Columbia	-	235.8	1,561.9	1,471.0	3,268.7
Florida	181.2	2,116.5	2,432.1	1,410.6	6,140.4
Georgia	-	3,697.4	16,441.2	20,831.0	40,969.6
Guam	-	-	27.9	-	27.9
Hawaii	-	-	-	-	-
Idaho	-	-	57.1	-	57.1
Illinois	-	2,844.5	9,029.5	14,513.1	26,387.1
Indiana	-	1,361.1	5,659.5	4,504.1	11,524.7
Iowa	-	690.2	2,028.6	829.0	3,524.8
Kansas	-	107.9	1,078.1	453.2	1,639.2
Kentucky	-	1,395.4	776.9	-	2,172.3
Louisiana	965.3	5,283.4	7,719.1	10,760.4	24,728.2
Maine	-	-	598.7	239.6	838.3
Maryland	-	-	2,532.0	4,592.6	7,124.6
Massachusetts	2,796.7	2,321.1	5,860.2	9,119.6	20,097.6
Michigan	-	-	4,563.9	6,860.3	11,424.2
Minnesota	-	1,461.8	3,218.4	2,771.6	7,451.8
Mississippi	-	1,731.9	1,816.9	2,022.4	5,571.2
Missouri	-	-	487.9	854.5	1,342.4
Montana	-	101.9	385.5	635.9	1,123.3
Nebraska	-	301.2	1,152.6	390.6	1,844.4
Nevada	-	-	-	-	-
New Hampshire	-	70.1	-	-	70.1
New Jersey	-	1,088.5	5,829.2	3,816.7	10,734.4
New Mexico	563.4	2,197.2	1,620.4	2,639.7	7,020.7
New York	-	10,064.0	16,280.4	28,013.2	54,357.6
No. Carolina	-	252.0	1,802.6	949.3	3,003.9
No. Dakota	-	-	-	-	-
Ohio	-	-	3,690.6	8,198.2	11,888.8
Oklahoma	-	231.3	5,312.3	6,304.8	11,848.4
Oregon	341.3	443.8	3,779.5	2,670.6	7,235.2
Pennsylvania	2,316.4	7,819.0	11,709.3	3,717.8	25,562.5
Rhode Island	-	-	391.3	150.8	542.1
So. Carolina	-	3,159.4	8,319.4	8,001.4	19,480.2
So. Dakota	-	-	-	-	-
Tennessee	-	-	2,058.6	2,244.2	4,302.8
Texas	-	8,212.3	28,120.6	17,085.6	53,418.5
Utah	1,453.0	1,307.0	583.2	-	3,343.2
Vermont	705.9	200.2	246.2	171.4	1,322.8
Virginia	-	1,304.7	1,415.8	810.6	3,531.1
Virgin Islands	-	259.8	299.4	340.6	899.8
Washington	705.9	1,510.0	4,048.2	7,361.7	13,625.8
West Virginia	-	-	111.5	245.6	357.1
Wisconsin	-	1,391.6	1,267.7	4,682.8	7,342.1
Wyoming	-	94.4	138.3	138.9	371.6

Note: Outstanding sanctions backlog as of August 31, 1987.

Source: USDA, Food and Nutrition Service.

To compensate for the variables that are yet to be resolved in the Academy's proposed sanctions determination process, we had to make several assumptions. Since the Academy has not yet determined the statistical method it will recommend for measuring a state's error-rate estimate, we assumed that the Academy's "yet-to-be-recommended" error-rate estimate would equal the official error rate determined by the Service. For comparison purposes, we also assumed that the Academy's "yet-to-be-recommended" estimate might be 25-percent higher or 25-percent lower than the official error rate. In addition, to calculate the spread between the assumed error-rate estimate and its lower bound, we determined the largest sampling error for each fiscal year from regressed error-rate data provided by the Service and used a 95-percent confidence level.[4]

