

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

**J & J Subco,**

**Appellant,**

**v.**

**Retailer Operations Division,**

**Respondent.**

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**Case Number: C0252377**

**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 the Retailer Operations Division's assessment of a \$2,934.00 hardship civil money penalty (CMP) against J & J Subco (hereinafter "J & J Subco" or "Appellant") in lieu of a six month disqualification from the Supplemental Nutrition Assistance Program (SNAP).

**ISSUE**

The issue accepted for review is whether the Retailer Operations Division took appropriate action, consistent with 7 CFR § 278.6(e)(5), 7 CFR § 278.6(f)(1), and 7 CFR § 278.6(g) in its administration of the SNAP, when it imposed a hardship CMP of \$2,934.00 in lieu of a six month disqualification against J & J Subco.

**AUTHORITY**

7 U.S.C. § 2023 and its 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**

The Department of Agriculture conducted an investigation of the compliance of J & J Subco with Federal SNAP law and regulations during the period March 25, 2022 through April 26, 2022. In a letter dated May 27, 2022, the Retailer Operations Division charged the Appellant with accepting SNAP benefits in exchange for merchandise which included ineligible nonfood items in violation of 7 CFR § 278.2(a). These SNAP violations occurred on three out of four compliance visits. The letter further informed the Appellant that the violations warranted a disqualification period of six months as provided in 7 CFR § 278.6(e)(5). The letter also stated

that under certain conditions, FNS may impose a hardship civil money penalty (CMP) in lieu of a disqualification as provided in 7 CFR § 278.6(f)(1).

The charge letter noted that per SNAP regulations Section 278.6(b), the Appellant has the right to present any information, explanation or evidence regarding the charges and must reply within 10 calendar days of the date of receipt of the charge letter. Per UPS confirmation of delivery, the charge letter was delivered to the Appellant at the store address of record on June 1, 2022.

In responses to the Retailer Operations Division of June 3, 2022 and June 9, 2022, the Appellant replied to the letter of charges. The record reflects that the Retailer Operations Division received and considered the information provided prior to making a determination.

After considering the Appellant's responses and the evidence in the case, the Retailer Operations Division issued a determination letter dated August 9, 2022 informing the Appellant that the violations cited in the charge letter occurred at the firm and that a six month period of disqualification was warranted. The determination letter also stated that the Appellant was eligible for a hardship CMP as J & J Subco is selling a substantial variety of staple food items and the firm's disqualification would cause hardship to SNAP households. Thus, a hardship CMP in the amount of \$2,934.00 was imposed in lieu of the six month SNAP disqualification.

In an email correspondence of August 22, 2022, the Appellant requested an administrative review of the Retailer Operations Division's decision to impose a hardship CMP in lieu of a six month disqualification of J & J Subco from participation in the SNAP. FNS granted the Appellant's request for administrative review by letter dated September 11, 2022 and implementation of the hardship CMP was held in abeyance pending completion of this review. In an email correspondence of October 2, 2022, the Appellant submitted additional information in support of the request for administrative review.

## **STANDARD OF REVIEW**

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

## **CONTROLLING LAW AND REGULATIONS**

The controlling statute in this matter is contained in the Food and Nutrition Act of 2008, as amended, 7 U.S.C. § 2021 and § 278 of Title 7 of the Code of Federal Regulations (CFR). Sections 278.6(a) and (e) establish the authority upon which a one year disqualification may be imposed against a retail food store or wholesale food concern.

7 CFR § 278.2 (a) states, in part: "Coupons may be accepted by an authorized retail food store only from eligible households or the households' authorized representative, and only in exchange for eligible food."

7 CFR § 271.2 states that the definition of “coupon” includes: ... an electronic benefit transfer card or personal identification number issued pursuant to the provisions of the Food and Nutrition Act of 2008, as amended, for the purchase of eligible food.

7 CFR § 271.2 states, in part: (1) Eligible foods means: Any food or food product intended for human consumption except alcoholic beverages, tobacco and hot food and hot food products prepared for immediate consumption ....

7 CFR § 278.6(a) states, in part: “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...”

7 CFR § 278.6(e)(5) states, in part: “Disqualify the firm for 6 months if it is to be the first sanction for the firm and the evidence shows that personnel of the firm have committed violations such as, but not limited to, the sale of common nonfood items due to carelessness or poor supervision by the firm’s ownership or management”.

7 CFR § 278.6(f)(1) states, in part: “FNS may impose a civil money penalty as a sanction in lieu of disqualification when the firm subject to a disqualification is selling a substantial variety of staple food items, and the firm’s disqualification would cause hardship to food stamp households because there is no other authorized retail food store in the area selling as large a variety of staple food items at comparable prices.”

7 CFR § 278.6(g) states, in part: “Amount of civil money penalties for hardship and transfer of ownership. FNS shall determine the amount of the civil money penalty as follows:

- (1) Determine the firm's average monthly redemptions ... for the 12-month period ending with the month immediately preceding that month during which the firm was charged with violations.
- (2) Multiply the average monthly redemption figure by 10 percent.
- (3) Multiply the product arrived at in paragraph (g)(2) by the number of months for which the firm would have been disqualified under paragraph (e) of this section ....”

