



North Carolina Department of Health and Human Services
Division of Public Health – Women’s & Children’s Health Section

1914 Mail Service Center • Raleigh, North Carolina 27699-1914

Tel 919-733-2979 • Fax 919-733-1334

Mhael F. Easley, Governor

Camen Hooker Odom, Secretary

April 11, 2002

MEMORANDUM

CACFP 02-29

To: Sponsoring Organizations of Day Care Homes

From: Paula Hissett
Child Nutrition Program Assistant

Subject: Use of Stop Payment in the Child and Adult Food Care Food Program

There have been many questions about paying providers during their appeal time when possibly being found seriously deficient. This memorandum is to clarify the use of “stop payments” (suspension of all program reimbursement to providers). Suspension refers to a period of time (prior to the formal termination of an institution or day care home’s program agreement) when the provider has an opportunity for an administrative review prior to termination and that, except when the law authorizes suspension of payments, the provider continue to receive program reimbursement for all valid claims filed during the period of appeal. Suspension and stop payment are the same, insofar as they both result in the discontinuation of program payments prior to any formal termination of the entity’s program agreement. Prior to the Agricultural Risk Protection Act’s amendment of the National School Lunch Act, some agencies argued that a stop payment and a denial of payment were different however the enactment of this amendment makes no such distinctions.

The Agricultural Risk Protection Act of 2000 (ARPA) requires a provider or institution have an opportunity for an administrative review prior to termination except when the law authorizes suspension of payments. The sponsoring organization must continue to reimburse a provider for all valid claims. There are two circumstances warranting suspension of payments. One, when a family day care home provider or center engages in conduct that poses an imminent threat to the health and or safety of participants. The sponsoring organization must suspend program participation, including program reimbursement. This is the only circumstance under which the law permits a stop payment procedure without first offering the day care home opportunity for corrective action and appeal rights. Two, after the day care home has been declared seriously deficient and the provider has had an opportunity to take corrective action or fails to request an appeal prior to the regulatory deadline.

The federal law requires sponsoring organizations continue to reimburse day care homes for the portion of their claims that are valid until their appeal is concluded or until they fail to meet the filing an appeal.

The Program regulations 226.6(c) define serious deficiencies. Guidance concerning termination procedures for family day care home providers for seriously deficient if not corrected include:

- Misrepresentation of information submitted on the application
- Submission of false claims for reimbursement
- Simultaneous participation under more than one sponsor
- Non-compliance with the program meal pattern
- Failure to keep required records
- Any other circumstance related to non-performance under the sponsor-provider agreement, as specified by the sponsoring organization or the State agency

A single instance of non-compliance with minor program requirements should not lead to declaration of seriously deficiency. We encourage sponsoring organizations to develop their policies and procedures that clearly define these situations. For example, a provider or institution whose menus contain a minor error should receive additional training or technical assistance, and not be declared seriously deficient.

In closing, day care home providers or centers must be reimbursed for their valid claims during an appeal process until they have been declared seriously deficient or unless there was a situation of imminent danger. If you have questions or need additional information please contact me at (919) 715-0575.

cc: SNP Staff
Auditors

