

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

**Hope Mart,**

**Appellant,**

**v.**

**Case Number: C0190764**

**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 disqualification imposed upon Hope Mart (hereinafter “Appellant”) by the Retailer Operations Division, Investigations and Analysis Branch, hereinafter “ROD Office,” is hereby sustained.

**ISSUE**

The issue accepted for review is whether the ROD Office took appropriate action, consistent with 7 U.S.C. § 2021, 7 CFR § 278.6(a), 7 CFR § 278.6 (e) and 7 CFR § 278.6 (f) in its administration of the SNAP when it imposed a disqualification upon Appellant.

**AUTHORITY**

7 U.S.C. § 2023 and its implementing regulations at 7 C.F.R. § 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**

In a letter dated July 20, 2017, the ROD Office informed Appellant that it was charged with violating the terms and conditions of the SNAP regulations, 7 CFR § 271 – 282. The record reflects that the ROD Office received and considered Appellant’s reply to the Charge Letter. By a letter dated August 3, 2017, Appellant was informed that it was disqualified for a six-month period from participation as a retail store in the SNAP and was instructed to cease accepting SNAP benefits or, alternatively, request an administrative review of the decision. On August 6,

2017, Appellant requested an administrative review of the ROD Office's decision. The request was granted and the disqualification action held in abeyance pending the results of the 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 & 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. There also exist FNS policy memoranda and clarification letters which further explain the conditions necessary in order to disqualify retail stores from the SNAP.

7 U.S.C. § 2021 states, in part:

- (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, in part:

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) states:

FNS shall 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) states:

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.** (Emphasis added.)

7 CFR § 278.6(f)(1) states, 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.** (Emphasis added.)

7 CFR §278.6(f)(2) states, 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 in an amount to reflect that portion of the disqualification period that has not expired, to be calculated using the method found at 278.6(g).

7 CFR §278.1(b)(4) states, in part:

If the applicant firm has been sanctioned for violations of this part, by withdrawal or disqualification, for a period of more than six months, or by a civil money penalty in lieu of a disqualification period of more than six months, or if the applicant firm has been previously sanctioned for violations and incurs a subsequent sanction, regardless of the disqualification period, FNS shall, as a condition of future authorization, require the applicant to present a collateral bond or irrevocable letter of credit...

7 CFR §278.6(h)(1),(2) and (3) state, in part:

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 the firm presents the required bond during the disqualification period, the civil money penalty may be reinstated for the duration of the disqualification period.

## **SUMMARY OF THE CHARGES**

Among other documents, the record contains a Report of Positive Investigation, #ME40405, which indicates that investigative work was undertaken at Appellant's firm from August 26 through December 14, 2016 and reflects that five investigative visits were made to Appellant's firm during which store clerks sold common ineligible items (those normally seen in shopping baskets) in exchange for SNAP benefits in combination with eligible food items at a substantive ratio on five separate occasions, indicative of clearly violative activity. When the extent of violative activity was determined, the investigation was halted and a report issued and assigned to the ROD Office for consideration of administrative action.

## **APPELLANT'S CONTENTIONS**

In its reply to the ROD Office's Charge Letter, in its written request for review dated August 6, 2017, and in subsequent correspondence, Appellant provided information in which it was argued that:

1. Appellant was not aware of the violations detailed in the Charge Letter. The alleged violations occurred almost 11 months ago (at the time of Appellant's Reply to the Charge Letter).
2. Appellant should have been informed at the time of the violations.
3. The descriptions in the Investigation Report do not match that of the employee or Owner; thus the violations are questioned.
4. The violations may have occurred by mistake, as the Owner was new to the Program, was training a new employee and did not have enough experience to distinguish SNAP benefits provided via a benefit card versus cash benefits provided via a benefit card. If the violations were intentional, the firm would not have refused to engage in SNAP benefit trafficking.
5. Appellant apologizes for the violations and assures future compliance.

