

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

**Chevron,**

**Appellant,**

**V.**

**Case Number: C0214902**

**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 the hardship civil money penalty (CMP) in the amount of \$1,248.00 imposed upon Chevron (hereinafter Appellant) by Retailer Operations Division is hereby sustained.

**ISSUE**

The issue accepted for review is whether the Retailer Operations Division took appropriate action, consistent with 7 U.S.C. § 2021, 7 CFR § 278.6(a), 7 CFR § 278.6 (e), (f) and (g) in its administration of the SNAP when it determined that a six-month disqualification against Appellant was warranted, and further determined that SNAP participants in the area would endure a hardship with the implementation of the disqualification. Retailer Operations Division therefore assessed a hardship civil money penalty in the amount of \$1,248.00, in lieu of the 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 Appellant with Federal SNAP law and regulations during the period February 1, 2019 through March 11, 2019. The Report of Positive Investigation (hereinafter, “Investigative Report”), number HO03370 dated April 26, 2019, delineated that two (2) unidentified personnel at Appellant exchanged SNAP benefits for ineligible merchandise with a USDA Investigator on four (4) separate occasions. The items exchanged during the violations were ineligible and included items, best described in

regulatory terms as “conspicuous and common ineligible nonfood items” consisting of party cups, foam cups and paper towels.

By letter dated May 9, 2019, Retailer Operations Division informed Appellant of the agency’s intention to disqualify Chevron from participation in the SNAP as an authorized retailer for a period of one-year, in accordance with 7 CFR §278.2(a), based on information contained in the Investigative Report. A copy of the Investigative Report was provided to Appellant as an attachment to the May 9, 2019, charge letter.

In correspondence dated May 19, 2019, Appellant, through counsel, responded to the charge letter and generally stated that regardless of the outcome of the investigation, it has undertaken a thorough review of the FNS training material and program rules. It has made all existing employees take a refresher of program training and it has also implemented a policy to train all new employees in the first five days of employment as opposed to the thirty-day requirement. Appellant, through counsel, stated that it reviewed the allegations contained in the May 9th letter and unfortunately the report did not include any itemized receipts which would allow my client to better identify the circumstances of each purchase.

Counsel indicated that his client has some difficulty identifying the employee that allegedly allowed the ineligible purchases. Appellant, through counsel, also stated that the clerk identified in the investigation also reportedly refused to accept EBT payment for two packs of plastic cups and reportedly refused to provide the investigator with cash on an EBT transaction. Furthermore the investigator reports purchasing paper towels however my client does not carry paper towels in its inventory. It is extremely rare that a customer purchase any of the non-food items mentioned in the investigator’s report. This is the first time my client has been accused of violations of the EBT program and would rather reach an amicable resolution with the USDA as opposed to taking an adversarial position

After giving consideration to Appellant’s reply to the charge letter and evidence of the case, Retailer Operations issued a determination letter dated June 4, 2019 and informed Appellant that it was determined that the assessment of a hardship civil money penalty (CMP) of \$1,248.00, in lieu of a six-month period of disqualification, was the appropriate penalty for the violations in accordance with Section 278.6(f)(1) of the SNAP regulations.

In a letter dated June 10, 2019, the Appellant, through counsel, requested an administrative review of the Retailer Operations Division’s determination. The appeal was accepted and the implementation of the SNAP 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 and Nutrition Act of 2008, as amended, at 7 U.S.C. § 2021 and in Part 278 of Title 7 of the Code of Federal Regulations (CFR). 7 U.S.C. § 2021, Part 278.6(a) and Part 278.6 (e) of the Regulations establish the authority upon which a disqualification, or a civil money penalty in lieu thereof, may be imposed upon a retail food store or wholesale food concern.

7 U.S.C. § 2021 states, *inter alia*: (1) IN GENERAL. An approved retail food store or wholesale food concern that violates a provision of this Act or a regulation under this Act may be: (A) disqualified for a specified period of time from further participation in the supplemental nutrition assistance program; (B) assessed a civil penalty of up to \$100,000 for each violation; or (C) both.

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 & 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) prescribes the general period of disqualification for the sale of common ineligible nonfood items and states: “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(e)(6) applies to the specific period of disqualification of which the CMP is in lieu and reads, in part, “Double the appropriate period of disqualification prescribed in paragraphs (e) (2) through (5) of this section as warranted by the evidence of violations if the same firm has once before been assigned a sanction.”

7 CFR § 278.6(f)(1) applies to the criteria for CMPs on the basis of hardship and reads, in part, “FNS may impose a civil money penalty as a sanction in lieu of disqualification when the firm...is selling a substantial variety of staple food items, and the firm’s disqualification would cause hardship to SNAP households because there is no other store in the area selling as large a variety of staple food items... FNS may disqualify a store which meets the criteria for a civil money penalty if the store had previously been assigned a sanction.”

7 CFR § 278.6(h)(1),(2) and (3) state, *inter alia*:

1. Disqualify the firm for the period determined to be appropriate under paragraph (e) of this section if the firm refuses to pay any of the civil money penalty.
2. Disqualify the firm for a period corresponding to the unpaid part of the civil money penalty if the firm does not pay the civil money penalty in full or in installments as specified by the regional office.

