

**U.S. Department of Agriculture
Food and Nutrition Service
Administrative Review Branch**

**Happy Dairy Market,

Appellant,

v.

Retailer Operations Division,

Respondent.**

Case Number: C0251757

FINAL AGENCY DECISION

It is the decision of the U.S. Department of Agriculture (USDA), Food and Nutrition Service (FNS) that there is sufficient evidence to support a finding that the permanent disqualification of Happy Dairy Market (Appellant) from participation as an authorized retailer in the Supplemental Nutrition Assistance Program (SNAP), as initially imposed by the Retailer Operations Division, was appropriate.

ISSUE

The issue accepted for review is whether the Retailer Operations Division took appropriate action, consistent with 7 CFR § 278.6(a), (c) and (e)(1) in its administration of the SNAP, when it assessed a permanent disqualification against Appellant.

AUTHORITY

7 USC § 2021 and the implementing regulations at 7 CFR § 279.1 provide that “A food retailer or wholesale food concern aggrieved by administrative action under § 278.1, § 278.6 or § 278.7 . . . may file a written request for review of the administrative action with FNS.”

CASE CHRONOLOGY

In a letter dated April 28, 2022, the Retailer Operations Division charged Appellant with trafficking, as defined in Section 271.2 of the SNAP regulations, based on a series of irregular SNAP transaction patterns that occurred during the months of June 2021 through November 2021. The letter noted that the penalty for trafficking is permanent disqualification as provided by 7 CFR § 278.6(e)(1). The letter also noted that Appellant could request a trafficking civil money penalty (CMP) in lieu of a permanent disqualification within ten days of receipt under the conditions specified in 7 CFR § 278.6(i).

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Appellant did not reply to the letter of charges. After considering the evidence, the Retailer Operations Division issued a determination letter dated June 2, 2022. The determination letter informed Appellant that it was permanently disqualified from the SNAP in accordance with 7 CFR § 278.6(c) and § 278.6(e)(1). The determination letter also stated that Appellant was not eligible for a trafficking CMP because Appellant failed to submit sufficient evidence to demonstrate that the firm had established and implemented an effective compliance policy and program to prevent violations of the SNAP.

By a June 13, 2022, e-mail, Appellant appealed the Retailer Operations Division's determination and requested an administrative review. The appeal was granted.

STANDARD OF REVIEW

In appeals of adverse actions, the Appellant bears the burden of proving by a preponderance of the evidence, that the administrative action should be reversed. That means the Appellant has the burden of providing relevant evidence which a reasonable mind, considering the record as a whole, would accept as sufficient to support a conclusion that the matter asserted is more likely to be true than not true.

CONTROLLING LAW

The controlling statute in this matter is contained in the Food and Nutrition Act of 2008, as amended, 7 USC § 2021 and § 278 of Title 7 of the Code of Federal Regulations (CFR). Part 278.6(a) and (e)(1) establish the authority upon which a permanent disqualification may be imposed against a retail food store or wholesale food concern in the event that personnel of the firm have engaged in trafficking SNAP benefits.

7 USC § 2021(b)(3)(B) states, in part:

... a disqualification under subsection (a) shall be ... permanent upon ... the first occasion or any subsequent occasion of a disqualification based on the purchase of coupons or trafficking in coupons or authorization cards by a retail food store or wholesale food concern or a finding of the unauthorized redemption, use, transfer, acquisition, alteration, or possession of EBT cards ...

7 CFR § 271.2 defines trafficking, in part, as:

The buying, selling, stealing, or otherwise effecting an exchange of SNAP benefits issued and accessed via Electronic Benefit Transfer (EBT) cards, card numbers and personal identification numbers (PINs), or by manual voucher and signature, for cash or consideration other than eligible food, either directly, indirectly, in complicity or collusion with others, or acting alone; . . .

7 CFR § 278.6(a) states:

FNS may disqualify any authorized retail food store . . . if the firm fails to comply with the Food and Nutrition Act of 2008, as amended, or this part. Such disqualification shall result from a finding of a violation on the basis of evidence that may include facts established through on-site investigations, inconsistent redemption data, evidence obtained through a transaction report under an **electronic benefit transfer system**, . . .” (emphasis added)

7 CFR § 278.6(b)(2)(ii) states, inter alia:

Firms that request consideration of a civil money penalty in lieu of a permanent disqualification for trafficking shall have the opportunity to submit to FNS information and evidence . . . that establishes the firm’s eligibility for a civil money penalty in lieu of a permanent disqualification in accordance with the criteria included in § 278.6(i). This information and evidence shall be submitted within 10 days, as specified in § 278.6(b)(1).