## **ANALYSIS AND FINDINGS**

In regard to contention 1 above, Appellant implies that the Owner was unaware of and did not personally commit violations of the SNAP Regulations. It is noted for the record that two employees committed violations, as documented in the Report of Positive Investigation, #ME40405.) This contention cannot be accepted as a valid basis for dismissing any of the charges or for mitigating the impact of the violations upon which they are based. Appellant is liable for all violative transactions handled by full or part-time, paid or unpaid store personnel, whether or not ownership is aware of such transactions. Regardless of whom the ownership of a store may utilize to handle store business, ownership is accountable for the proper handling of SNAP benefit transactions. Additionally, ownership of the Appellant firm signed an FNS-252, SNAP Application for Stores, on October 6, 2015, by means of which Appellant acknowledged and agreed to accept responsibility to prevent violations of the program by any and all employees

of the firm. Again, to allow store ownership to disclaim accountability for the acts of persons to whom the responsibility to handle store business has been assigned would render inert the enforcement provisions of the Food and Nutrition Act of 2008 and corresponding provisions of the regulations.

Appellant notes that the investigative visits occurred several months prior to the firm's receipt of the Charge Letter. It is acknowledged that a substantial period of time elapsed between the documented violations and the issuance of the Charge Letter. The investigative report was provided to the ROD Office on July 12, 2017, which issued the Charge Letter on July 20, 2017, eight days following its receipt of the report, a reasonable amount of time during which to receive the report, to consider the information contained therein and to make a sanctioning decision. There is no provision in the statute, regulations or agency policy allowing documented violations to be dismissed due to the time elapsed since such violations occurred; ROD Offices have no latitude to disregard investigative reports on the basis of time elapsed between the occurrence of violations and receipt of an investigative report. In the present case, the investigation was conducted by departmental investigators and processed through the normal channels within which such matters are handled. The charges of violations are based on the findings of a formal Department of Agriculture investigation; all transactions cited in the Charge Letter were conducted under the direct supervision of a Department Investigator. All such transactions are fully documented and a review of this documentation has yielded no indication of error or discrepancy in the reported findings. The investigative record is specific and thorough with regard to the dates of the violations, the specific facts related to the trafficking incidents and in all other critically pertinent detail. No further evidence or detail is required by the agency in order for the SNAP Office to issue a Charge Letter. As such, the record reflects no procedural failure on the part of the SNAP Office in its issuance of the Charge or Determination Letters.

Regarding contention 2 above, the goal of SNAP investigations is to determine the extent, if any, of a firm's willingness to violate rules/regulations. As such, investigations routinely continue until that extent can be reasonably ascertained, at which point retailers are notified of any violations found. Additionally, it should be noted that a warning letter is not a statutory or regulatory prerequisite to a disqualification: the presence of a prior warning may in some cases increase the sanction imposed on a firm (see §278.6(e)(2), (3)(i) & (ii), (4) and (6)), while the lack of a warning does not decrease a sanction properly imposed or prevent the imposition of such a sanction. Additionally, departmental and agency investigators routinely determine the extent/severity of violations before referring cases to ROD Offices for administrative action; ROD Offices then again evaluate the nature and extent of violations in determining the appropriate administrative action; these standard procedures are seen to have been likewise followed in the present case. Thus, Appellant was duly notified of the violations in accordance with all pertinent regulations.

With regard to contention 3 above, it is noted for the record that descriptions of clerks referenced in investigations are not intended to be exact but general in nature, due to various limitations, such as the presence of check-out counters, shelving and other obstacles preventing a full view of a subject's appearance, as well as raised or lowered cashier areas. The identities of clerks, moreover, are not attempted to be verified during most investigations, as such identifications are not necessary to demonstrate that violations occurred. Additionally, the charges of violations are

based on the findings of a formal Department of Agriculture investigation; all transactions cited were conducted under the direct supervision of a Department Investigator. All such transactions are fully documented and a review of this documentation has yielded no indication of substantial error or discrepancy in the reported findings; the investigative record is specific and thorough with regard to the dates and other specifics of the violations and in all other critically pertinent detail. Furthermore, investigative results are routinely supported by documentation in the record that confirms items purchased at a retail firm in the course of an investigation are donated to and signed for by a charitable organization following the transactions. Such documentation includes the signature and title of the official of the charitable organization accepting the donated item, the name and address of the organization, the date the donation was made and the official's initials next to the items donated. The purchase costs of each of the transactions involved in the investigation are documented on SNAP terminal receipts obtained during each transaction. Lastly, transaction data generated by each investigative purchase at Appellant's firm is readily available; the following data was taken directly from the agency's database and reflects that all transactions referenced did in fact occur at the Appellant firm. Appellant offers no compelling information or supporting documentation which would constitute evidence that any relevant detail is incorrect in any substantial respect. As such, the contention exerts little force in the context of the considerable information and documentation presented by the SNAP Office, as referenced above, which indicate that the merchandise, as described, was in fact obtained at the Appellant firm on the dates noted and that the manner in which they were obtained is accurately described.

