

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

Al Arabi,

Appellant,

v.

Case Number: C0208102

Retailer Operations Division,

Respondent.

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 \$22,000.00 was properly levied by the Retailer Operations Division against the former owner of Al Arabi, (hereinafter Appellant) for selling and/or transferring a store that was permanently disqualified from participation in the Supplemental Nutrition Assistance Program (SNAP).

ISSUE

The issue accepted for review is whether Retailer Operations Division took appropriate action, consistent with 7 CFR § 278.6(f)(2), (3), (4) and § 278.6(g), in its administration of the SNAP when it assessed a TOCMP in the amount of \$22,000.00 against Appellant by letter dated October 27, 2017.

AUTHORITY

7 USC § 2023 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

The administrative record documents that the firm and ownership were permanently disqualified from participation in the SNAP effective August 15, 2017. Ownership was informed in correspondence dated August 14, 2017, that in the event the firm was sold or transferred subsequent to disqualification, ownership would be subject to and liable for a civil money penalty as provided by the SNAP regulations pursuant to Section 278.6(f)(2),(3), and (4). The case file contains documents that shows effective October 2, 2017, ownership sold or transferred

the store named Al Arabi located at 5 U.S.C. § 552 (b)(6) & (b)(7)(C), Houston, Texas 77063, reflecting the sale of the business for 5 U.S.C. § 552 (b)(6) & (b)(7)(C) including all inventory and equipment as fully described and enumerated in “AS IS” Purchase Agreement. These documents were provided to FNS when the new store owner applied to operate as an authorized SNAP retailer at this location.

Retailer Operations Division informed Appellant by letter dated August 7, 2018, that a TOCMP in the amount of \$22,000.00 was being assessed against it 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.

By letter dated August 15, 2018, Appellant appealed Retailer Operations Division’s assessment of the TOCMP and requested an administrative review of this action. The appeal was granted and implementation of the sanction has been 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 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(f)(2) establishes the authority upon which a civil money penalty may be imposed against a disqualified retail food store or wholesale food concern in the event that it has been sold or the ownership is otherwise transferred.

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 to a purchaser or transferee, the person or other legal entity who sells or otherwise transfers ownership . . . shall be subjected to and liable for a civil money penalty”

7 CFR § 278.6(f)(3) reads, in part, “...the Food and Consumer Service may request the Attorney General institute a civil action to collect the penalty from the person or persons subject to the penalty in a district court of the United States...”

7 CFR § 278.6(f)(4) reads, in part, “A bona fide transferee of a retail food store shall not be required to pay a civil money penalty imposed on the firm prior to its transfer.”

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

- (1) Determine the firm’s average monthly redemptions of coupons 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. The civil money penalty may not exceed an amount specified in § 3.91(b)(3)(i) of this title for each violation.”

7 CFR § 278.6(g) and § 3.91(b)(3)(i) and internal agency policy establish an \$11,000.00 per violation limit as the maximum amount for a TOCMP. The Act, at Section 12(e)(1), states: “In the event any retail food store or wholesale food concern that has been disqualified under subsection (a) is sold or the ownership thereof is otherwise transferred to a purchaser or transferee, the person who sells or otherwise transfers 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. If the retailer food store has been disqualified permanently, the civil penalty shall be double the penalty for a ten year disqualification period, as calculated under regulations issued by the Secretary.”

APPELLANT’S CONTENTIONS

The Appellant made the following summarized contentions in its response to Retailer Operations Division’ determination and in the request for administrative review, in relevant part:

1. The store is not making enough money to support my family and me so a few months ago, I decided to leave the store looking for better opportunity to be able to support my family. I was surprised I was penalized with \$22,000 when I never did anything wrong.
2. I have not contributed to the business so the sales agreement is nothing more than removing my name from the LLC and allowing me to look for another job. My dad established and funded the business 100%.

The preceding may represent only a brief summary of ownership’s contentions 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 herein.

ANALYSIS AND FINDINGS

The Appellant was informed of the permanent disqualification of Al Arabi, as a SNAP retailer by letter dated August 14, 2017, and ownership was informed that in the event the firm was sold or transferred subsequent to its disqualification, ownership would be subject to and liable for a civil money penalty as provided by SNAP regulations. The business was sold for 5 U.S.C. § 552 (b)(6) & (b)(7)(C) which included all inventory, stock, fixtures and equipment as fully described and enumerated in the “AS IS” Purchase Agreement provided. The sole issue in this review is whether Retailer Operations Division took appropriate action, consistent with 7 CFR § 278.6(f)(2) of the SNAP regulations, when it assessed a \$22,000.00 TOCMP against the Appellant.

TOCMP Calculation

The case record documents that, under 7 CFR § 278.6(g), 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 agency 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)(6) & (b)(7)(C). However, the Retailer Operations Division determined that the initial calculated TOCMP is above the agency limit, which is \$11,000 per violation. The June 26, 2017, trafficking charge letter identified two (2) patterns of trafficking based on SNAP redemption data. Therefore, the Retailer Operations Division correctly assessed the final TOCMP at \$22,000.00, which is the agency limit per violation multiplied by the number of trafficking patterns (\$11,000.00 x 2 trafficking patterns).

Summary

It is important to note that the purpose of this review is limited to determining whether Retailer Operations Division’s decision to assess a TOCMP against the Appellant was appropriate. The regulations at 7 CFR § 278.6(f)(2) require FNS to assess a TOCMP against the owner of a disqualified retail food store that has been sold or the ownership is otherwise transferred. Moreover, the regulations at 7 CFR § 278.6(g) outline how to calculate the amount of this TOCMP utilizing the aforementioned formula. As such, there is no discretion in the calculation or abatement of the TOCMP amount. The record demonstrates that a bona fide legal sale/transfer of Al Arabi did occur.

Additionally, Appellant provided an “Agreement for Sale of Business” dated April 23, 2018, which indicates on page 1 under “The parties recite and declare: 1. Seller now owns and conducts a business known as Alarabi Supermarket located at 5 U.S.C. § 552 (b)(6) & (b)(7)(C), Houston, TX 7706”. Continuing at the bottom of page 1 and onto page 2 of the agreement, it states in relevant part: “... Given the state of the failing business, the Seller has agreed to sell the

Company to the Buyers for the nominal amount of 5 U.S.C. § 552 (b)(6) & (b)(7)(C) in exchange for the buyers to take immediate possession of the Company's operating location 5 U.S.C. § 552 (b)(6) & (b)(7)(C), Houston TX 77063 as of April 23, 2018". This amount is different than the amount originally listed on the original Purchase Agreement provided to Retailer Operations Division and may be indicative of fraudulent behavior.

CONCLUSION

A review of the evidence in this case indicates that Al Arabi was sold and/or transferred on October 2, 2017. Therefore, 7 CFR § 278.6(f) of the SNAP regulations is applicable, and the assessment of a TOCMP is correct. A review of the calculations per 7 CFR § 278.6(g) indicates that the amount of the TOCMP assessed by Retailer Operations Division is also correct. Thus, the action by Retailer Operations Division is sustained.

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

January 30, 2019