Our use of the 95-percent confidence level means that there is a 95-percent probability that the true error rate, if it were known, would fall between the upper and lower bounds of the error-rate range, called the confidence interval. Although the Academy does not specify in its recommendations a level of confidence to be used in determining the lower bound for the state with the largest confidence interval, it notes that a 95-percent level has widespread use and traditional acceptance. (See app. 1.) An Academy official told us that the level of confidence chosen is a policy decision to be made by others and that the method used to determine the confidence interval would affect the amount and number of outstanding sanctions to be collected. The Academy official noted, however, that the Academy intended by its backlog recommendations that sanctions be assessed using a 95-percent level of confidence that the true error rate, if known, would be at least as high as the lower bound estimate used for sanction purposes.

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[4] To determine the lower bound for each state's error-rate estimate for fiscal years 1983-86, we used the standard error of the regressed overissuance error rate for Alaska. Alaska's was the highest of the standard errors available for these years and equaled 1.98, 1.88, 2.07, and 1.63 percentage points, respectively.

SECTION 2

ANALYSIS OF BACKLOG CALCULATIONS

BASED ON THE ACADEMY'S RECOMMENDATIONS

Table 2.1 summarizes the results of our analysis using the Academy's recommendations to calculate the backlog of outstanding sanctions for fiscal years 1983-86 based on our assumption that the Academy's "yet-to-be-recommended" error-rate estimate equals the Service's official error rate. We found that for cases where the "yet-to-be-recommended" error rate equals the official error rate

-- total sanctions assessed against states will decrease from 138 to 43;

-- total sanction liabilities will decrease from about $508 million to about $300 million; and

-- the number of states sanctioned will decrease from 49 to 25.

Table 2.1

Sanctions Backlog for Fiscal Years 1983-86, If the "Yet-to-be-Recommended" and the Official Error-Rates Are Equal

Fiscal year	Current backlog		Academy's recommendation	
	Sanctions	Amount ($ millions)	Sanctions	Amount ($ millions)
1983	10	$ 11.1	3	$ 5.0
1984	36	78.8	4	11.3
1985	48	201.0	16	121.6
1986	44	216.9	20	161.6
Total	138	$507.8	43	$299.5
Number of states sanctioned	49		25	

Note: Outstanding sanctions backlog as of August 31, 1987.

If the Academy's error-rate estimate is as much as 25-percent lower than the official error rate, we found that the total number of sanctions and the total sanction amount will decrease from 138 to 8 sanctions and from about $508 million to about $47 million. However, if the Academy's error-rate estimate is as much as 25-

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percent higher than the official error rate, then the total number of sanctions will decrease from 138 to 92, but the total sanction amount will increase from about $508 million to about $802 million. In addition, the number of sanctioned states is reduced at both the lower and upper limits of the error-rate range. At the lower limit, the number of states will decrease from 49 to 5, and at the higher limit the number of states will decrease to 39.

Using Pennsylvania as an example, table 2.2 shows what would occur to Pennsylvania's fiscal year 1984 backlog sanction on the basis of our error-rate estimate assumptions and on the Academy's backlog recommendations. The Service levied a sanction of $7,819,005 against Pennsylvania on the basis of the state's 10.53 official error rate for fiscal year 1984. This 10.53 rate exceeded its 7.00 target error-rate by 3.53 percentage points, which determined the sanction amount.[1] However, the Academy has recommended determining a state's sanctionability using the lower bound of the state's error-rate estimate range based on the largest sampling error for each fiscal year. This lower bound may or may not exceed the state's target rate. In Pennsylvania's case, the lower bound calculation for fiscal year 1984 would result in sanctions under only one of the three error-rate assumptions because the lower bound of the state's error-rate estimate exceeded Pennsylvania's target only where the assumed error rate is 25-percent higher than the official error-rate. Under this assumption, the resulting sanction amount based on the target and assumed error-rate difference equals $17.2 million. The larger sanction amount is due to the error-rate difference increasing from 3.53 under the Service's calculation (25 percent sanction rate) to 6.16 where the assumed error rate is 25-percent higher than the official error rate (55 percent sanction rate).