In regard to contention 4 above, there are no provisions in the Act, regulations or agency policy allowing inexperience with the SNAP or the relatively brief duration of a firm's business operations as valid grounds for mitigating the serious nature of violations, their impact or any resulting sanctions subsequently imposed. There is no minimum time period, or grace period, within which SNAP-authorized firms may be extended leniency from sanctions properly imposed or be held harmless in order to allow training, a test phase or a probationary period.

Appellant implies that mistakes made in handling transactions, as opposed to violations intentionally committed, may provide a compelling rationale to reduce or reverse the sanction imposed in the present case. Lack of intent to violate is contemplated by the regulations and reprinted above on page 2; as noted above, violations due to carelessness or poor supervision warrant a six-month disqualification or a hardship civil money penalty in lieu thereof, provided the firm is qualified for such alternate sanction. Such accurately describes the nature and extent of the violations in the present case.

Regarding contention 5 above, Appellant's apology for committing violations and assurances of future compliance do not constitute valid grounds for dismissal of the current charges or for mitigating the impact of the violations upon which they are based. Additionally, 7 CFR § 278.6(e)(5) states that the SNAP Office *shall* (emphasis added) disqualify a firm for six months if it is to be the first sanction for the firm and the evidence shows that personnel of the firm committed violations such as, but not limited to, the sale of common non-food items due to carelessness or poor supervision by the firm's ownership or management. As noted, the above accurately reflects the nature and level of noncompliance in the present case and thus the sanction imposed by the SNAP Office was correct and appropriate.

Lastly, the record reflects that the SNAP Office duly considered the firm's eligibility for a hardship civil money penalty and correctly found the firm ineligible. The ROD Office noted that, at the time of the sanction decision, there were 12 similarly or better-stocked stores within a one-mile radius (four of which were located within one-half mile). Agency information reflects that there are currently 17 other SNAP-authorized firms within a one-mile radius including one combination grocery/other store (one of which is located just over one-third mile from the Appellant firm), 13 other convenience stores (four of which are located from just over one-quarter of a mile to just under one-half of a mile) and one seafood specialty store. The regulations stipulate the conditions upon which this alternative penalty may be imposed in lieu of a disqualification: if a store 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, a hardship civil money penalty is to be assessed. In the present case there is no indication that the disqualification would work a hardship upon SNAP customers due to the impending closure of a nearby comparable firm, due to loss of access to ethnic foods or due to physical barriers or conditions that would make travel difficult or would restrict normal travel to comparable firms. It should be reiterated that hardship worked upon retailers is not a consideration in decisions to disqualify firms due to SNAP violations or in decisions to impose civil money penalties in the event disqualified firms are subsequently sold or the ownership thereof otherwise transferred; there are no provisions in the Act or the regulations allowing for hardship worked upon a firm, due to a disqualification, to warrant a civil money penalty. In accordance with the regulatory and policy guidance referenced in the foregoing, therefore, the ROD Office's decision to withhold a civil money penalty in lieu of a six-month disqualification was correct and appropriate. It is noted for the record that a six-month disqualification is the least severe suspension provided for by the regulations.

## **CONCLUSION**

In view of the above, the decision of the ROD Office to disqualify Hope Mart for a period of six months from participation in the SNAP is hereby sustained and will become effective upon the 30<sup>th</sup> day following your firm's receipt of this document. Appellant may reapply for authorization to participate in the SNAP up to 10 days prior to the end of the six-month disqualification period.

## **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 a judicial review is desired, 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 provisions of the Freedom of Information Act (FOIA), 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.

DANIEL S. LAY  
Administrative Review Officer

March 2, 2018