7 CFR § 278.6(e)(1) reads, in part:

FNS shall disqualify a firm permanently if personnel of the firm have trafficked as defined in § 271.2.

7 CFR § 278.6(i) states, inter alia:

FNS may impose a civil money penalty in lieu of a permanent disqualification for trafficking . . . if the firm timely submits to FNS substantial evidence which demonstrates that the firm had established and implemented an effective compliance policy and program to prevent violations of the Program.

SUMMARY OF THE CHARGES

Appellant was charged and determined to be trafficking based on an analysis of EBT transaction data from June 2021 through November 2021. This involved the following SNAP transaction patterns which are indicative of trafficking:

- Multiple transactions were made from the accounts of individual SNAP households within a set time.
- Multiple transactions were made from accounts of individual households within a set time period.
- The store conducted EBT transactions that were large based on the observed store characteristic and recorded food stock.

The issue in this review is whether, through a preponderance of evidence, it is more likely true than not true that the questionable transactions were the result of trafficking.

APPELLANT'S CONTENTIONS

In its June 13, 2022, administrative review request, Appellant provided the following summarized contentions, in relevant part:

- The transactions are normal, true, and processed correctly.
- Appellant has been authorized for a decade and have never had any complaint or done anything unacceptable.
- Customers shop for a small purchase and then followed by family and get instructions to buy additional items.
- Some household members walk to their store many times throughout the day.
- Most customers do not have their own transportation and Appellant is their first choice to avoid long walks or shared rides.
- Sometimes a spouse comes and when they see they see that they have additional funds available, they then purchase additional items.
- Appellant has no control over how households spend its SNAP benefits.
- The large transactions are normal for SNAP recipients to spend most of the balance as soon as they receive it each month.
- The cost/price of certain food items such as two or three cans of formula is what a typical family would spend between \$100 and \$400 depending on family size.

In support of its contentions, Appellant provided copies of 277 cash register receipts for the transactions.

The preceding may represent only a brief summary of the Appellant's contentions presented in this matter. However, in reaching a decision, full attention and consideration has been given to all contentions presented, including any not specifically recapitulated or specifically referenced.

ANALYSIS AND FINDINGS

Store Visit

FNS authorized Happy Dairy Market as a convenience store on January 9, 2017. The case file indicates that in reaching a disqualification determination, the Retailer Operations Division considered information obtained during a September 14, 2021, store visit conducted by a FNS contractor to observe the nature and scope of the firm's operation, stock, and facilities. This information was then used to ascertain if there were justifiable explanations for the firm's irregular SNAP transactions. The store visit report and photographs documented the following store size, description, and characteristics:

- Appellant is approximately 1300 square feet.
- There were three shopping baskets and no shopping cart for customer use.
- There was one cash register and one point of sale (POS) device.
- There was an optical scanner.
- There was no fresh unprocessed meat, poultry, or fish.
- There were packages of deli meat, hot dogs, and bacon.

- Dairy included milk, cheese, sour cream, yogurt.
- There was limited fresh produce including bananas, potatoes, a pineapple, some mangoes,
- Frozen food includes, pizza, dinners, breakfast food items, vegetables, and fish.
- Other staple foods available for purchase were juice, eggs, bread, tortillas, cereal, rice, beans, pasta, and a limited selection of canned goods.
- Ineligible items included paper goods, cleaning products, and health and beauty aids.

The SNAP eligible food stocked by the store was generally of a low dollar value consisting mainly of inexpensive canned and packaged goods, snack foods, single-serving food items and accessory food items. The highest priced item noted were a few boxes of frozen veggie burgers - \$17.99, frozen pizza -\$9.99; coffee - \$6.49, \$5.99, and \$5.49. Given the available inventory, there was very little sign that the firm would be likely to have SNAP redemption patterns that differed significantly from those of similar-sized competitors, especially competitors that sell similar or identical food items.

Charge Letter Attachment

Each attachment furnished with the charge letter represents the questionable and unusual patterns of SNAP transactions indicative of trafficking which were conducted at the Appellant firm during the review period. As there is more than one pattern of irregular transactions, the case of trafficking becomes more convincing.