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[1]The stepped scale used by the Service for sanction amount determinations shows that for a 3.53 percentage point error-rate difference, a sanction totaling 25 percent of a state's federal food stamp administrative cost reimbursement would result. Therefore, Pennsylvania's $7,819,005 sanction equals 25 percent of its $31,276,019 federal reimbursement.

Table 2.2

Calculation of Pennsylvania's Fiscal Year 1984
Sanctionability and Sanction Amount Based on the National
Academy of Sciences' Recommended Methodology

	Error-rate Assumptions		
	Same as official error rate	Official error rate minus 25%	Official error rate plus 25%

Sanctionability:

Assumed error-rate estimate	10.53	7.90	13.16
Sampling error[a]	(3.68)	(3.68)	(3.68)
Lower bound of error-rate estimate	6.85	4.22	9.48
Target error rate	(7.00)	(7.00)	(7.00)
Difference	(0.15)	(2.78)	2.48
Result[b]	No sanction	No sanction	Sanction

Sanction amount:

Assumed error-rate estimate	N/A	N/A	13.16
Target error rate			(7.00)
Difference			6.16
Sanction rate[c]			55%
Sanction amount[c] ($000)			$17,201.8

[a]Based on a 95 percent level of confidence. This resulted in a spread between the error-rate estimate and its lower bound equal to 1.96 times the largest standard error for fiscal year 1984 (i.e., 1.96 times Alaska's 1.88 standard error).

[b]Under the Academy's recommendation, a state is sanctioned if the lower bound of the "yet-to-be-recommended" error-rate estimate exceeds its target.

[c]The sanction rate is keyed to a stepped scale employed by the Service for determining sanction amounts. The first three percentage points of error-rate difference or fraction thereof are each equal to 5 percent of a state's federal administrative cost reimbursement under the Food Stamp Program. Each additional percentage point or fraction thereof beyond the first three is equal to 10 percent of the cost reimbursement.

Sections 3 through 5 detail the results from our sanction calculations for each state for fiscal years 1983-86 and compare the results with the sanctions levied by the Service for those same years.

COMPARISON OF SANCTIONS BACKLOG IF THE "YET-TO-BE-RECOMMENDED" ERROR-RATE ESTIMATE IS EQUAL TO THE OFFICIAL ERROR RATE

Food Stamp Error-Rate Sanctions Backlog, Fiscal Years 1983-86
(dollars in millions)