3. Disqualify the firm for the prescribed period if the firm does not present a collateral bond or irrevocable letter of credit within the required 15 days, if applicable. If the firm presents the required bond during the disqualification period, the civil money penalty may be reinstated for the duration of the disqualification period.

Agency policy stipulates, *inter alia*, that a Hardship Civil Money Penalty is:

...imposed instead of a disqualification when removing a store from the Program would cause a hardship, rather than just an inconvenience, to recipients that normally frequent the store

The following steps, based on the regulations at 7 CFR § 278.6(g), applies to the calculation of hardship CMPs, stating, in part: “FNS shall determine the amount of the civil money penalty as follows:

- (1) Determine the firm’s average monthly redemption 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.

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) of this title establish an \$11,000.00 per violation limit as the maximum amount for a CMP.

### **APPELLANT’S CONTENTIONS**

The Appellant, through counsel, made the following summarized contentions in its request for administrative review and in subsequent correspondence, in relevant part:

1. My client believes that he has located the receipts that accompanied the purchases and that these receipts do not support the allegations made in the original complaint.
2. My client was assessed a CMP of \$1,248 and would like to know how the fine was determined since the fine was roughly equivalent to a month’s EBT sales.
3. The investigator’s report contained inconsistencies which were not properly considered in the initial determination. These inconsistencies when considered in conjunction with the attached receipts warrant a finding that no violations occurred.

Appellant provided an Affidavit signed and dated June 11, 2019, as well as three register receipts. 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

With regards to Appellant's contentions, the regulations stipulate "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 and poor supervision by the firm's ownership or management." The regulations further stipulate.

Additionally, 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 four (4) separate investigative visits. 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. 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

A six-month disqualification, or a civil money penalty in lieu thereof, is the least severe disqualification period allowed by regulation. Beyond the assessment of a civil money penalty in lieu of a six-month disqualification, there is no appropriate lesser sanction contemplated by the statute, the regulations or agency policy. The purpose of this review is to ascertain whether Retailer Operations Division has arrived at a correct decision; accordingly, the review officer is not extended the latitude to alter or modify decisions correctly made on the basis of requests for leniency.

## CIVIL MONEY PENALTY

As noted, Retailer Operations Division determined that a disqualification would work a hardship upon SNAP customers and therefore calculated the hardship civil money penalty as noted below:

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 initial calculated amount of the hardship CMP was \$1,248.00. That calculation is shown below:

### 5 U.S.C. § 552 (b)(6) & (b)(7)(C)

With regard to Appellant's contentions, it is important to clarify for the record that the purpose of this review is to either validate or to invalidate the earlier determination of the Retailer Operations Division. This review is limited to what circumstances existed at the time of the Retailer Operations Division's action. It is not within the scope of this review to consider what subsequent remedial actions may have been taken so that a store may begin to comply with

program requirements. In addition, there are no provisions in the SNAP regulations for a waiver or reduction of an administrative penalty assessment on the basis of alleged corrective actions implemented subsequent to investigative findings of program violations. Therefore, as previously stated, the Appellant's contentions do not provide any valid basis for dismissing the charges or for mitigating the penalty imposed.

USDA conducts investigations of the compliance of retail food stores, in part, to ascertain the nature and extent of violations that may be occurring, i.e., to see how far a firm will go in violating the SNAP rules and regulations. In the investigation of Chevron, common ineligible products were exchanged in four (4) compliance visits.

## **CONCLUSION**

As noted herein, the charges of violations are based on the findings of a formal USDA investigation. The transactions cited in the letter of charges were conducted by a USDA investigator and are thoroughly documented. A complete review of this documentation has yielded no error or discrepancy. The Investigative Report is specific and thorough with regard to the dates of the violations, the specific facts related thereto, and is supported by documentation that confirms specific details of the transactions.

A review of the evidence in this case indicates that the Appellant firm, Chevron, exchanged SNAP benefits for conspicuous non-food items on four different compliance visits in addition to common ineligible items on other compliance visits. However, Retailer Operations Division determined that a six-month disqualification of Chevron would create a hardship for SNAP households as there is no other authorized retail food store in the area selling a substantial variety of staple food items.

In lieu of a six-month disqualification, Retailer Operations Division assessed a hardship CMP against Chevron of \$1,248.00. No sufficient basis has been disclosed in this review for modification of the Retailer Operations Division's initial decision in this matter. The earlier action is consistent with the provisions of the SNAP. It is, therefore, the decision of USDA that a six-month period of disqualification of Chevron, determined by the Retailer Operations Division to be warranted, is fair and proper. However, because the Retailer Operations Division determined that participating households in the area of Appellant would suffer a hardship if precluded from shopping at Appellant with SNAP benefits, it was the further determination of the Retailer Operations Division that a hardship civil money penalty (CMP) should be imposed in lieu of the six-months of disqualification in this case.

It is therefore the decision of USDA that a CMP is appropriate and fully in accord with 7 CFR §278.6(f). A review of the calculations shows that the amount of the CMP was correct and proper and the decision in this case is hereby sustained and will become effective upon the 30th day following your firm's receipt of this document. In the event a six-month disqualification is imposed for failure to pay the civil money penalty, or some lesser disqualification period reflecting the unpaid portion of the civil money penalty, Appellant may reapply for authorization to participate in the SNAP up to 10 days prior to the end of the 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

December 9, 2019