

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

Doc's Stop #2,

Appellant,

v.

Retailer Operations Division,

Respondent.

Case Number: C0234766

FINAL AGENCY DECISION

The USDA, Food and Nutrition Service (FNS) finds that there is sufficient evidence to support the decision of the Retailer Operations Division to withdraw the authorization of Doc's Stop #2 to participate as a retailer in the Supplemental Nutrition Assistance Program (SNAP). The store may not reapply for SNAP authorization for a period of six (6) months after the effective date of the withdrawal.

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, when it withdrew the authorization of Doc's Stop #2.

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

As part of a routine reauthorization process, the Appellant submitted form FNS-252-R, entitled "Supplemental Nutrition Assistance Program Reauthorization Application for Stores" on November 5, 2019. The Appellant reported that it met the minimum variety and stocking standards in all required staple food categories.

The Appellant also reported that **staple** food sales comprised **only three (3) percent** of the firm's gross retail sales. In addition, "accessory" foods comprised ten (10) percent of gross retail sales. Accessory food items include snack foods, candy, ice cream, potato chips, carbonated and

non-carbonated beverages, condiments and spices. Accessory foods are eligible for purchase with SNAP benefits but are not used in calculating store eligibility. The Appellant reported that non-food items comprised 85 percent of its gross retail sales. Lastly, SNAP ineligible hot prepared food sales comprised two (2) percent of the firm's gross sales.

An FNS contractor conducted a store visit on July 29, 2020 to document the firm's food inventory for the purpose of determining the continued eligibility of Doc's Stop #2 to participate in the SNAP. The store visit report and photographs showed that the store carried a sufficient amount of milk and cheese (20+ stocking units each) but did not carry the required **third variety** of dairy staple food in at least three (3) stocking units. Therefore, the Retailer Operations Division determined that the store was deficient under Criterion A.

The Retailer Operations Division sent a Proof of Inventory letter dated August 21, 2020 to the Appellant requesting that the store submit any purchase invoices or receipts documenting that the store normally carried additional dairy staple food in sufficient stocking units. The letter stated that the invoices/receipts had to be dated **no more than 21 calendar days prior to the date of the store visit** and not on or after the store visit.

In response to the Proof of Inventory letter, the Appellant sent copies of four (4) purchase invoices. Three (3) of the invoices were dated after the date of the store visit and could not be considered under 7 CFR § 278.1(b)(1)(ii). The remaining invoice was dated within the 21-day review period prior to the store visit; however, it did not document any dairy staple foods other than cheese for which the Appellant had already received credit.

As a result, the Retailer Operations Division informed the Appellant by letter dated September 2, 2020 that the authorization of Doc's Stop #2 to participate in the SNAP was withdrawn because the firm did not meet eligibility Criterion A or Criterion B under 7 CFR § 278.1(b)(1). The store did not meet Criterion A as it was insufficiently stocked with dairy staple foods. The store failed to meet Criterion B because the store's staple food sales did not comprise more than 50 percent of its annual gross retail sales. Lastly, the Retailer Operations Division determined that the firm did not qualify under the Need for Access provision of 7 CFR § 278.1(b)(6) as it was not located in a low food access area.

In a letter postmarked September 2, 2020, the Appellant requested an administrative review of the Retailer Operation Division's decision to withdraw the firm's SNAP authorization. The request for review was granted and implementation of the withdrawal 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, 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 law in this matter is found in the Food and Nutrition Act of 2008, as amended (7 U.S.C. § 2018), and promulgated through regulation under Title 7 CFR Part 278. In particular, 7 CFR § 278.1(l) provides the authority upon which FNS shall withdraw the SNAP authorization of any firm if it fails to maintain established eligibility criteria.

7 CFR § 278.1(l)(1) reads, in part:

FNS shall withdraw the authorization of any firm authorized to participate in the program for any of the following reasons:

- (i) The firm's continued participation in the program will not further the purposes of the program;
- (ii) The firm fails to meet the specification of paragraph (b), (c), (d), (e), (f), (g), (h), or (i) of this section;
- (iii) The firm fails to meet the requirements for eligibility under Criterion A or B, as specified in paragraph (b)(1)(i) of this section...for the time period specified in paragraph (k)(2) of this section.

7 CFR § 271.2 defines a retail food store, in part, as:

An establishment or house-to-house trade route that sells food for home preparation and consumption normally displayed in a public area, and either offers for sale qualifying staple food items on a continuous basis, evidenced by having no fewer than [three*] different varieties of food items in each of the four staple food categories with a minimum depth of stock of three stocking units for each qualifying staple variety, including at least one variety of perishable foods in at least [two*] such categories (Criterion A) as set forth in § 278.1(b)(1) of this chapter, or has more than 50 percent of its total gross retail sales in staple foods (Criterion B) as set forth in § 278.1(b)(1) of this chapter as determined by visual inspection, marketing structure, business licenses, accessibility of food items offered for sale, purchase and sales records, counting of stockkeeping units, or other inventory or accounting recordkeeping methods that are customary or reasonable in the retail food industry as set forth in § 278.1(b)(1) of this chapter....