Charge Letter Attachment 1. Multiple purchase transactions were made too rapidly to be credible. This attachment lists 39 sets of transactions totaling \$2,884.88 in SNAP benefits. On September 18, 2021, one household transacted an even \$33.00, and then one minute and 35 seconds later a second household transacted an even \$88.00 (transactions #39-\$40). Similarly, on November 9, 2021, a household transacted an even \$40.00 and then 31 seconds later a different household transacted an even \$50.00 (transactions #71- #71). These types of rapid transactions in a convenience store without the technology or infrastructure to support such transactions are indicative of trafficking.

The Retailer Operations Division considered this to be a strong trafficking indicator because the second purchase items would have to be transported to the limited checkout area, each item scanned or entered, a card swiped, a PIN entered, an approval indicated, and a receipt printed. This process would also include several items being bagged and removed from the counter before the next transaction could be initiated.

Appellant did not provide any compelling justification or evidence that all the irregular transactions cited in Charge Letter Attachment 1 were for eligible food items only. It is more likely true than not true that these patterns are a result of the firm trafficking in SNAP benefits.

Charge Letter Attachment 2. Multiple transactions were made from individual benefit accounts in a set timeframe. This attachment documents 147 sets of transactions that total \$23,613.90 in SNAP benefits that meet the parameters of this scan. One household transacted \$264.89 in SNAP benefits between October 19 and October 21, 2021 (transactions #529 -#532). Another household transacted \$275.00 at Appellant between September 18 and September 20,

2021 (transactions #510-#514). A third household transacted \$352.20 at Appellant between October 1 and October 3, 2021 (transactions #482-#486). Multiple transactions conducted by the same household account within a short period of time is a method which violating stores use to avoid single high dollar transactions that cannot be supported by a retailer's inventory and structure.

Appellant explains that households will shop together, and they will make additional purchases. The SNAP transactions noted in the charge letter are questionable not because they exceed any limits for use, but rather because they display characteristics of use inconsistent with the nature and extent of Appellant's stock and facilities and are therefore indicative of trafficking. The photographs from the store visit offer no explanation as to why SNAP customers would routinely shop at Appellant multiple times during a short period or purchase such a large volume of items, there being no great variety of products, or price advantage. Although it is not uncommon for customers to have more than one transaction per day, it is not common that such multiple transactions are for large dollar amounts. The second and third transactions in each set are too large to consist of forgotten items.

Appellant has not offered sufficient evidence to show that the transactions listed in Attachment 1 were legitimate purchases of eligible food.

Charge Letter Attachment 3: Excessively large purchase transactions were made from recipient accounts. This attachment lists 799 transactions as large as \$438.15, and that total \$45,303.79. Appellant's total dollar SNAP redemption volume was 122% greater than the average for convenience stores in Lehigh County during the review period. Appellant also conducted 107% more SNAP transactions than the average for convenience stores in the County. The substantial number of high-dollar transactions in a six-month period call into question the legitimacy of these transactions.

The Retailer Operations Division compared Appellant to two similar nearby convenience stores. Appellant's total SNAP redemption value was between 43% and 69% greater than the other two stores. The Retailer Operations Division also determined that Appellant conducted more SNAP transactions in each ten-dollar range between \$20.00 to \$139.99 than the other two stores. The Retailer Operations Division also determined that the transaction pattern of Appellant exceeded the other store, as seen on the table herein. The data from this nearby store shows that the transaction patterns at the Appellant firm were unusual.

Store	Attachment 1 Pattern	Attachment 2 Pattern	Attachment 3 Pattern
Appellant	36	147	799
Store #1	1	23	293
Store #2	1	4	129

Since the store sold primarily low dollar value items, it would take a very large volume of items to reach some of these transaction amounts. Again, the store's inventory and characteristics did not support the frequency of large transactions reflected in this Charge Letter Attachment.

Additionally, there is nothing notable about the store that would make its redemption patterns differ so significantly from those of similarly sized competitors offering similar food items. Sometimes a firm may have higher than average SNAP transaction amounts due to the lack of

access to other SNAP authorized stores. The Retailer Operations Division determined that there are 69 other authorized stores within a one-mile radius of Appellant.

