

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

Former Owner of Lara Grocery Corp,

Appellant,

v.

Retailer Operations Division,

Respondent.

Case Number: C0255942

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 a Transfer of Ownership Civil Money Penalty (TOCMP) of \$33,000.00 was properly assessed against the former owner of Lara Grocery Corp (hereinafter “Appellant”), for selling or transferring a store that has been permanently disqualified 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(f)(2) in its administration of the SNAP, when it assessed a TOCMP in the amount of \$33,000.00 against the Appellant.

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 case record documents that FNS permanently disqualified Lara Grocery Corp, under the ownership of the Appellant, from the SNAP effective December 2, 2020 for trafficking in SNAP benefits. The permanent disqualification letter dated December 1, 2020 stated that if the Appellant/owner sold or transferred the store after its disqualification, it would be subject to and liable for a TOCMP as provided by SNAP regulations at 7 CFR § 278.6(f)(2). As noted in the letter, the amount of the TOCMP is calculated based on the SNAP regulations at 7 CFR § 278.6(g).

On or about April 4, 2022, the Appellant sold or transferred ownership of Lara Grocery Corp located at 5 U.S.C. § 552 (b)(6) & (b)(7)(C) to a new store owner(s) as agreed upon by both the Buyer and the Seller(s) as documented by the Bill of Sale and a Commercial Net Lease in the case record. These documents were provided to FNS when the new store owner(s) applied to operate and was authorized as a SNAP retailer at this location on June 27, 2022.

As a result of the sale or transfer of ownership, the Retailer Operations Division notified the Appellant, in a letter dated August 9, 2022, that it had assessed a TOCMP in the amount of \$33,000.00 in accordance with the SNAP regulations at 7 CFR § 278.6(f)(2), (3), (4) and § 278.6(g) for the sale or transfer of the firm during a period of disqualification.

In an email correspondence of August 14, 2022, the Appellant, through counsel, requested an administrative review of the assessment of the TOCMP. FNS granted the Appellant's request for administrative review by letter dated August 29, 2022 and the assessment of the TOCMP was held in abeyance pending completion of this 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, would accept as sufficient to support a conclusion that the matter asserted is more likely to be true than not true.

CONTROLLING STATUTE 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 Section 278 of Title 7 of the Code of Federal Regulations (CFR).

7 U.S.C. § 2021(e)(1) states, in part:

In the event any retail food store or wholesale food concern that has been disqualified under subsection (a) of this section is sold or the ownership thereof is otherwise transferred to a purchaser or transferee, the person or persons who sell or otherwise transfer ownership of the retail food store or wholesale food concern shall be subjected to a civil penalty in an amount established by the Secretary through regulations to reflect that portion of the disqualification period that has not yet expired. [Emphasis added.]

7 CFR § 278.6(f)(2) reads, in part,

In the event any retail food store . . . which has been disqualified is sold or the ownership thereof is otherwise transferred . . . the person or other legal entity who sells or otherwise transfers ownership . . . shall be subjected to and liable for a civil money penalty . . . If the retail food store or wholesale food concern has been permanently disqualified, the civil money penalty shall be double the penalty for a ten year disqualification period.

7 CFR § 278.6(g) which provides the steps for calculating the TOCMP, states, in part:

- (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) Multiple the average monthly redemption figure by 10 percent.
- (3) Multiply the [average monthly redemption times 10 percent] by the number of months for which the firm would have been disqualified . . .

Notwithstanding the above, there is an agency limit of \$33,000.00 per violation as the maximum TOCMP amount.

APPELLANT'S CONTENTIONS

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

In the request for administrative review, the Appellant, through counsel, stated the following summarized contentions, in relevant part:

- By virtue of the location of this firm or business and the community in which it is situated, a substantial portion of the Appellant's sales and revenues (approximately 60%) resulted from its participation in the SNAP. SNAP sales provided the income necessary to keep the business profitable so it could continue its operation.
- Since being authorized to accept SNAP benefits, the Appellant had continuously trained and tested employees concerning the SNAP regulations and requirements regarding the prohibitions against sales of ineligible items and exchanging SNAP benefits for cash.
- During this time, the owner had maintained an exemplary record. Such an unblemished record is evidence of the owner's continued compliance with the law and his training and supervision of employees. And while he was not on premises during the entire period the store was open, he was regularly in the store supervising employees to make sure that they were in compliance with the SNAP regulations and were adhering to the standards set by store policy.
- The Appellant's training program consisted of two weeks of intensive, hands on classes, overseen by the store owner. He worked with each employee during this period, teaching them the rules and regulations of the SNAP. He ensured that they watched the on-line video, provided them with handouts and other printed materials, which they were required to read, study, and learn prior to their full employment in the store. Upon the conclusion of the two-week period, the owner gave each employee a test to ensure their compliance with the SNAP regulations. He also trained them to treat all customers and benefits holders with courtesy and respect in accordance with the SNAP rules. Any employee that was suspected of failing to comply with the policies of the store was immediately terminated.
- The owner never witnessed or observed any type of trafficking incidents during the period in question through the present that were alleged in the letter of charges.