State	1983 Current	1983 Revised	1984 Current	1984 Revised	1985 Current	1985 Revised	1986 Current	1986 Revised	Total[a] Current	Total[a] Revised
U.S. Total[a]	11.1	5.0	78.8	11.3	201.0	121.6	216.9	161.6	507.8	299.5
Alabama	-	-	7.5	7.5	13.1	13.1	12.1	12.1	32.8	32.8
Alaska	-	-	-	-	2.1	2.1	0.5	-	2.6	2.1
Arizona	-	-	1.2	-	4.3	4.3	2.0	-	7.6	4.3
Arkansas	-	-	1.1	-	1.2	-	0.9	-	3.2	-
California	-	-	4.3	-	13.1	-	20.7	20.7	38.1	20.7
Colorado	1.1	-	1.4	-	1.4	-	0.3	-	4.1	-
Connecticut	-	-	-	-	1.0	-	0.3	-	1.9	-
Delaware	-	-	-	-	0.2	-	0.2	-	0.4	-
Dist. of Col.	-	-	0.2	-	1.6	1.6	1.5	1.5	3.3	3.0
Florida	0.2	-	2.1	-	2.4	-	1.4	-	6.1	-
Georgia	-	-	3.7	-	16.4	16.4	20.8	20.8	41.0	37.3
Guam	-	-	-	-	0.0[b]	-	-	-	0.0[b]	-
Idaho	-	-	-	-	0.1	-	-	-	0.1	-
Illinois	-	-	2.8	-	9.0	-	14.5	14.5	26.4	14.5
Indiana	-	-	1.4	-	5.7	5.7	4.5	4.5	11.5	10.2
Iowa	-	-	0.7	-	2.0	-	0.8	-	3.5	-
Kansas	-	-	0.1	-	1.1	-	0.5	-	1.6	-
Kentucky	-	-	1.4	-	0.8	-	-	-	2.2	-
Louisiana	1.0	-	5.3	-	7.7	7.7	10.8	10.8	24.7	18.5
Maine	-	-	-	-	0.6	-	0.2	-	0.8	-
Maryland	-	-	-	-	2.5	-	4.6	-	7.1	-
Massachusetts	2.8	2.8	2.3	-	5.9	5.9	9.1	9.1	20.1	17.8
Michigan	-	-	-	-	4.6	-	6.9	6.9	11.4	6.9
Minnesota	-	-	1.5	-	3.2	3.2	2.8	2.8	7.5	6.0
Mississippi	-	-	1.7	-	1.8	-	2.0	-	5.6	-
Missouri	-	-	-	-	0.5	-	0.9	-	1.3	-
Montana	-	-	0.1	-	0.4	-	0.6	0.6	1.1	0.6
Nebraska	-	-	0.3	-	1.2	-	0.4	-	1.8	-
New Hampshire	-	-	0.1	-	-	-	-	-	0.1	-
New Jersey	-	-	1.1	-	5.8	-	3.8	-	10.7	-
New Mexico	0.6	-	2.2	2.2	1.6	-	2.6	2.6	7.0	4.8
New York	-	-	10.1	-	16.3	-	28.0	-	54.4	-
No. Carolina	-	-	0.3	-	1.8	-	0.9	-	3.0	-
Ohio	-	-	-	-	3.7	-	8.2	8.2	11.9	8.2
Oklahoma	-	-	0.2	-	5.3	5.3	6.3	6.3	11.8	11.6
Oregon	0.3	-	0.4	-	3.8	3.8	2.7	2.7	7.2	6.5
Pennsylvania	2.3	-	7.8	-	11.7	11.7	3.7	-	25.6	11.7
Rhode Island	-	-	-	-	0.4	-	0.2	-	0.5	-
So. Carolina	-	-	3.2	-	8.3	8.3	8.0	8.0	19.5	16.3
Tennessee	-	-	-	-	2.1	-	2.2	-	4.3	-
Texas	-	-	8.2	-	28.1	28.1	17.1	17.1	53.4	45.2
Utah	1.5	1.5	1.3	1.3	0.6	-	-	-	3.3	2.8
Vermont	0.7	0.7	0.2	-	0.2	-	0.2	-	1.3	0.7
Virginia	-	-	1.3	-	1.4	-	0.8	-	3.5	-
Virgin Islands	-	-	0.3	0.3	0.3	0.3	0.3	0.3	1.1	0.9
Washington	0.7	-	1.5	-	4.0	4.0	7.4	7.4	13.6	11.4
West Virginia	-	-	-	-	0.1	-	0.2	-	0.4	-
Wisconsin	-	-	1.4	-	1.3	-	4.7	4.7	7.3	4.7
Wyoming	-	-	0.1	-	0.1	-	0.1	-	0.4	-

Note: Compares "current" outstanding sanctions backlog for fiscal years 1983-86 determined by the Service, on the basis of the official overissuance error rate, with the "revised" backlog calculated by GAO, on the basis of the National Academy of Sciences' recommendations for calculating backlog sanctions. Backlog is as of August 31, 1987.

[a]Totals may not add due to rounding.

[b]Sanction amount less than $50,000.

