

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

**RNA Food Trading Inc.,
Appellant,**

V.

**Retailer Operations Division,
Respondent.**

Case Number: C0245317

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 six-month disqualification of RNA Food Trading Inc. (hereinafter Appellant), from participation as an authorized retailer in the Supplemental Nutrition Assistance Program (SNAP) as initially imposed by the Retailer Operations Division.

ISSUE

The issue accepted for review is whether the Retailer Operations Division took appropriate action, consistent with Title 7 Code of Federal Regulations (CFR) Part 278 in its administration of the SNAP, when it imposed a six-month disqualification against Appellant.

AUTHORITY

7 U.S.C. § 2023 and the implementing regulations at 7 CFR § 279.1 provides 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 USDA conducted an investigation of the compliance of RNA Food Trading Inc., with Federal SNAP law and regulations from July 17, 2021, through July 28, 2021. In a letter dated September 22, 2021, Retailer Operations Division charged the Appellant firm with accepting SNAP benefits in exchange for merchandise which included common ineligible non-food items in violation of 7 CFR § 278.2(a). These SNAP violations occurred on three (3) out of five (5) 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).

In correspondence dated September 28, 2021, Appellant, through counsel, responded to the charge letter and generally stated that it requested a CMP in lieu of disqualification. Appellant, through counsel, stated that the documentation provided demonstrates that ownership meets the eligibility requirements for a CMP under Section 278.6(e)(1). Appellant, through counsel, provided copies of two (2) signed and dated SNAP Training Acknowledgements, and a Training Log under Exhibit A; and two (2) signed and dated Customer Affidavits under Exhibit B.

After reviewing the evidence of the case and the Appellant's response, Retailer Operations Division issued a determination letter dated November 9, 2021. The determination letter informed the Appellant it was disqualified from the SNAP for a period of six months in accordance with 7 CFR § 278.6(a) and (e). The determination letter also stated that Retailer Operations Division considered Appellant's eligibility for a hardship CMP under 7 CFR § 278.6(f)(1). Retailer Operations Division determined that the Appellant was not eligible for the hardship CMP in lieu of the six-month disqualification because there were other authorized retail stores in the area selling as large a variety of staple foods at comparable prices.

In a letter dated November 16, 2021, Appellant, through counsel, requested an administrative review of the Retailer Operations Division's determination. The appeal was accepted, and the implementation of the six-month disqualification was held in abeyance pending completion of this review.

STANDARD OF REVIEW

In appeals of adverse actions, an appellant bears the burden of proving by a preponderance of the evidence, that the administrative actions should be reversed. That means an 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 & Nutrition Act of 2008, as amended, 7 U.S.C. § 2021, and promulgated through regulation under Title 7 CFR Part 278. In particular, 7 CFR § 278.6(a) and (e) establish the authority upon which a period of disqualification may be imposed against a retail food store or wholesale food concern.

7 CFR § 278.2(a) states, inter alia: "Coupons may be accepted by an authorized retail food store only from eligible households.... Only in exchange for eligible food"

7 CFR § 271.2 states, inter alia: "Eligible food 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, inter alia: "FNS may disqualify any authorized retail food store... if the firm fails to comply with the Food and Nutrition Act of 1977, 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...”

7 CFR § 278.6(e)(5) states, inter alia: “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, inter alia: “FNS may impose a civil money penalty as a sanction in lieu of when... the firm’s disqualification would cause hardship to Food Stamp [SNAP] 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.”

APPELLANT’S CONTENTIONS

In correspondence dated November 16, 2021, Appellant through counsel, submitted the following summarized contentions in its request for administrative review, in relevant part:

1. Petitioner wishes to prove that he had implemented a legitimate effective compliance program and training program for its employees.
2. The Petitioner only took notice of the alleged sales of non-EBT items utilized on Snap benefits by an undercover agent after he received the initial charge letter.
3. Petitioner has served its local community for 7 years. Across the street, there is a large homeless shelter that has drug rehabilitation plans. Petitioner’s presence allow for recovering drug addicts to avoid drug dealers by allowing such individuals to simply walk across the street.

Appellant through counsel, provided an explanation of the compliance procedures and training program for employees at Appellant’s firm which included documentation to show that it implemented a legitimate effective compliance and training program at the store.

The preceding may represent only a brief summary of the Appellant’s contentions presented in this matter. Please be assured, however, in reaching a decision, full attention was given to all contentions presented, including any not specifically recapitulated or specifically referenced herein.

ANALYSIS AND FINDINGS

FNS initially authorized RNA Food Trading Inc. as a convenience store on April 26, 2014. During an investigation from July 17, 2021, through July 28, 2021, the USDA conducted five (5) compliance visits at Appellant’s store. A report of the investigation was provided to the Appellant as an attachment to the charge letter dated September 22, 2021. The investigation report included Exhibits A through E, which provide full details on the results of each compliance visit. The investigation report documents that SNAP violations were committed during three (3) of the five (5) compliance visits. They involved the sale of three (3) 1 count packages of Scotch-Brite scrub sponges, one (1) 150 count box of Simply Done sandwich bags,

one (1) 48 count box of Great Value Everyday soup spoons and one (1) 7-ounce bottle of Dawn Ultra dishwashing liquid. The clerk refused the exchange of an undisclosed amount of SNAP benefits for cash in Exhibit E.

