



**United States
Department of
Agriculture**

Food and
Nutrition
Service

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SUBJECT: National Interim Head Start Grantee Participation in the Child and Adult Care Food Program: Community Development Institute

TO: Regional Directors
Child Nutrition Programs
All Regions

State Agency Directors Administering CACFP
All States

The purpose of this memorandum is to describe the unique nature of the Community Development Institute (CDI) in its capacity as the National Interim Management contractor for the U.S. Department of Health and Human Services Office of Head Start (OHS). OHS has contracted with CDI, a nonprofit corporation headquartered in Denver Colorado, to provide interim Head Start management services nationwide. CDI currently operates in 38 States and in some States it operates more than one Head Start Program. It is important to fully understand the circumstances under which CDI steps into its role as the interim Head Start contractor.

As the interim management contractor, CDI assumes responsibility for Head Start operations when a local grantee can no longer operate the program because they have relinquished the grant, or have been terminated. While OHS conducts the lengthy and formal process of selecting a replacement grantee, CDI operates the program and works closely with the local community to ensure that Head Start services continue for participating children and their families.

FNS headquarters is working with OHS to address the challenges of ensuring the uninterrupted provision of CACFP services to participating Head Start children in these interim situations. CDI must comply with all CACFP requirements. However, because CDI represents a unique operational model that, in some respects, departs from typical CACFP operations, it is necessary to discuss how CACFP regulatory requirements should be applied when dealing with CDI.

FNS believes it is in the best interest of the Program, and more importantly the low-income children served by Head Start and the CACFP, that CACFP resources continue to be available to the fullest extent possible and without interruption during the transition period. The following suggestions may help State agencies apply the application and operational requirements of CACFP in a manner that facilitates and expedites the transfer of CACFP responsibilities to CDI.

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Applications/Agreements:

One question that has frequently arisen is whether CDI should be treated as a “new applicant” under section 226.6(b)(1) of the CACFP regulations. We believe that, whenever CDI first assumes the management of Head Start operations in a particular State, it should be treated as a new applicant. However, once CDI has successfully applied to participate within that State, it should not need to reapply as a new institution. Thus, if CDI later assumes the management of Head Start centers from another grantee in that State, there should be no additional application requirements. CDI would, of course, later be subject to the normal application requirements for renewing institutions at section 226.6(b)(2) of the regulations.

State agencies are encouraged to consider CDI as a multi-State sponsoring organization of Head Start centers, and are also encouraged to enter into a permanent agreement with CDI. Participating as a sponsoring organization, rather than as multiple independent institutions, will allow CDI to add or remove facilities from the sponsorship as they move in and out of interim management status, even if a particular Head Start center had previously operated as an independent center/institution within the CACFP.

A related issue is that some States have treated the Head Start centers now being operated by CDI as separate entities for the purpose of establishing viability, capability and accountability (VCA). In many cases, these facilities have questionable VCA due to their status as, or association with, a failing Head Start grantee, which is often the very reason OHS has terminated the contract and placed the facility under interim management. In applying to participate as a sponsoring organization in a State, CDI must establish its corporate “VCA” during its initial application and renewal. However since a sponsoring organization assumes the VCA responsibility of each sponsored facility, it is not necessary for the individual Head Start centers under interim management to demonstrate VCA as they become “facilities” under the sponsorship of CDI.

Additionally, the time taken to relinquish Head Start operations varies depending on the situation. A failing grantee could be terminated in a matter of days or after the culmination of a lengthy appeal process. While it would be ideal to have advance notice of the transition, that is usually not possible. If CDI operates as a sponsoring organization, they are able to submit an application on behalf of each Head Start center to operate as a sponsored facility, rather than completing the entire institution application process for each facility as if it were an independent center/institution. This will significantly reduce administrative burden for both CDI and States, particularly in the areas of demonstrating and evaluating VCA and other application-related requirements.