- It is patently ridiculous that after years of participation in the SNAP that the Appellant would not only risk permanent disqualification, but also risk an assessment of a civil money penalty. It is also undeniable that when the agency disqualified the Appellant it was unknown as to what amount might have been exchanged for cash, if any swipe amount was in fact exchanged for cash.
- The owner was unaware that a permanent disqualification had been imposed as he never received a copy of the determination letter. He was never personally informed that in the event that he sold or transferred ownership of his firm, that he would be personally responsible and liable and subject to an assessment of a civil money penalty. At the time the determination letter was apparently issued, the owner had retained a representative to handle this matter and was never advised of the outcome or the ramifications as a result of any transfer of ownership. As such, the assessment of a civil money penalty in the amount of \$33,000.00 is in error and is unconscionable and unjust.
- The Appellant has been assessed a penalty calculated in accordance with Section 2786(f)(2) and (g) of the SNAP regulations without having any proof of trafficking or any actual knowledge of what might have been trafficked.
- A transfer did occur on or about March 1, 2022, from the former owner to the new store owner, as per the submitted Bill of Sale. As evidenced by the Bill of Sale, the consideration of said transfer of 100% of all rights, title, lease and interest in Lara Grocery Corp was the sum of 5 U.S.C. § 552 (b)(6) & (b)(7)(C).
- Additionally, as noted in the submitted document, the Appellant is indebted to the Landlord of the premises at 5 U.S.C. § 552 (b)(6) & (b)(7)(C) in the sum of 5 U.S.C. § 552 (b)(6) & (b)(7)(C), for rent which accrued during the period when this firm was disqualified from the SNAP as the owner was unable to make ends meet without the ability to accept SNAP benefits at the store.
- This was a viable and thriving store until FNS determined that “trafficking” occurred at the store, a determination based solely on transactional evidence and an erroneous assumption by FNS.
- Based on the hardship and the circumstances alleged herein, the Appellant requests that it be absolved of any and all debt which is alleged to be due and owing as a civil money penalty pursuant to Section 278.6(f)(2), (3), and (4).
- Upon receipt of the Final Agency Decision, the Appellant intends to file a complaint with the appropriate District Court.

In support of these contentions, the Appellant, through counsel, submitted the following information for review:

- Signed Letter of Representation dated August 12, 2022;
- Bill of Sale; and
- An April 25, 2022 Statement/Bill from Landlord.

ANALYSIS AND FINDINGS

The purpose of this review is limited to determining whether the Retailer Operations Division’s decision to assess a TOCMP against the Appellant was appropriate. The disqualification itself is

not under review. Thus, any contentions pertaining to the original disqualification action by the Retailer Operations Division are not subject to review.

The regulations at 7 CFR § 278.6(f) authorize FNS to assess a TOCMP against the owner(s) of a disqualified retail food store that has been sold or the ownership is otherwise transferred. The record shows that the SNAP permanent disqualification determination letter dated December 1, 2020, and received by the former store owner's Attorney, 5 U.S.C. § 552 (b)(6) & (b)(7)(C), on December 2, 2020, included notification to the effect that, "In the event that you sell or transfer ownership of your store subsequent to your disqualification, you will be subject to and liable for a CMP as provided by SNAP regulations Sections 278.6(f)(2), (3), and (4). The amount of this sale or transfer CMP will be calculated based on SNAP regulations at 278.6(g)." Accordingly, the former owner received proper legal notice that a TOCMP could be imposed if the business was sold after the date of disqualification.

The record indicates that the former store owner signed a Letter of Representation on May 21, 2018 (Letter of Representation is on record with regard to the permanent SNAP disqualification case 5 U.S.C. § 552 (b)(7)(E)) stating that the owner's attorney is representing him and Lara Grocery Corp in the SNAP compliance matter (i.e., the permanent SNAP disqualification action) imposed by FNS). Per UPS confirmation of delivery, the December 1, 2020 permanent disqualification letter was delivered to 5 U.S.C. § 552 (b)(6) & (b)(7)(C), the former owner's past and current counsel, at his office of record on December 2, 2020 and was in fact signed for by "5 U.S.C. § 552 (b)(6) & (b)(7)(C)". As such, the Appellant received proper legal notice that a TOCMP could be imposed if the business was sold after the date of disqualification. The Appellant's claim of ineffective counsel in the previous SNAP disqualification determination does not provide any valid basis for dismissing the charges or for mitigating the current imposed penalty.