COMPARISON OF SANCTIONS BACKLOG IF THE "YET-TO-BE-RECOMMENDED" ERROR-RATE ESTIMATE IS 25 PERCENT LOWER THAN THE OFFICIAL ERROR RATE

Food Stamp Error-Rate Sanctions Backlog, Fiscal Years 1983-86
(dollars in millions)

State	1983 Current	1983 Revised	1984 Current	1984 Revised	1985 Current	1985 Revised	1986 Current	1986 Revised	Total[a] Current	Total[a] Revised
U.S. Total[a]	11.1	0	78.8	0	201.0	20.6	216.9	26.8	507.8	47.4
Alabama	-	-	9.2	-	13.1	6.1	12.1	6.5	32.8	12.7
Alaska	-	-	-	-	2.1	1.1	0.5	-	2.6	1.1
Arizona	-	-	1.2	-	4.3	-	2.0	-	7.6	-
Arkansas	-	-	1.1	-	1.2	-	0.9	-	3.2	-
California	-	-	4.3	-	13.1	-	20.7	-	38.1	-
Colorado	1.1	-	1.4	-	1.4	-	0.3	-	4.1	-
Connecticut	-	-	-	-	1.0	-	0.3	-	1.9	-
Delaware	-	-	-	-	0.2	-	0.2	-	0.4	-
Dist. of Col.	-	-	0.2	-	1.6	-	1.5	-	3.3	-
Florida	0.2	-	2.1	-	2.4	-	1.4	-	6.1	-
Georgia	-	-	3.7	-	16.4	8.9	20.8	12.5	41.0	21.4
Guam	-	-	-	-	0.0[b]	-	-	-	0.0[b]	-
Idaho	-	-	-	-	0.1	-	-	-	0.1	-
Illinois	-	-	2.8	-	9.0	-	14.5	-	26.4	-
Indiana	-	-	1.4	-	5.7	-	4.5	-	11.5	-
Iowa	-	-	0.7	-	2.0	-	0.8	-	3.5	-
Kansas	-	-	0.1	-	1.1	-	0.5	-	1.6	-
Kentucky	-	-	1.4	-	0.8	-	-	-	2.2	-
Louisiana	1.0	-	5.3	-	7.7	-	10.8	-	24.7	-
Maine	-	-	-	-	0.6	-	0.2	-	0.8	-
Maryland	-	-	-	-	2.5	-	4.6	-	7.1	-
Massachusetts	2.8	-	2.3	-	5.9	-	9.1	4.1	20.1	4.1
Michigan	-	-	-	-	4.6	-	6.9	-	11.4	-
Minnesota	-	-	1.5	-	3.2	-	2.8	-	7.5	-
Mississippi	-	-	1.7	-	1.8	-	2.0	-	5.6	-
Missouri	-	-	-	-	0.5	-	0.9	-	1.3	-
Montana	-	-	0.1	-	0.4	-	0.6	-	1.1	-
Nebraska	-	-	0.3	-	1.2	-	0.4	-	1.8	-
New Hampshire	-	-	0.1	-	-	-	-	-	0.1	-
New Jersey	-	-	1.1	-	5.8	-	3.8	-	10.7	-
New Mexico	0.6	-	2.2	-	1.6	-	2.6	-	7.0	-
New York	-	-	10.1	-	16.3	-	28.0	-	54.4	-
No. Carolina	-	-	0.3	-	1.8	-	0.9	-	3.0	-
Ohio	-	-	-	-	3.7	-	8.2	-	11.9	-
Oklahoma	-	-	0.2	-	5.3	-	6.3	-	11.8	-
Oregon	0.3	-	0.4	-	3.8	-	2.7	-	7.2	-
Pennsylvania	2.3	-	7.8	-	11.7	-	3.7	-	25.6	-
Rhode Island	-	-	-	-	0.4	-	0.2	-	0.5	-
So. Carolina	-	-	3.2	-	8.3	4.5	8.0	3.6	19.5	8.1
Tennessee	-	-	-	-	2.1	-	2.2	-	4.3	-
Texas	-	-	8.2	-	28.1	-	17.1	-	53.4	-
Utah	1.5	-	1.3	-	0.6	-	-	-	3.3	-
Vermont	0.7	-	0.2	-	0.2	-	0.2	-	1.3	-
Virginia	-	-	1.3	-	1.4	-	0.8	-	3.5	-
Virgin Islands	-	-	0.3	-	0.3	-	0.5	-	1.1	-
Washington	0.7	-	1.5	-	4.0	-	7.4	-	13.6	-
West Virginia	-	-	-	-	0.1	-	0.2	-	0.4	-
Wisconsin	-	-	1.4	-	1.3	-	4.7	-	7.3	-
Wyoming	-	-	0.1	-	0.1	-	0.1	-	0.4	-

