

COLLECTION OF CACFP DEBTS FROM TERMINATED PROVIDERS

Purpose: To clarify the requirements of State Agencies and sponsoring organizations to collect applicable CACFP debt from terminated providers.

Scope: Sponsors of family day care homes.

Description: In most instances, any unearned funds paid to a provider by a sponsor must be recovered by the State Agency from the sponsor. The sponsor must decide whether to pursue the collection of the funds from the provider taking into account the impact their action has on their (the sponsor's) viability and any statement it may make regarding their accountability. It must be noted that no federal funds, including CACFP administrative funds, may be used in the repayment of unearned funds.

Any decision by a State Agency to forgo collection of an obligation incurred by a sponsor on behalf of one of its day care home providers should be the exception rather than the rule. The State Agency may elect not to require the sponsor to repay unearned provider payments only to the extent that the sponsor is able to demonstrate to the State Agency's satisfaction that it was not responsible for the overpayment and that it had made every reasonable effort to recover the funds. Although possible, USDA can envision few instances where a provider is overpaid in which the sponsor bears none of the responsibility.

USDA has retained, by Regulation, its authority to pursue action against a day care home provider separate and apart from the action of the sponsor. This in no way suggests that the sponsor is no longer responsible for debts it incurs on behalf of its providers by virtue of their failure to comply with program requirements.

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