



North Carolina Department of Health and Human Services  
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Michael F. Easley, Governor

Carmen Hooker Odom, Secretary

January 13, 2006

**CACFP 06-02**

**MEMORANDUM**

To: Sponsoring Organizations of Day Care Homes Participating in the Child and Adult Care Food Program

From: Arnette Cowan, MS, RD, LDN, Head  
Special Nutrition Programs Unit

Re: Questions and Answers on the Serious Deficiency Process in the Child and Adult Care Food Program

Attached are responses to questions on the serious deficiency process that have been received by the Food and Nutrition and Nutrition Service. These questions and responses relate to the serious deficiency process for day care homes.

**1. If a day care home loses its license, must the sponsor declare the home seriously deficient?**

Answer: If a home loses its license, it is ineligible to participate. As long as the home notifies the sponsor that it has lost its license and is not claiming meals, there is no need for the sponsor to declare the home seriously deficient. However, a home that loses its license and continues to submit claims for Program reimbursement is seriously deficient.

**2. During a review, the sponsor issues a finding that is not a serious deficiency, but that requires the home to take corrective action. Can the provider self-terminate at this point, without any action by the sponsor?**

Answer: Yes, the home can terminate its agreement with the sponsor “for convenience” at any time, provided that the sponsor has not discovered a serious deficiency in the provider’s Program operations, or has not declared the provider seriously deficient.

**3. If the owner of sponsored centers finds serious problems at one of its centers, must the owner declare that center seriously deficient?**

Answer: No, there is no serious deficiency process for sponsored centers in the National School Lunch Act (NSLA) or in the regulations. Unless the SA has its own process for addressing serious problems in sponsored centers, FNS would only expect the sponsor to take appropriate action to correct the problems, such as replacing the employee who is responsible for the problem, or terminating the sponsored center’s participation.



**4. Should a family day care home sponsor that has been declared seriously deficient be allowed to continue to add homes?**

Answer: It depends on the nature of the serious deficiency. In most cases, adding more homes would only exacerbate the sponsor's serious deficiency, and the potential misuse or loss of Program funds. However, in other cases, the nature of the serious deficiency might be such that adding homes would not exacerbate existing problems (e.g., the sponsor's serious deficiency involved a long-term adjustment to its automated systems).

**5. Can sponsors include SA staff as appeals committee members?**

Answer: Yes, the regulations at section 226.6(l)(5)(iv) specifically state that an SA employee, or the employee or board member of the sponsor, may hear provider appeals, as long as the employee or board member was not "involved in the action that is the subject of the administrative review [and does not] have a direct personal or financial interest in the outcome of the administrative review."

**6. Will sponsors have access to the NDL?**

Answer: Yes, all institutions (both sponsoring organizations and independent centers) will have access to the list.

**7. Is there a requirement to report whether disqualified providers owe debts to the Program? The training presentation implied there is.**

Answer: Yes, section 226.6(c)(7)(vi) states that homes, like institutions, will stay on the NDL until they have repaid all debts to the Program.

Please contact your regional consultants if you have any questions concerning this guidance.

cc: SNP Staff  
MaryAnne Burghardt  
Auditors