Note: Compares "current" outstanding sanctions backlog for fiscal years 1983-86 determined by the Service, on the basis of the official overissuance error rate, with the "revised" backlog calculated by GAO, the basis of the National Academy of Sciences' recommendations for calculating backlog sanctions. Backlog is as of August 31, 1987.

[a]Totals may not add due to rounding.

[b]Sanction amount less than $50,000.

COMPARISON OF SANCTIONS BACKLOG IF THE "YET-TO-BE-RECOMMENDED" ERROR-RATE
ESTIMATE IS 25 PERCENT HIGHER THAN THE OFFICIAL ERROR RATE

Food Stamp Error-Rate Sanctions Backlog, Fiscal Years 1983-86
(dollars in millions)

State	1983 Current	1983 Revised	1984 Current	1984 Revised	1985 Current	1985 Revised	1986 Current	1986 Revised	Total[a] Current	Total[a] Revised
U.S. Total[a]	11.1	21.1	78.8	162.1	201.0	268.4	216.9	349.9	507.8	801.5
Alabama	-	-	7.5	14.3	13.1	17.5	12.1	17.7	32.8	49.5
Alaska	-	-	-	-	2.1	2.7	0.5	1.0	2.6	3.7
Arizona	-	-	1.2	-	4.3	6.8	2.0	4.8	7.6	11.6
Arkansas	-	-	1.1	3.4	1.2	2.9	0.9	2.1	3.2	8.5
California	-	-	4.3	-	13.1	-	20.7	33.8	38.1	33.8
Colorado	1.1	2.3	1.4	3.0	1.4	2.4	0.3	-	4.1	7.8
Connecticut	-	-	-	-	1.0	-	0.3	-	1.9	-
Delaware	-	-	-	-	0.2	-	0.2	-	0.4	-
Dist. of Col.	-	-	0.2	-	1.6	2.9	1.5	2.6	3.3	5.5
Florida	0.2	-	2.1	5.3	2.4	-	1.4	-	6.1	5.3
Georgia	-	-	3.7	11.1	16.4	25.3	20.8	27.8	41.0	64.2
Guam	-	-	-	-	0.0[b]	-	-	-	0.0[b]	-
Idaho	-	-	-	-	0.1	-	-	-	0.1	-
Illinois	-	-	2.8	-	9.0	16.3	14.5	22.8	26.4	39.1
Indiana	-	-	1.4	3.4	5.7	9.4	4.5	8.4	11.5	21.2
Iowa	-	-	0.7	-	2.0	3.7	0.8	-	3.5	3.7
Kansas	-	-	0.1	-	1.1	1.9	0.5	-	1.6	1.9
Kentucky	-	-	1.4	4.9	0.8	-	-	-	2.2	4.9
Louisiana	1.0	-	5.3	9.5	7.7	14.3	10.8	15.5	24.7	39.4
Maine	-	-	-	-	0.6	1.4	0.2	-	0.8	1.4
Maryland	-	-	-	-	2.5	5.9	4.6	8.3	7.1	14.2
Massachusetts	2.8	7.3	2.3	5.4	5.9	10.9	9.1	14.1	20.1	37.7
Michigan	-	-	-	-	4.6	10.6	6.9	12.3	11.4	23.0
Minnesota	-	-	1.5	4.4	3.2	5.1	2.8	6.1	7.5	15.5
Mississippi	-	-	1.7	4.0	1.8	4.2	2.0	4.7	5.6	13.0
Missouri	-	-	-	-	0.5	-	0.9	-	1.3	-
Montana	-	-	0.1	-	0.4	0.9	0.6	1.1	1.1	2.0
Nebraska	-	-	0.3	0.8	1.2	1.8	0.4	-	1.8	2.6
New Hampshire	-	-	0.1	-	-	-	-	-	0.1	-
New Jersey	-	-	1.1	-	5.8	10.5	3.8	8.9	10.7	19.4
New Mexico	0.6	2.0	2.2	3.5	1.6	3.6	2.6	4.4	7.0	13.4