The Retailer Operations Division reviewed the transaction history of five households that conducted some of the questionable flagged transactions. Household #1's recorded address is 1.8 miles from Appellant. On September 13, 2021, this household transacted \$291.42 at a super store and then conducted three separate SNAP transactions at Appellant on September 13 and September 14, 2021, totaling \$193.98. Household #2's recorded address was one mile from Appellant. This household shopped at 27 other authorized stores but only conducted flagged transactions at Appellant. This household conducted 54 SNAP transactions at Appellant of which 47 were flagged. Household #3's recorded address is 41.3 miles from Appellant. The household shopped at 23 other authorized stores and only conducted one flagged transaction at one of these other stores while conducting 77 flagged transactions at Appellant. Household #4 does live close to Appellant; however, it also shopped at 23 other authorized firms during the review period as far as seven miles from Appellant. Household #5's recorded address is 2.3 miles from Appellant. This household shopped at 16 other authorized stores during the review period but only conducted flagged transactions at Appellant. These household have access to transportation and are shipping at other stores. However, it is more likely to conduct flagged transactions at Appellant and this is unusual. Moreover, it is questionable as to why households would conduct large transactions at Appellant, when these households had just visited or planned to visit larger stores with a better selection of fresh meat and produce and likely better prices.

Cash Register Receipts

Appellant submitted 335 cash register receipts. Most of the receipts show items as "non-taxable grocery item". On the day of the store visit, there were a few boxes of veggie burgers priced at \$17.99 and the other highest priced item as confirmed by the store owner was \$9.99. The submitted receipts however list items allegedly purchased with SNAP benefits for much higher prices such as \$92.59, \$87.08, \$69.99, \$67.70, \$65.00 \$64.50, \$45.75, \$35.50, and \$34.43. There is no evidence that the store sold food items in these amounts. The evidence does not support that these transactions were for food items only and are more likely than not for trafficking SNAP benefits.

Evidence

The documentation and evidence provided by the Retailer Operations Division was thoroughly examined. From all indications, the Retailer Operations Division obtained the EBT data (provided by ALERT), found it to be suspicious in comparison to other area stores of similar size, and then undertook a thorough investigation before concluding that trafficking was likely occurring. Appellant bears the burden of demonstrating by a preponderance of the evidence that the administrative actions should be reversed and that the transactions detailed in the charge letter were more likely than not due to the legitimate sale of eligible food in exchange for SNAP benefits. Appellant offered no evidence to prove that the transactions listed in the charge letter were legitimate purchases of eligible food. In the absence of compelling information or documentation weighed in comparison to the evidence provided by the Retailer Operations Division, the evidence weighs in favor of the Retailer Operations Division's determination that

SNAP-benefit trafficking substantially produced the transaction activity at issue in the present case.

CIVIL MONEY PENALTY

Appellant did not timely request consideration for a trafficking CMP in lieu of a permanent disqualification under 7 CFR 278.6(i) even though it was informed of the right to do so in the charge letter. SNAP regulations at 7 CFR § 278.6(b)(2)(iii) states that “if a firm fails to request consideration for a civil money penalty in lieu of a permanent disqualification for trafficking and submit documentation and evidence of its eligibility **within the 10 days** specified in § 278.6(b)(1), the firm **shall not be eligible** for such a penalty.” [Emphasis added.] Even if a timely request had been submitted, the Appellant would likely not have been eligible for a trafficking CMP in lieu of disqualification because there is insufficient evidence to demonstrate that the firm had established and implemented an effective SNAP compliance policy and program prior to the violations. The Retailer Operations Division’s decision not to impose a trafficking CMP in lieu of disqualification is sustained as appropriate pursuant to 7 CFR § 278.6(i).

CONCLUSION

The Retailer Operations Division’s analysis of Appellant’s EBT transaction record was the primary basis for its determination to permanently disqualify Appellant. This data provided substantial evidence that the questionable transactions during the review period had characteristics that are consistent with trafficking violations in SNAP benefits. Therefore, based on a review of all the evidence in this case, it is more likely true than not true that program violations did occur as charged by the Retailer Operations Division. The determination to impose a permanent disqualification against Appellant is sustained. The Retailer Operations Division’s determination that Appellant was not eligible for a trafficking civil money penalty according to the terms of 7 CFR Section 278.6(i) of the SNAP regulations is also sustained.

RIGHTS AND REMEDIES

Applicable rights to a judicial review of this decision are set forth in 7 USC § 2023 and 7 CFR § 279.7. If a judicial review is desired, the Complaint, naming the United States as the defendant, must be filed in the U.S. District Court for the district in which the Appellant’s owner resides or is engaged in business, or in any court of record of the State having competent jurisdiction. If any Complaint is filed, it must be filed within thirty (30) days of receipt of this Decision.

Under the Freedom of Information Act, we are releasing this information in a redacted format as appropriate. FNS will protect, to the extent provided by law, personal information that could constitute an unwarranted invasion of privacy.

MARY KATE KARAGIORGOS
Administrative Review Officer

April 24, 2023