

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

Li'L General,

Appellant,

v.

Retailer Operations Division,

Respondent.

Case Number: C0205639

FINAL AGENCY DECISION

It is the decision of the U.S. Department of Agriculture (USDA), Food and Nutrition Service (FNS), that there is sufficient evidence to support a finding that the denial of a hardship civil money penalty, in lieu of a three (3) year disqualification from the Supplemental Nutrition Assistance Program (SNAP) as a result of WIC Program violations, was properly rendered by the Retailer Operations Division against Li'L General.

ISSUE

The issue accepted for review is whether the Retailer Operations Division took appropriate action, consistent with 7 CFR § 278.6(f)(1) in its administration of the SNAP, when it denied assessing a civil money penalty in lieu of a three year disqualification against Li'L General on July 31, 2018.

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

In a letter dated January 29, 2018, the Retailer Operations Division informed the Appellant of the agency’s intention to impose a three year disqualification against the Appellant firm from participating as an authorized retailer in the SNAP. The firm was disqualified for three years from the WIC Program for violations that included, pursuant to 7 CFR § 278.6(e)(8)(i)(A) of the

SNAP regulations, “A pattern of claiming reimbursement for the sale of an amount of a specific food item that exceeds the store’s documented inventory of that food item for a specific period”.

FNS was advised by the Wisconsin WIC State Agency that the Appellant was being disqualified from the WIC Program for three years effective October 16, 2017 and that the Appellant’s appeal rights had been exhausted. The WIC State Agency provided FNS with a copy of a letter dated June 19, 2017 that it had sent to the Appellant advising it that Li’L General could be disqualified from the SNAP based on the WIC Program violations that occurred at the firm.

The letter also informed the Appellant of its appeal rights regarding the WIC Program disqualification. The Wisconsin WIC State Agency informed FNS in an e:mail message dated October 17, 2017 that Li’L General had exhausted all of its appeal rights with regard to the three year WIC disqualification.

In responses to the Retailer Operations Division of February 2, 2018, March 15, 2018, and March 19, 2018, the Appellant, through counsel, replied to the charges outlined in the January 29, 2018 Charge Letter stating that Li’L General has been participating in the SNAP for the last 23 years without being cited for any SNAP violations. The record reflects that in the reply of March 15, 2018, the Appellant’s counsel requested information and documents from FNS with regard to the agency’s case against Li’L General pursuant to the Freedom of Information Act (FOIA). The Appellant’s counsel received a response to counsel’s FOIA request on April 13, 2018, and FNS received no further communication from the Appellant or counsel with regard to the agency’s response.

After considering the Appellant’s replies and the evidence in the case, the Retailer Operations Division informed the Appellant, by letter dated July 31, 2018, that Li’L General was not eligible for imposition of a hardship civil money penalty in lieu of disqualification and would be disqualified from participation as a retail store in the SNAP for a period of three years. The Appellant was also informed that the determination to disqualify Li’L General from the SNAP on the basis of the WIC Program disqualification is not subject to administrative review; rather, the firm only has appeal rights with regards to its eligibility for a civil money penalty. This is in accord with the Food and Nutrition Act of 2008, as amended, and 7 CFR § 278.6(e)(8) of the SNAP regulations.

In a letter postmarked August 9, 2018, the Appellant, through counsel, appealed the Retailer Operations Division’s decision to deny assessing a civil money penalty and requested an administrative review of this action. FNS granted the Appellant’s request for administrative review by letter dated August 17, 2018 and implementation of the sanction has been on hold pending completion of this review.

STANDARD OF REVIEW

In appeals of adverse actions, the Appellant bears the burden of proving by a preponderance of the evidence, that the administrative actions should be reversed. That means the 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

The controlling statute in this matter is contained in the Food and Nutrition Act of 2008, as amended, 7 U.S.C. § 2023 and Section 278 of Title 7 of the Code of Federal Regulations (CFR).

Section 12 [7 U.S.C § 2021] (a)(1) states, in part, “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 specific 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(e)(8) states, in part, FNS shall disqualify from the Food Stamp Program any firm which is disqualified from the WIC program.”

7 CFR § 278.6(e)(8)(i)(A) states, in part, FNS shall disqualify from the SNAP any firm which is disqualified from the WIC Program ...for any of the following specific program violations: A pattern of claiming reimbursement for the sale of an amount of a specific food item that exceeds the store’s documented inventory of that food item for a specific period of time ...

7 CFR § 278.6(e)(8)(iii)(A) states, in part, that such a disqualification: “...shall be for the same length of time as the WIC disqualification.”

7 CFR § 278.6(e)(8)(iii)(C) states, in part, that such a disqualification: “Shall not be subject to administrative or judicial review under the Food Stamp Program.”

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 subject to a disqualification is selling a substantial variety of staple food items, and the firm’s disqualification would cause hardship to food stamp households because there is no other authorized retail food store in the area selling as large a variety of staple food items at comparable prices.”

7 CFR § 278.1(b)(4)(i) 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 § 278.1(b)(4)(D) states, in part, “The collateral bond of irrevocable letter of credit must have a face value of \$1,000 or an amount equal to ten percent of the average monthly SNAP redemption volume of the applicant firm for the immediate twelve months prior to the effective

date of the most recent sanction which necessitated the collateral bond or irrevocable letter of credit, whichever amount is greater.”

APPELLANT’S CONTENTIONS

The following represents a brief summary of the Appellant’s contentions in this matter. Please be assured, however, that in reaching a decision, full attention and consideration was given to all contentions presented, including any not specifically recapitulated or specifically referenced herein.