New York	-	-	10.1	35.2	16.3	-	28.0	47.2	54.4	82.4
No. Carolina	-	-	0.3	-	1.8	-	0.9	-	3.0	-
Ohio	-	-	-	-	3.7	8.6	8.2	14.8	11.9	23.4
Oklahoma	-	-	0.2	-	5.3	8.9	6.3	9.1	11.8	18.0
Oregon	0.3	-	0.4	-	3.8	5.9	2.7	4.8	7.2	10.7
Pennsylvania	2.3	5.8	7.8	17.2	11.7	18.4	3.7	9.3	25.6	50.7
Rhode Island	-	-	-	-	0.4	0.9	0.2	-	0.5	0.9
So. Carolina	-	-	3.2	7.0	8.3	12.2	8.0	12.4	19.5	31.5
Tennessee	-	-	-	-	2.1	-	2.2	-	4.3	-
Texas	-	-	8.2	19.2	28.1	40.6	17.1	37.6	53.4	97.4
Utah	1.5	2.7	1.3	2.4	0.6	1.4	-	-	3.3	6.5
Vermont	0.7	1.1	0.2	0.5	0.2	0.6	0.2	0.4	1.3	2.6
Virginia	-	-	1.3	-	1.4	-	0.8	-	3.5	-
Virgin Islands	-	-	0.3	0.6	0.3	0.6	0.3	0.5	1.1	1.7
Washington	0.7	-	1.5	3.5	4.0	6.4	7.4	10.6	13.6	20.5
West Virginia	-	-	-	-	0.1	-	0.2	-	0.4	-
Wisconsin	-	-	1.4	3.2	1.3	3.0	4.7	6.8	7.3	13.0
Wyoming	-	-	0.1	0.3	0.1	-	0.1	-	0.4	0.3

Note: Compares "current" outstanding sanctions backlog for fiscal years 1983-86 determined by the Service, on the basis of the official overissuance error rate, with the "revised" backlog calculated by GAO, on the basis of the National Academy of Sciences' recommendations for calculating backlog sanctions. Backlog is as of August 31, 1987.

[a]Totals may not add due to rounding.

[b]Sanction amount less than $50,000.

NATIONAL ACADEMY OF SCIENCES' RECOMMENDATIONS FOR

RESOLVING THE FOOD STAMP SANCTIONS BACKLOG

The National Academy of Sciences recently issued a report[1] on the Food Stamp Program's quality control system that contains recommendations for resolving the backlog of outstanding error-rate sanctions levied by the Service since fiscal year 1981. The study was mandated by the Congress under provisions of the Food Security Act of 1985 (P.L. 99-198) and was conducted for the Academy by the National Research Council's Panel on Quality Control of Family Assistance Programs. Important excerpts from the Academy's report follow.

"The panel recognizes that its recommendations for the development of quality improvement systems cannot feasibly be applied retroactively for resolving the pending QC-based sanctions under the Food Stamp Program. The panel therefore makes separate recommendations on how FNS can clear up the backlog.