7 CFR § 271.2 defines staple food, in part, as:

... those food items intended for home preparation and consumption in each of the following four categories: Meat, poultry, or fish; bread or cereals; vegetables or fruits; and dairy products... Hot foods are not eligible for purchase with SNAP benefits and, therefore, do not qualify as staple foods for the purpose of determining eligibility under § 278.1(b)(1) of this chapter. Commercially processed foods and prepared

* As currently implemented. See SNAP Retailer Policy and Management Division Policy Memorandum 2018-04 for additional information regarding the enhanced retailer standards, which were implemented on January 17, 2018. This memorandum can be found on the FNS public website at <https://www.fns.usda.gov/snap/retailer-eligibility-clarification-of-criterion>

mixtures with multiple ingredients that do not represent a single staple food category shall only be counted in one staple food category. For example, foods such as cold pizza, macaroni and cheese, multi-ingredient soup, or frozen dinners, shall only be counted as one staple food item and will be included in the staple food category of the main ingredient as determined by FNS. Accessory food items include foods that are generally considered snack foods or desserts such as, but not limited to, chips, ice cream, crackers, cupcakes, cookies, popcorn, pastries, and candy, and other food items that complement or supplement meals, such as, but not limited to, coffee, tea, cocoa, carbonated and uncarbonated drinks, condiments, spices, salt, and sugar. Items shall not be classified as accessory food exclusively based on packaging size but rather based on the aforementioned definition and as determined by FNS. A food product containing an accessory food item as its main ingredient shall be considered an accessory food item. Accessory food items shall not be considered staple foods for purposes of determining the eligibility of any firm.

7 CFR § 278.1(b)(1)(i)(A) reads, in part,

An establishment...will effectuate the purposes of the program if it sells food for home preparation and consumption and meets one of the following criteria: Offer for sale, on a continuous basis, a variety of qualifying foods in each of the four categories of staple foods...including perishable foods in at least [two] of the categories (Criterion A); or have more than 50 percent of the total gross retail sales of the establishment...in staple foods (Criterion B).

7 CFR § 278.1(b)(1)(ii) states in part:

In order to qualify under [Criterion A] firms shall:

(A) Offer for sale and normally display in a public area, qualifying staple food items on a continuous basis, evidenced by having, on any given day of operation, no fewer than [three*] different varieties of food items in each of the four staple food categories with a minimum depth of stock of three stocking units for each qualifying staple variety and at least one variety of perishable foods in at least [two*] staple food categories.

Documentation to determine if a firm stocks a sufficient amount of required staple foods to offer them for sale on a continuous basis may be required in cases where it is not clear that the firm has made reasonable stocking efforts to meet the stocking requirement. Such documentation can be achieved through verifying information, when requested by FNS, such as invoices and receipts in order to prove that the firm had ordered and/or received a sufficient amount of required staple foods **up to 21 calendar days prior to the date of the store visit...** [Emphasis added.]

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(B) Offer for sale perishable staple food items in at least [two] staple food categories. Perishable foods are items which are either frozen staple food items or fresh, unrefrigerated or refrigerated staple food items that will spoil or suffer significant deterioration in quality within 2-3 weeks; and

(C) [Offer a variety of staple foods which means different types of foods, such as apples, cabbage, tomatoes, and squash in the fruit or vegetable staple food category, or milk, cheese, butter and yogurt in the dairy category. Variety of foods is not to be interpreted as different brands, different nutrient values, different varieties of packaging, or different package sizes. Similar processed food items with varying ingredients such as, but not limited to, sausages, breakfast cereals, milk, sliced breads, and cheeses, and similar unprocessed food items, such as, but not limited to different varieties of apples, cabbage, tomatoes, or squash shall not each be considered as more than one staple food variety for the purpose of determining variety. Multiple ingredient food items...such as...cold pizza, macaroni and cheese, soup, or frozen dinners, shall only be counted as one staple food variety each and will normally be included in the staple food category of the main ingredient as determined by the FNS.*]

7 CFR § 278.1(b)(1)(iii) states in part:

In order to qualify under [Criterion B] firms must have more than 50 percent of their total gross retail sales in staple food sales. Total gross retail sales must include all retail sales of a firm, including food and non-food merchandise, as well as services, such as rental fees, professional fees, and entertainment/sports/games income

7 CFR § 278.1(k)(2) states, in part:

Any firm that has been denied authorization on these bases shall not be eligible to submit a new application for authorization in the program for a minimum period of six months from the effective date of the denial.

7 CFR § 278.1(b)(6) states in part:

Need for access. FNS will consider whether the applicant firm is located in an area with significantly limited access to food when the applicant firm fails to meet Criterion A per paragraph (b)(1)(ii) or Criterion B per paragraph (b)(1)(iii) of this section so long as the applicant firm meets all other SNAP authorization requirements. In determining whether an applicant is located in such an area, FNS may consider access factors such as, but not limited to, the distance from the applicant firm to the nearest currently SNAP authorized firm and transportation options. In determining whether to authorize an applicant despite its failure to meet Criterion A and Criterion B, FNS will also consider factors such as, but not limited to, the extent of the applicant firm's stocking deficiencies in meeting Criterion

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A and Criterion B and whether the store furthers the purposes of the Program. Such considerations will be conducted during the application process

APPELLANT'S CONTENTIONS

The Appellant made the following summarized contentions in its request for administrative review:

- In December 2019, the store owner discovered that the store manager had been embezzling money and had mismanaged the store including not maintaining compliance with regulatory agencies.
- The owner immediately took action to correct the SNAP stocking deficiencies noted in the July 29, 2020 store visit. The store is now in compliance with SNAP Criterion A stocking requirements and will remain so.