In the replies to the Charge Letter, in the administrative review request, and in a subsequent correspondence to FNS, the Appellant, through counsel, stated the following summarized contentions, in relevant part:

- Li’L General has been participating in the SNAP for the last 23 years without being cited for any SNAP violations.
- The Appellant has a lot of customers who walk to the store every day for their daily needs as it is open from 8:00 am to midnight. A SNAP disqualification will impose a hardship on SNAP customers.

ANALYSIS AND FINDINGS

In accordance with 7 CFR § 278.6(e)(8)(ii)(A) and (B), the Appellant was provided with specific notice that Li’L General could be disqualified from the SNAP based on the WIC violations committed by the firm. This notice was given to the firm by the Wisconsin WIC State Agency in a letter dated June 19, 2017. A copy of that notice was provided to FNS by the Wisconsin State Department of Health Services in addition to an e:mail message dated October 17, 2017 stating that the Appellant’s appeal rights had been exhausted.

Additionally, in accordance with 7 CFR § 278.6(e)(8), the Appellant was informed by both the Wisconsin WIC State Agency and the FNS Retailer Operations Division that the decision to reciprocally disqualify Li’L General from the SNAP on the basis of the WIC disqualification would not be subject to administrative or judicial review. Further, the regulations state that the SNAP disqualification shall be for the same length of time as the WIC disqualification and may begin at a later date than the WIC disqualification.

Consequently, this administrative review has no authority to render an opinion regarding the WIC violations that were uncovered by the state of Wisconsin. According to the state’s records, the Appellant firm engaged in a pattern of claiming reimbursement for the sale of an amount of a specific food item that exceeds the store’s documented inventory of that food item for a specific period. Pursuant to the state’s administrative regulations, such a violation warrants a three year WIC disqualification. The record also shows that the Appellant’s appeal rights have been exhausted and the WIC Program disqualification was upheld.

With all of these facts clearly in place and because the Retailer Operations Division's decision to reciprocally disqualify the firm from the SNAP is wholly in line with Federal regulations, this administrative review has no authority to further review such a determination. This is pursuant to 7 CFR § 278.6(e)(8)(iii)(C).

Therefore, the only remaining issue for this administrative review to consider is whether or not the Retailer Operations Division took appropriate action by determining that the Appellant firm was not eligible for a hardship civil money penalty in lieu of a three year disqualification from the SNAP.

No Prior SNAP Violations

The Appellant contends that Li'L General has been participating in the SNAP for the last 23 years without being cited for any SNAP violations. However, a record of participation in the SNAP or other government assistance programs with no previously documented instance of violations does not constitute valid grounds for dismissal of the current charges of violations or for mitigating the impact of those charges. There is no provision in the Food and Nutrition Act, SNAP regulations, or agency policy that reverses or reduces a sanction based upon a lack of prior SNAP or other government assistance program violations by a firm and its owners, managers, and/or employees.

Hardship Civil Money Penalty

The Appellant contends that it has a lot of customers who walk to the store every day for their daily needs as it is open from 8:00 am to midnight. A SNAP disqualification will impose a hardship on SNAP customers.

However, a review of the agency's case record shows that the Retailer Operations Division properly considered whether or not SNAP recipients would experience hardship as a result of the firm's disqualification. Under the provisions found in 7 CFR § 278.6(f)(1), FNS may impose a civil money penalty (CMP) in lieu of disqualification when hardship to SNAP households exists. However, according to this regulation, hardship is defined as "no other authorized retail food store in the area selling as large a variety of staple food items at comparable prices." [Emphasis added.]

It is the determination of this review that a disqualification of Li'L General, a convenience store, would not cause hardship to SNAP households because there are other comparable or larger SNAP authorized stores located in the area of the Appellant firm. Agency mapping systems document that there are 45 SNAP authorized retail stores located within a one mile radius of Li'L General. These area authorized SNAP retail stores include 36 convenience stores, 5 small grocery stores, 2 medium grocery stores, 1 supermarket and 1 super, which offer a variety and quality of staple foods comparable to, or better than, those offered by Li'L General.

It is recognized that some degree of inconvenience for SNAP households is likely whenever a SNAP authorized store is disqualified and the household is forced to use its SNAP benefits elsewhere. However, in accordance with the regulations cited above, hardship exists only when there are no other authorized stores in the area selling as large a variety of staple foods at comparable prices. Therefore, the earlier determination that Li'L General's disqualification would not create a hardship to customers, as differentiated from potential inconvenience, is sustained and a CMP in lieu of SNAP disqualification is not appropriate in this case.

CONCLUSION

Based on the discussion above, the determination by the Retailer Operations Division to deny Li'L General a hardship civil money penalty in lieu of a three year disqualification from the SNAP as a result of WIC Program violations is sustained.

In accordance with the Food and Nutrition Act of 2008, and the regulations thereunder, this period of disqualification shall become effective thirty (30) days after receipt of this letter. A new application for participation may be submitted by the firm ten (10) days prior to the expiration of this three year period. In accordance with 7 CFR § 278.1(b)(4), at the time of any such new application for program participation, the firm would be advised by the office receiving such an application of the necessity, as a store previously sanctioned for program violations, also to post a collateral bond or irrevocable letter of credit as a condition for again being authorized to participate in the program.

RIGHTS AND REMEDIES

Your attention is called to Section 14 of the Food and Nutrition Act of 2008 (7 U.S.C. 2023) and to Section 279.7 of the Regulations (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, 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.

LORIE L. CONNEEN
ADMINISTRATIVE REVIEW OFFICER

March 12, 2019