Notwithstanding the above, there is an agency limit of \$11,000 per violation as the maximum CMP amount.

## **SUMMARY OF THE CHARGES**

During an investigation conducted from March 25, 2022 through April 26, 2022, USDA conducted four compliance visits at J & J Subco. A report of the investigation was provided to the Appellant as an attachment to the charge letter dated May 27, 2022. The investigation report

included Exhibits A through D which provide full details on the results of each compliance visit. The investigation report documents that SNAP violations were recorded during three of the four compliance visits and involved the sale of a variety of items best described in regulatory terms as “common nonfood items”. The misuse of SNAP benefits noted in Exhibits A, C, and D warrant a disqualification as a SNAP retail food store for a period of six months. The exchange of these ineligible items for SNAP benefits is in violation of 7 CFR § 278.2(a).

The Retailer Operations Division determined that the assessment of a hardship CMP of \$2,934.00 in lieu of a six month disqualification was the appropriate penalty for these violations as J & J Subco is selling a substantial variety of staple food items and the firm’s disqualification would cause hardship to SNAP households.

### **APPELLANT’S CONTENTIONS**

In the replies to the charge letter, in the request for administrative review, and in subsequent correspondence, the Appellant made the following summarized contentions, in relevant part:

- The owner has a good relationship with customers and people.
- An employee, on his own will, wrongfully sold ineligible nonfood items that he knew were not allowed to be purchased with SNAP benefits. The employee was not authorized to do this.
- When the owner received the charge letter, he confronted the employee. The employee denied that he sold the ineligible items with SNAP benefits.
- The employee also claimed ownership under false pretenses to the investigator.
- The employee is no longer working at the store as he quit when questioned about the alleged violations.
- The owner deeply regrets that these violations occurred. He had no control over what occurred during the investigation period.
- The owner needs employees to help run the store and he tries his best to keep an eye on everything.
- The Appellant was not warned that SNAP violations were occurring. If the owner had been warned after the first incident, he would have taken better steps to prevent SNAP violations from occurring and he would have confronted the responsible employee at that time.
- This is the first time that the Appellant has been cited for SNAP violations.
- The Appellant business has been slow the last few months due to inflation and the owner’s bills have gone up and the store’s profit margin has gone down. A SNAP disqualification would impose a financial hardship on the firm.
- A SNAP disqualification would impose a hardship to area SNAP customers as it is needed in the neighborhood especially now that the economy is bad. Some of the store’s customers do not have transportation and depend upon the Appellant for their food needs.
- The Appellant requests that the civil money penalty be waived or that the imposed amount be considerably reduced.

The preceding may represent only a brief summary of the Appellant’s contentions in this matter. Please be assured, however, that in reaching a decision, full attention and consideration has been

given to all contentions presented, including any not specifically recapitulated or specifically referenced herein.

## ANALYSIS AND FINDINGS

This review is to either validate or to invalidate the determination made by the Retailer Operations Division; it is limited to the facts at the basis of the Retailer Operations Division's determination at the time it was made.

The Appellant contends that an employee, on his own will, wrongfully sold ineligible nonfood items that he knew were not allowed to be purchased with SNAP benefits. The employee was not authorized to do this. The owner deeply regrets that these violations occurred. He had no control over what occurred during the investigation period.

Upon review, the evidence supports that the Appellant established a record of selling nonfood items as defined by Section 271.2 of the regulations, on three out of four compliance visits. There are no provisions in the SNAP regulations for waiver or reduction of an administrative penalty assessment on the basis of claims that the sales of ineligible items were completed by an employee without the owner's permission. Regardless of who the store owner utilizes to handle store business, ownership is accountable for the proper handling of SNAP benefit transactions. The regulations establish that an authorized food store may be disqualified from participating in the program when the store fails to comply with the Act or regulations because of the wrongful conduct of an owner, manager, or someone acting on their behalf.

While the Appellant is correct that the firm has not been cited for prior SNAP violations, the acceptance of SNAP benefits for ineligible items is a violation of the SNAP rules and regulations. 7 CFR Section 278.6(e)(5) specifies that FNS shall "disqualify the firm for six months if it is to be the **first sanction for the firm** and the evidence shows that personnel of the firm have committed violations such as, but not limited to, the sale of nonfood items due to carelessness or poor supervision by the firm's ownership or management." There is no regulatory threshold for the dollar value of the ineligible items purchased or for the timeframe in which they were purchased. The acceptance of SNAP benefits for ineligible items as noted in Exhibits A, C, and D is a violation of SNAP rules and regulations. The ineligible items sold were obvious nonfood items and would not readily be confused with eligible edible food items. **5 U.S.C. § 552 (b)(7)(E).** Therefore, the violations in this case are not too limited to warrant a disqualification.