Regarding Appellant's contentions, through counsel, it is important to note that as owner of the store, Appellant is liable for all volatile transactions handled by either paid or unpaid store personnel. Regardless of whom the ownership of a store may utilize to handle store business, ownership is accountable for the proper handling of SNAP benefit transactions. To allow store ownership to disclaim accountability for the acts of persons whom the ownership chooses to utilize to handle store business would render virtually meaningless the enforcement provisions of the Food Stamp Act and the enforcement efforts of the USDA.

It is recognized that some degree of economic hardship is a likely consequence whenever a store is disqualified from participation in SNAP. However, there is no provision in the SNAP regulations 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, as amended, 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 disqualified from the program in the past for similar violations. Therefore, Appellant's contentions, through counsel, do not provide any valid basis for dismissing the charges or for mitigating the penalty imposed.

Furthermore, it is important to clarify for the record that the purpose of this review is to determine if the earlier decision of the Retailer Operations Division, to disqualify Appellant from participation in the SNAP for a period of six months, was in fact a correct one. It is not within the scope of this review to consider what subsequent actions Appellant may have taken so that its store may begin to comply with program requirements.

It is also important to note that a record of participation in SNAP with no previously documented instance of violations does not constitute valid grounds for dismissal of the current charges of violations or for mitigating the impact of those charges. There is no provision in the Act, regulations, or agency policy that reverses or reduces a sanction based upon a lack of prior violations by a firm and its owners, managers and/or employees.

As previously stated, Appellant through counsel, provided an explanation of the compliance procedures and training program for employees and provided documentation to Retailer Operations Division as evidence of an effective compliance and training program. Upon review of the documentation provided it was noted that there were discrepancies in the documentation that calls into question its legitimacy as evidence during this review. The printed name on one of the SNAP Training Acknowledgement forms does not match either of the names at the top of the form and the completion date of the training is one year before the date that the training was conducted. Also, both SNAP Training forms are dated two years after the alleged training took

place. It is the determination of this review that the documentation provided by Appellant was fabricated and does not rise to the level of adequate evidence to show that Appellant implemented an effective compliance and training program. Additionally, Appellant does not qualify for a trafficking CMP in this case.

Based on a review of the evidence in this case, there is no question that program violations did occur. Clerks working at Appellant sold common ineligible items to an FNS investigator on three (3) separate investigative visits which have been verified through EBT receipts received during each visit, and items purchased, photographed, and donated during the investigation. The investigative record is specific and accurate with regard to the dates of the violations, the exchange of SNAP benefits for ineligible items, and in all other critically pertinent detail. Moreover, the record reflects that ownership admitted to ineligible items being sold for SNAP benefits.

The cost of the ineligible items purchased with SNAP benefits does not determine if the purchase is a violation. The purchase of any ineligible item, regardless of cost, is considered a SNAP violation. As such, the contentions presented do not constitute valid grounds for dismissal of the current charges of violations, or for mitigating the impact of those charges. Based on a review of the evidence in this case, it appears that the SNAP violations at issue did, occur as charged.

CIVIL MONEY PENALTY

Retailer Operations Division considered Appellant's eligibility for a hardship CMP under 7 CFR §278.6(f)(1). The Retailer Operations Division determined that the Appellant was not eligible for the hardship CMP in lieu of the six-month disqualification because there are at least 34 authorized retailers within a one-mile radius of Appellant's store. The record reflects that there are 2 supermarkets, 5 small grocery stores, 2 medium grocery stores, 3 farmers markets, 16 additional convenience stores and 6 combination/other stores, and all are selling as large a variety of staple foods at comparable prices.

CONCLUSION

The documentation presented by Retailer Operations Division provides through a preponderance of the evidence that the violations as reported occurred at the Appellant firm. 7 CFR § 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 common nonfood items due to carelessness or poor supervision by the firm's ownership or management.

The violations were determined by Retailer Operations Division to represent the first sanction for the firm and evidence carelessness and poor supervision. Therefore, the imposition of a six-month disqualification, the least severe penalty allowed by regulation, is appropriate.

It is therefore established that the violations as described in the letter of charges did in fact occur at the Appellant firm warranting a disqualification of six months in accordance with

7 CFR § 278.6(e)(5). Based on the discussion herein, the decision to impose a six-month disqualification against RNA Food Trading Inc. is appropriate and the action is sustained.

In accordance with the Act and regulations, the six-month period of disqualification shall become effective thirty (30) days after receipt of this letter. The Appellant may submit a new application for SNAP participation ten (10) days prior to the expiration of the six-month disqualification period.

RIGHTS AND REMEDIES

Your attention is called to Section 14 of the Food and Nutrition Act of 2008, as amended, (7 U.S.C. § 2023) and to Title 7, Code of Federal Regulations, Part 279.7 (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 (FOIA), 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.

Monique Brooks
ADMINISTRATIVE REVIEW OFFICER

October 12, 2022