Another common application issue that has arisen relates to the licensing of the individual Head Start center/facility. The majority of the relinquished facilities under interim management are licensed in the name of the terminated operator, and the process of transferring or obtaining a separate license can be slow. CACFP regulations require facilities to meet all Federal, State and local licensing/approval requirements. However, as described in § 226.6 (d)(1)(ii), facilities are eligible to participate in the CACFP if they are complying with procedures to renew licensing/approval and there is no information that licensing or approval will be denied. In some instances, States have declined to approve a Head Start center/facility

to participate under the sponsorship of CDI because the facility is licensed under the name of a different entity. If the facility is licensed/approved at the time of transition, meaning the license has not lapsed or been terminated, the facility's license may be considered valid. At some point, CDI may elect to renew the facility's license under a new name.

When a permanent grantee has been selected by OHS, CDI's transition out of the facility begins. CDI often assists the permanent grantee in applying to participate in CACFP. Once a facility transitions out of interim management CDI ceases to act as the CACFP sponsor of that facility.

There may be times when CDI no longer operates any facilities in a State. If a permanent CACFP agreement is in place it could remain in effect, even though CDI would not currently operate centers or submit claims. If and when CDI resumes operations in a State, the CACFP application and agreement can simply be updated with the new information (i.e., CDI's budget and management plan) and reactivated.

Pre-Operational and other Training

In an effort to facilitate the uninterrupted provision of CACFP benefits to children participating in a Head Start facility under interim management, State agencies should consider the extent of pre-operational and other training needed by those individuals who will be involved in CDI's management of the CACFP. Even if CDI is beginning to operate in a particular State for the first time, the CDI "team" assuming management of Head Start operations often has extensive CACFP experience in other States. If a State agency offers training for new institutions on a quarterly basis, and immediate training is not available, the State should work with CDI's CACFP managers to determine the extent of CACFP training those managers have already received in other States. In such cases, it may be possible to simply train CDI's managers on State requirements that may differ from those managers' previous CACFP experience. A State agency may also determine if other individuals involved in the former grantee's CACFP operations will continue to be involved in CACFP, and whether they are fully trained on CACFP requirements.

Serious Deficiency Process:

If a grantee is failing to properly operate HSP, it is possible that it has also been declared seriously deficient in its operation of CACFP, if not by virtue of its administration of the Program, then by the provision that no institution disqualified from another publicly funded program may operate the CACFP. State agencies should pay careful attention to the serious deficiency and termination process in cases where CDI has assumed administration of a Head Start center that has been declared seriously deficient, either as a CACFP institution or facility. A serious deficiency declaration applies to both the Head Start center (as an institution, or in rare case, as an individual facility) and to the principals and individuals named as responsible for the serious deficiency.

Frequently, appropriate corrective action would involve removal of the responsible principals and/or individuals from CACFP responsibilities. If CDI is assuming management of a Head Start center that has been declared seriously deficient, CDI must ensure that any principals or

individuals named as responsible for a serious deficiency were no longer involved in the administration of the CACFP. Once this was accomplished, a State agency would withdraw the serious deficiency for that Head Start center, leaving intact the serious deficiencies related to the responsible principals and individuals. It is important for States to complete the entire serious deficiency process for the responsible principals and individuals including the provision of an appeal and, if warranted, placement on the National Disqualified List.

A State should not declare CDI seriously deficient for a problem that occurred prior to its assumption of operations. However, if a corrective action requires a change in the systems or operations of a Head Start center now sponsored by CDI, the State must notify CDI of the serious deficiency(ies), and CDI must ensure that complete and permanent corrective action is taken.

If CDI fails to make the required corrections, they could then be declared seriously deficient, independent of the prior declaration of serious deficiency. If a State agency discovers a serious deficiency in CDI's direct operation of CACFP, it should follow the serious deficiency process as it would for any other institution. In either scenario, CDI remains responsible for correcting the serious deficiency(ies). It is imperative that the State agency communicate with the FNS regional office (FNSRO) during the serious deficiency process, due to the potential impact in multiple States. The FNSRO should notify this office of the serious deficiency, and we will then communicate with OHS as the process unfolds.

The participation of CDI in the CACFP creates unique situations requiring coordination and understanding between two Federal programs operated by one nationwide grantee. It also creates unique opportunities to ensure that children are not denied benefits due to an institution's failure to meet Head Start and/or CACFP requirements.

If you experience difficulties in any aspect of working with CDI, or if you have additional questions regarding this relationship, States should communicate with their FNSRO, and FNSROs should contact FNS Headquarters.

Original Signed

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