There are no provisions in the SNAP regulations for waiver or reduction of an administrative penalty assessment on the basis of after-the-fact corrective actions implemented subsequent to findings of program violations. Therefore, the Appellant's contention that the employee is no longer working at the store and the owner will supervise employees so that these types of SNAP violations will not occur again does not provide any valid basis for dismissing the charges or mitigate the penalty imposed.

Regarding the Appellant's contention that the imposed hardship civil money penalty would impose a financial hardship on the firm, there is no provision in the SNAP regulations or internal

agency policy directives for waiver or reduction of an administrative penalty assessment on the basis of possible economic hardship to the firm resulting from imposition of such penalty. To allow store ownership from being excused from assessed administrative penalties based on purported economic hardship to the firm would render virtually meaningless the enforcement provisions of the Food and Nutrition Act of 2008 and the enforcement efforts of the USDA.

Moreover, giving special consideration to economic hardship to the firm would forsake fairness and equity, not only to competing stores and other participating retailers who are complying fully with program regulations, but also to those retailers who have been sanctioned in the past for similar violations. Therefore, the Appellant's contention that the firm may incur economic hardship based on the assessment of an administrative penalty does not provide any valid basis for dismissing the charges or for mitigating the penalty imposed.

The Appellant contends that it was not warned that SNAP violations were occurring. If the owner had been warned after the first incident, he would have taken better steps to prevent SNAP violations from occurring and he would have confronted the responsible employee at that time. However, 7 CFR § 278.6(d)(2) & (3) of the SNAP regulations provides that "The FNS office making a disqualification or penalty determination . . . shall consider . . . any prior action . . . to warn the firm about the possibility that violations are occurring . . .". The citation simply requires FNS to consider any prior warnings when determining a sanction. It does not require FNS to give such warnings. FNS did not consider prior actions to warn the Appellant about the possibility that violations were occurring because there were no prior warnings.

In appeals of adverse actions, the Appellant bears the burden of proving by a preponderance of the evidence, that the administrative actions should be reversed. That means the Appellant has the burden of providing relevant evidence which a reasonable mind, considering the record as a whole, might accept as sufficient to support a conclusion that the matter asserted is more likely to be true than not true. Assertions that the firm has not violated program rules, by themselves and without supporting evidence and rationale, do not constitute valid grounds for dismissal of the current charges of violations or for mitigating their impact. The Appellant did not provide any evidence that the violations cited in the charge letter did not occur.

### **CIVIL MONEY PENALTY**

The Appellant contends that a SNAP disqualification would impose a hardship to area SNAP customers. The Appellant requests that the civil money penalty amount be considerably reduced.

The Retailer Operations Division correctly concluded that the Appellant was eligible for a hardship CMP in lieu of a six month SNAP disqualification as J & J Subco is selling a substantial variety of staple food items and the firm's disqualification would cause hardship to SNAP households. Thus, a hardship CMP in the amount of \$2,934.00 was imposed in lieu of the six month SNAP disqualification.

The case record documents that the Retailer Operations Division correctly calculated the amount of the hardship CMP under 7 CFR § 278.6(g). That regulation states that the hardship CMP is to be calculated on a formula which includes the SNAP redemption volume of the store during the

twelve months prior to the firm being notified of the violations. **Modifications to the hardship CMP may occur only when there is an error in calculation or the amount exceeds the agency limit.** The Retailer Operations Division correctly determined, using the methodology described in 7 CFR § 278.6(g), that the calculated amount of the hardship CMP was \$2,934.00.

## **CONCLUSION**

Accordingly, the determination by the Retailer Operations Division to assess a hardship CMP in the amount of \$2,934.00 in lieu of a six month disqualification from participating as an authorized retailer in the SNAP is sustained. Based on the discussion above, the amount of the hardship CMP was properly computed by the Retailer Operations Division. Please note that if the penalty is not paid, the six month SNAP disqualification will be imposed. The Appellant may contact the FNS Financial Management Accounting Division at 1-703-605-0483 to discuss a monthly payment plan, or follow the instructions in the Retailer Operations Division's letter dated August 9, 2022, regarding payment options.

In accordance with the Food and Nutrition Act, and the regulations thereunder, this penalty shall become effective thirty (30) days after receipt of this letter. In the event a six month disqualification is imposed for failure to pay the CMP, or some lesser disqualification period reflecting the unpaid portion of the CMP, the Appellant may reapply for authorization to participate in the SNAP up to 10 days prior to the end of the disqualification period. When eligible, the Appellant may reapply for SNAP authorization using the application instructions contained on the FNS web site. Questions regarding the application process can be answered by the FNS Retailer Service Center at 1-877-823-4369.

## **RIGHTS AND REMEDIES**

Your attention is called to Section 14 of the Food and Nutrition Act (7 U.S.C. 2023) and to Section 279.7 of the Regulations (7 CFR § 279.7) with respect to your right to a judicial review of this determination. Please note that 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 you reside or are 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, FNS is 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.

LORIE L. CONNEEN  
ADMINISTRATIVE REVIEW OFFICER

November 4, 2022