"Recommendation: For the purpose of determining whether a state agency should be sanctioned under the current QC system for fiscal 1981 through fiscal 1987, FNS/USDA should use a lower bound for the yet-to-be-recommended estimator. The width of the interval between the point estimate and the lower bound should be the same for all states. The width should be based on the estimated sampling error for the state agency with the largest sampling error in its payment error rate estimate. If the lower bound is at or below the sanction threshold, then a state would not be sanctioned. If the lower bound is above the threshold, then a state would be sanctioned.

"Recommendation: If the decision to sanction has been made, the yet-to-be-recommended point estimate of payment error should be used to establish the magnitude of the sanction to be levied."

". . . As part of the solution to the estimation for past years, the panel has examined the regression-adjusted estimator used by the Food Stamp QC system. The panel finds this estimator lacking for a variety of reasons;

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[1]Rethinking Quality Control: A New System for the Food Stamp Program. Washington, D.C.: National Academy Press, May 22, 1987.

the panel is exploring alternative estimators and will
report its critique as well as proposed solution(s) in
its second report. All three family assistance programs
use the regression-adjusted estimator. Any
recommendation from the panel will affect all three
programs' resolution of the backlog of liabilities,
appeals, and lawsuits. The panel, therefore, will take
the time afforded by the schedule for the AFDC and
Medicaid QC studies in order to develop, as thoroughly as
is possible, the estimators to be considered. The panel
may recommend one estimator, or it may lay out several
with a discussion of the strengths and weaknesses of
each."

". . . On a separate matter, the panel does not specify
in its recommendation a level of confidence to be used in
determining the lower bound for the state with the
largest confidence interval around the estimate of
payment error. It notes that the choice of a confidence
level should reflect the valuation of different sets of
risk to both parties, federal and state. In the absence
of that valuation, the panel notes that a 95 percent
confidence level has widespread use and traditional
acceptance."

On a related matter, the Panel has ongoing two studies that
were also directed by the Congress in separate legislation and
cover the quality control systems for the Aid to Families with
Dependent Children (AFDC) and the Medicaid programs. These studies
will include the development of an error-rate estimate that has
relevance for the Panel's recommendations directed at resolving the
food stamp sanctions backlog. An Academy official told us the AFDC
and Medicaid studies are scheduled for completion by the end of
calendar year 1987.

SELECTED GAO REPORTS ON THE FOOD STAMP PROGRAM'S

QUALITY CONTROL AND ERROR-RATE SANCTION SYSTEMS

1. Food Stamp Program: Statistical Validity of Agriculture's
    Payment Error-Rate Estimates (GAO/RCED-87-4, Oct. 30, 1986)

2. Food Stamp Program: Refinements Needed to Improve Accuracy of
    Quality Control Error Rates (GAO/RCED-86-195, Sept. 19, 1986)

3. Managing Welfare: Issues and Alternatives for Reforming
    Quality Control Systems (GAO/HRD-86-117BR, Aug. 29, 1986)

4. Quality Control Error Rates for the Food Stamp Program
    (GAO/RCED-85-98, Apr. 12, 1985)

5. Federal and State Liability for Inaccurate Payments of Food
    Stamp, AFDC, and SSI Program Benefits (GAO/RCED-84-155,
    Apr. 25, 1984)

MAJOR CONTRIBUTORS TO THIS REPORT

Resources, Community, and Economic Development Division, Washington, D.C.

Brian P. Crowley, Senior Associate Director, (202) 275-5138
John W. Harman, Associate Director
Gerald E. Killian, Group Director
Stanley J. Czerwinski, Assignment Manager
J. Kenneth McDowell, Evaluator-in-Charge
Nancy E. Wise, Evaluator
Carol Herrnstadt Shulman, Writer-Editor
Julian L. King, Information Processing Assistant
Michelle Y. Perry, Clerk-Typist

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