

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

Hamzah Deli & Grocery Corp,

Appellant,

v.

Case Number: C0184100

Retailer Operations Division,

Respondent.

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 to levy a Transfer of Ownership Civil Money Penalty of \$44,000 against the former ownership of Hamzah Deli & Grocery Corp (“Appellant”) for having sold a store during a period of disqualification from the Supplemental Nutrition Assistance Program (SNAP).

ISSUE

The purpose of this review is to determine whether the Retailer Operations Division took appropriate action, consistent with Title 7 of the Code of Federal Regulations (CFR) § 278.6(f)(2), when it levied a Transfer of Ownership Civil Money Penalty (TOCMP) against Appellant on December 5, 2017.

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

In a letter dated June 17, 2014, Appellant was notified that it was permanently disqualified as a SNAP-authorized retailer. A purchase agreement dated June 19, 2014 established Appellant sold Hamzah Deli & Grocery Corp. In the Retailer Operations Division’s letter dated December 5, 2017, Appellant was assessed a lump sum Transfer of Ownership Civil Money Penalty

(TOCMP) of \$44,000 in accordance with 7 CFR § 278.6(f)(2) for the sale or transfer of ownership of Hamzah Deli & Grocery Corp during a period of disqualification.

On December 14, 2017, Appellant appealed the Retailer Operations Division's assessment and requested an administrative review of this action. The appeal was granted and implementation of the sanction has been on hold pending completion of this review.

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. § 2021), and implemented through regulation under Title 7 CFR Part 278. In particular, 7 CFR § 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 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 . . . the person or other legal entity who sells or otherwise transfers ownership . . . shall be subjected to and liable for a civil money penalty

APPELLANT'S CONTENTIONS

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

- Appellant does not owe a TOCMP;
- Transfer of ownership happened on March 24, 2014, prior to the disqualification;
- The Bill of Sale is invalid. There is no signed or dated document stating what was sold. There is no Notice of Bulk Sale or other document filed with the State of New York;
- The former owner was never notified about a TOCMP; and,
- Appellant requests a lower TOCMP or a warning letter.

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

Appellant subject to TOCMP

Regarding the assessment of a \$44,000 civil money penalty, 7 CFR § 278.6(f)(2) is quite specific in its directive that:

In the event any retail food store . . . which has been disqualified is sold or the ownership thereof is otherwise transferred . . . the person or other legal entity who sells or otherwise transfers ownership . . . shall be subjected to and liable for a civil money penalty . . .

The civil money penalty is calculated strictly on the basis of the SNAP redemption volume of the store over the 12 months prior to the firm's notification of the violations that led to the store's disqualification.

Appellant Notified of TOCMP

Appellant contends that it did not recall previous notifications of a Transfer of Ownership Civil Money Penalty (TOCMP) assessment if the store were sold. The administrative record documents that in a letter dated March 7, 2014, the Retailer Operations Division informed Appellant that it was being considered for permanent disqualification from participation in SNAP, or the imposition of a civil money penalty in lieu of disqualification. This letter was received on March 10, 2014. Appellant was subsequently informed by letter dated June 17, 2014 that the firm was denied a trafficking civil money penalty and was being permanently disqualified from participation as a retail store in SNAP. This letter was received on July 18, 2014. The letter ordered the firm to cease accepting SNAP benefits, and from that time forward Appellant was subject to the provisions of 7 CFR § 278.6(f). The pertinent part of both letters stated as follows:

In the event that you sell or transfer ownership of your store subsequent to your disqualification, you will be subject to and liable for a CMP

Notice of the imposition of a TOCMP for the sale or transfer of a store is also contained in the regulations at 7 CFR § 278.6(f)(2). Therefore, being unaware of the assessment of the TOCMP if the store was sold does not provide a valid basis for mitigating or dismissing the TOCMP assessed by the Retailer Operations Division.

Evidence of Transfer of Firm

Appellant contends the transfer of ownership happened on March 24, 2014, prior to the disqualification. Appellant also contends the Bill of Sale is invalid, there is no signed or dated document stating what was sold, and there is no Notice of Bulk Sale or other document filed with the State of New York.

The aforementioned Bill of Sale dated and other documentation in the Retailer Operations Division file verifies that the retail food business was transferred on June 19, 2014. The bill of sale is signed by the former owner, is dated on June 19, 2014, is notarized, and states that all the assets of the firm were sold for valuable consideration. The successor owner applied for and received authorization as a SNAP retailer. Whether Appellant properly filed notice with the state does not affect the determination that a transfer of ownership occurred during a period of disqualification.

As such, there is enough evidence to support the Retailer Operations Division's contention that this does constitute a transfer of a store, making Appellant subject to the TOCMP as outlined in the Federal regulations at 7 CFR § 278.6(f)(2). The language taken from the Act makes no accommodation to insulate any individual acting in the role of officer in a corporation from being assessed a TOCMP. This is especially true if that individual is the sole officer in a privately-owned corporation and was directly involved in the sale of the store's assets and inventory. Accordingly, these contentions do not support the waiver or the reduction of the TOCMP under review.

Basis of Amount of TOCMP

Appellant contended that the TOCMP is too high. The calculation of the amount of a CMP is based on regulations that delineate the exact formula to be used when calculating a CMP. These regulations at 7 CFR § 278.6(g) state, in relevant part:

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.*

5 U.S.C. § 552 (b)(7)(E)

As stated above, the formula for the calculating the CMP is specific per 7 CFR § 278.6(g) and does not allow for any reductions. However, the regulations do provide the option of an installment plan for paying the CMP over the period of disqualification. The regulations at 7 CFR § 278.6(h), state the following:

A firm has 15 days from the date the FNS regional office notifies the firm in writing in which to pay the civil money penalty or to notify the regional office in writing of its intent to pay in installments as specified by the regional officeThe civil money penalty must be paid in full by the end of the period for which the firm would have been disqualified. (Emphasis added.)

Appellant can contact Financial Management at 703-305-2830 to discuss payment of this penalty in installment payments or online in one lump sum.

Modifications to the civil money penalty may occur only when there is an error in the calculation or the civil money penalty exceeds the agency limit. In this case, the calculated civil money penalty for transferring ownership of Appellant did exceed the agency limit, which is \$11,000 per violation. Each of the four violations reported, involving patterns of SNAP transactions indicative of the exchange of SNAP benefits for cash (trafficking), is considered a single violation. Therefore, the transfer of ownership civil money penalty warranted in this matter has been assessed at \$44,000, the agency limit.

Summary

Based on a review of the evidence, Hamzah Deli & Grocery Corp was, indeed, sold following its disqualification from SNAP on June 17, 2014. Therefore, 7 CFR § 278.6(f)(2) of the SNAP regulations is applicable in this case as it pertains to a civil money penalty for the sale or transfer of a disqualified firm.

CONCLUSION

Based on the discussion above, the determination by the Retailer Operations Division to levy a Transfer of Ownership Civil Money Penalty of \$44,000 against Appellant for selling Hamzah Deli & Grocery Corp during a period of disqualification from SNAP is sustained.

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 thirty (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.

RICH PROULX
Administrative Review Officer

April 16, 2018