The preceding may represent only a brief summary of the Appellant'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

Criterion A

Under new regulations that went into effect on January 17, 2018, to meet Criterion A, a firm must carry no fewer than three (3) different varieties of staple food in each of the four (4) staple food categories with a minimum depth of three (3) stocking units for each qualifying staple variety. There also must be at least one (1) variety of perishable foods in at least two (2) staple food categories. SNAP regulations at 7 CFR § 278.1(b)(1)(i)(A) and 7 CFR § 278.1(b)(1)(ii) also require retailers to meet Criterion A eligibility requirements on a **continuous** basis and **does not provide for any exceptions**. Therefore, it is not an acceptable excuse that the store may have been only temporarily low on dairy staple food at the time of the store visit.

The Retailer Operations Division determined that the firm was not eligible under Criterion A on the day of the store visit because it did not carry the minimum three (3) varieties of dairy staple food in sufficient stocking units. A review of the store visit report and photographs support that the firm was deficient in the Dairy category at the time of the store visit as it only carried **two varieties** in sufficient amounts (20+ stocking units each of milk and cheese). Therefore, because of a lack of a **third variety** of dairy staple food in sufficient stocking units, the store was not eligible under Criterion A on the day of the store visit.

The Appellant provided copies of four (4) purchase invoices; however, three (3) of these invoices were outside the 21-day review period prior to the store visit and therefore could not be considered under 7 CFR § 278.1(b)(1)(ii)(A). The remaining invoice documented the purchase of cheese which had already been counted during the store visit.

In summary, the Retailer Operations Division determined that Doc's Stop #2 was not eligible under Criterion A **on the day of the store visit** because it was lacking a **third variety** of dairy staple food in sufficient stocking units. The Appellant offered no contentions that successfully rebut the determination of the Retailer Operations Division. Therefore, a preponderance of the evidence supports the decision of the Retailer Operations Division that Doc's Stop #2 is not eligible under Criterion A.

Criterion B

The Retailer Operations Division determined that the Appellant store did not meet Criterion B because the store's **staple** food sales did not comprise more than 50 percent of its gross retail sales. This is confirmed by the Appellant's own reauthorization application which documents that **only three (3) percent** of the store's gross retail sales are in **staple** food items.

There is nothing in the case record which would indicate that this percentage of staple food sales to gross retail sales is inaccurate. In fact, a review of the store visit report and photographs indicate that more than 50 percent of the store's gross retail sales likely consist primarily of non-food items including alcohol, tobacco, gasoline and lottery tickets along with accessory food items. Based on a preponderance of the evidence, the Retailer Operations Division properly determined that the Appellant store was ineligible under Criterion B.

Need for Access

SNAP regulations at 7 CFR § 278.1(b)(6) state that FNS will consider whether or not the Appellant firm is located in an area with significantly limited access to food when the firm fails to meet Criterion A or Criterion B as long as it meets all other eligibility requirements. This Need for Access evaluation also considers other factors, such as distance to the nearest SNAP authorized firm, transportation options, the extent of the Appellant's stocking deficiencies and whether or not the Appellant firm furthers the purposes of the program. The case record indicates that the Retailer Operations Division conducted a Need for Access evaluation and appropriately determined that the Appellant did not qualify for SNAP authorization under this provision. After a review of all available evidence, this review agrees that authorization under the Need for Access provision is not appropriate in this case.

Basis of Determination

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 store visit** which forms the basis of the Retailer Operations Division's action. Whether or not the store has since stocked up its dairy staple foods is not relevant to this review. The store may reapply for the SNAP six (6) months from the effective date of the withdrawal and any updated food inventory will be taken into consideration at that time.

CONCLUSION

Based on the analysis above, the decision by the Retailer Operations Division to withdraw the SNAP authorization of Doc's Stop #2 is **sustained**. The regulations clearly state the criteria that a store must meet in order to be authorized for the SNAP. There are no exceptions to these requirements. Under 7 CFR § 278.1(k)(2), the Appellant is not eligible to submit a new application for SNAP authorization for a period of six (6) months from the effective date of the withdrawal. This decision shall take effect 30 days after the date of delivery of the Final Agency Decision to the firm.

RIGHTS AND REMEDIES

Section 14 of the Food and Nutrition Act of 2008 (7 U.S.C. § 2023) and Title 7, Code of Federal 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 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. Please note that the judicial filing timeframe is specified in the Act, and this office cannot grant an extension.

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.

RONALD C. GWINN
Administrative Review Officer

November 9, 2020