The Retailer Operations Division determined that a legal sale of the business did occur and this is supported by documents in the case record. The former owner was properly informed of the TOCMP by letter dated August 9, 2022. The sole issue in this review is whether the Retailer Operations Division took appropriate action, consistent with 7 CFR § 278.6(f)(2) of the SNAP regulations, when it assessed a \$33,000.00 TOCMP against the former owner.

The SNAP regulations at 7 CFR §278.6(f)(2) do not specify any timeframe in which a store must be sold or transferred following its disqualification for a CMP to be imposed nor do they include a requirement as to the basis for the sale or transfer of a previously disqualified store. As noted, there is clear indication in the record that the Appellant firm, or what remained of it, was in fact sold and/or transferred during its period of disqualification. The fact that the retail food business at the stated address is now owned and operated by another entity and that there is a new owner(s) at the same location indicates that this is a legitimate business transfer subject to a TOCMP under SNAP regulations. As such, there is sufficient evidence to support the Retailer Operations Division's determination that a TOCMP as outlined in SNAP regulations at 7 CFR § 278.6(f)(2) was correctly and appropriately imposed against the individual who owned the business at the time of the investigation and the permanent disqualification. There is no indication in the record that the new owner(s) was involved in any of the violative activity which formed the basis of the firm's previous permanent disqualification, that the new owner(s) is in

any way related to the former owner, or that the sale is illegitimate in any relevant respect. Accordingly, the statute and Federal regulations afford no latitude to take any action (including failure to act) other than to impose the sanction at issue. Likewise, this Review Officer is afforded no latitude to reverse or modify a correct and appropriate administrative sanction.

While FNS is sympathetic to the former store owner's circumstances with regard to economic hardship, neither the Food and Nutrition Act of 2008 nor its implementing regulations allow for factoring in individual circumstances such as profitability or economic hardship when determining whether a TOCMP is warranted because of the sale of a business. There is clear indication in the Retailer Operations Division case file that the Appellant, in fact, sold the former business while it was disqualified. As such, it has been determined that there is enough evidence to support the Retailer Operations Division's determination that this does constitute a sale of a business making the Appellant subject to the TOCMP as outlined in the Federal regulations at 7 CFR §278.6(f)(2).

The case record documents that, under 7 CFR § 278.6(g), the Retailer Operations Division correctly calculated the amount of the TOCMP. That regulation states that the TOCMP is to be calculated on a formula which includes the SNAP redemption volume of the store during the 12 months prior to the firm being notified of the violations that led to the store's disqualification. Modifications to the TOCMP may occur only when there is an error in calculation or the amount exceeds the statutory limit. The Retailer Operations Division correctly determined that, using the methodology described in 7 CFR § 278.6(g), the initial calculated amount of the TOCMP was 5 U.S.C. § 552 (b)(7)(E). This amount is more than the agency limit of \$11,000 per violation and therefore, the Retailer Operations Division correctly assessed the final TOCMP at \$33,000.00 (\$11,000.00 X 3 violations). The formula for computing the TOCMP does not provide for discretion and is directly related to the amount of SNAP violations, redemptions and the length of time in the disqualification. Therefore, this amount cannot be reduced.

Per Section 14 of the Food and Nutrition Act of 2008 (7 U.S.C. 2023) and Section 279.7 of the SNAP regulations (7 CFR § 279.7), the Appellant has the right to a judicial review of this final agency determination.

CONCLUSION

A review of the evidence in this case indicates that the Appellant business was in fact sold in a bona fide sale following its permanent SNAP disqualification. Therefore, 7 CFR § 278.6(f)(2) of the SNAP regulations is applicable, and the assessment of a \$33,000.00 TOCMP is correct. A review of the calculations indicates that the amount of the TOCMP assessed by the Retailer Operations Division is also correct. The SNAP regulations are explicit in the requirement for a TOCMP in the event a disqualified business is subsequently sold and/or transferred and there is no Agency discretion in waiving or reducing the TOCMP amount. Thus, the action by the Retailer Operations Division is sustained.

In accordance with the Food and Nutrition Act of 2008, as amended, and the regulations there under, this penalty shall become effective thirty (30) days after receipt of this letter. The Appellant may contact the FNS Financial Management Accounting Division at 1-703-605-0483

to discuss payment options or follow the instructions in the Retailer Operations Division's letter dated August 9, 2022 regarding online or check payment options.

RIGHTS AND REMEDIES

Section 14 of the Food and Nutrition Act of 2008 (7 U.S.C. § 2023) and Title 7, Code of Regulations, Part 279.7 (7 CFR § 279.7) addresses 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 the Appellant resides 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 (FOIA), 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

October 21, 2022