

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

**Grocery Overstock & More,**

**Appellant,**

**v.**

**Retailer Operations Division,**

**Respondent.**

**Case Number: C0220192**

**FINAL AGENCY DECISION**

The U.S. Department of Agriculture (USDA), Food and Nutrition Service (FNS) finds that there is sufficient evidence to support the determination by the Retailer Operations Division (hereinafter Retailer Operations) to permanently deny the application of Grocery Overstock & More (hereinafter Appellant) to participate as an authorized retailer in the Supplemental Nutrition Assistance Program (SNAP).

**ISSUE**

The purpose of this review is to determine whether Retailer Operations took appropriate action, consistent with Title 7 of the Code of Federal Regulations (CFR) § 278.1(k)(3)(i), in its administration of SNAP when it permanently denied the application of Appellant to participate in SNAP on July 22, 2019.

**AUTHORITY**

According to 7 U.S.C. § 2023 and its implementing regulations at 7 CFR § 279.1, “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**

On June 20, 2019, Retailer Operations sent Appellant a letter requesting additional information regarding its application to become a SNAP retailer. Appellant provided additional information to Retailer Operations. In a letter dated July 22, 2019, Retailer Operations permanently denied the application of Appellant to participate as an authorized retailer in SNAP in accordance with

7 CFR § 278.1(b)(3)(i) and 7 CFR § 278.1(k).

**5 U.S.C. § 552 (b)(6) & (b)(7)(C)**

On July 29, 2019, Appellant appealed Retailer Operations' decision and requested an administrative review of this action. The appeal was granted.

**STANDARD OF REVIEW**

In an appeal of an adverse action, Appellant bears the burden of proving by a preponderance of evidence that the administrative action should be reversed. That means Appellant has the burden of providing relevant evidence that a reasonable mind, considering the record as a whole, would accept as sufficient to support a conclusion that the argument asserted is more likely to be true than untrue.

**CONTROLLING LAW**

The controlling law in this matter is contained in the Food and Nutrition Act of 2008, as amended (7 U.S.C. § 2018), and implemented through regulation under 7 CFR § 278. In particular, 7 CFR § 278.1(k)(3)(i) establishes the authority upon which the application of any firm to participate in the SNAP may be denied because "records of criminal conviction or civil judgment exist that reflect on the business integrity of owners, officers, or managers."

7 CFR § 278.1(b)(3) states:

FNS shall deny the application of any firm from participation in the program for a period of time as specified in paragraph (k) of this section based on consideration of information regarding the business integrity and reputation of the firm as follows: Conviction or civil judgment against the owners, officers or managers of the firm for: (A) Commission of fraud or a criminal offense in connection with obtaining, attempting to obtain or performing a public or private agreement or transaction; (B) Commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, receiving stolen property, making false claims, or obstruction of justice; or (C) Violation of Federal, State and/or local consumer protection laws or other laws relating to alcohol, tobacco, firearms, controlled substances, and/or gaming licenses.

7 CFR § 278.1(k)(3)(i) states:

Firms for which records of criminal conviction or civil judgment exist that reflect on the business integrity of owners, officers, or managers as stipulated in § 278.1(b)(3)(i) shall be denied authorization permanently.

## APPELLANT'S CONTENTIONS

Appellant's responses regarding this matter are essentially as follows:

**5 U.S.C. § 552 (b)(6) & (b)(7)(C)**

These explanations may represent only a brief summary of Appellant's contentions. However, in reaching a decision, full consideration has been given to all contentions presented, including any others that have not been specifically listed here.

## ANALYSIS AND FINDINGS

As previously mentioned, 7 CFR § 278.1(b)(3) is specific in its requirement that:

FNS shall deny the authorization of any firm from participation in the program . . . based on . . . [c]onviction of or civil judgment against the owners, officers or managers of the firm for . . . violation of Federal, State, and/or local . . . laws . . . relating to . . . firearms.  
...

**5 U.S.C. § 552 (b)(6) & (b)(7)(C)**

Neither the Food and Nutrition Act of 2008 nor the accompanying regulations cite any cite any number of convictions or degrees of seriousness pertaining to drug-related criminal convictions. Convictions related to business integrity are always considered to be most serious. This is reflected in 7 CFR § 278.1(k)(3)(i) which reads:

Firms for which records of criminal conviction or civil judgment exist that reflect on the business integrity of owners, officers, or managers as stipulated in § 278.1(b)(3)(i) shall be denied authorization permanently.

There is no agency discretion in the matter of what sanction is to be imposed when a criminal conviction related to business integrity is involved.

Similarly, there is no provision in SNAP regulations for reducing an administrative penalty on the basis of an owner's business successes or clean record following a criminal conviction. While such achievements may be laudable, if the matter violates the provisions of 7 CFR § 278.1(b)(3), as is the case here, denial of authorization is required.

## CONCLUSION

Based on the discussion above, the determination by Retailer Operations to deny the application of Appellant to participate as an authorized retailer in SNAP is sustained. Denial of a firm's

authorization to participate in SNAP under the provisions of 7 CFR § 278.1(b)(3)(i) is permanent.

### **RIGHTS AND REMEDIES**

Applicable rights to a judicial review of this decision are set forth in 7 U.S.C. § 2023 and 7 CFR § 279.7. If Appellant desires a judicial review, the complaint must be filed in the U.S. District Court for the district in which Appellant's owner resides, is engaged in business, or in any court of record of the State having competent jurisdiction. This complaint, naming the United States as the defendant, must be filed within 30 days of receipt of this Decision.

Under the Freedom of Information Act, 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.

KIM DAMERON  
ADMINISTRATIVE REVIEW OFFICER

March 17, 2020