

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

**Former Store Owners,
Pat's Liquor,**

Appellant,

v.

Retailer Operations Division,

Respondent.

Case Number: C0231637

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 a Transfer of Ownership Civil Money Penalty (TOCMP) of **5 U.S.C. § 552 (b)(6) & (b)(7)(C)** was properly levied by the Retailer Operations Division against the former owners of Pat's Liquor (Appellant) for selling and/or transferring a store that was disqualified from participation in the Supplemental Nutrition Assistance Program (SNAP).

ISSUE

The issue accepted for review is whether the Retailer Operations Division took appropriate action, consistent with 7 CFR § 278.6(f)(2), (3), and (4) and 7 CFR § 278.6(f)(2) and (g), in its administration of the SNAP when it assessed a TOCMP in the amount of \$22,000.00 against Appellant by letter dated July 7, 2020.

CASE CHRONOLOGY

The Retailer Operations Division permanently disqualified Pat's Liquor from participation as a SNAP retailer on October 19, 2017, for trafficking SNAP benefits. Both the October 3, 2017, charge letter and the disqualification letter dated October 18, 2017, stated that if the owner(s) sold or transferred the store after its disqualification, it would be subject to and liable for a TOCMP as provided by SNAP regulations at 7 CFR § 278.6(f)(2)(3) and (4). The letters also noted that the amount of the TOCMP would be calculated based on regulations at 7 CFR § 278.6(g).

The case record documents the former store owner of Pat's Liquor sold the firm to a new owner on or about January 28, 2019. These documents were provided to FNS when the new store owner applied for SNAP retailer re-authorization at this location. As a result, the Retailer Operations Division, in a letter dated July 7, 2020, notified the former owner of Pat's Liquor that

it had assessed a TOCMP in the amount of 5 U.S.C. § 552 (b)(6) & (b)(7)(C) in accordance with the SNAP regulations.

By letter dated July 9, 2020, Appellant appealed the Retailer Operations Division's assessment of the TOCMP and requested administrative review of this action. The appeal was granted and implementation of the sanction has been held in abeyance 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, 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 and Nutrition Act of 2008, as amended, 7 USC § 2021 and § 278 of Title 7 of the Code of Federal Regulations (CFR). In particular, 7 CFR § 278.6(f)(2) and (g) establish the authority upon which a TOCMP may be imposed against a retail food store or wholesale food concern.

7 USC § 2021(e)(1) states:

In the event any retail food store or wholesale food concern that has been disqualified under subsection (a) of this section is sold or the ownership thereof is otherwise transferred to a purchaser or transferee, the person or persons who sell or otherwise transfer ownership of the retail food store or wholesale food concern shall be subjected to a civil penalty in an amount established by the Secretary through regulations to reflect that portion of the disqualification period that has not yet expired. If the retail food store or wholesale food concern has been disqualified permanently, the civil penalty shall be double the penalty for a ten-year disqualification period, as calculated under regulations issued by the Secretary. The disqualification period imposed under subsection (b) shall continue in effect as to the person or persons who sell or otherwise transfer ownership of the retail food store or wholesale food concern notwithstanding the imposition of a civil penalty under this subsection.

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 . . .

The following steps, based on the regulations at 7 CFR § 278.6(g), are used to calculate the amount of a TOCMP:

Step 1: Determine the cumulative redemptions for the 12 month period immediately preceding the issuance of the Retailer Operations Division's Charge letter;
Step 2: Determine the firm's average monthly redemptions (AMR) by dividing the amount derived in Step 1 by 12. (Round this amount to the nearest dollar);
Step 3: Multiply the AMR (as determined in Step 2) by .10. (Round this amount to the nearest dollar);
Step 4: Multiply the amount derived in Step 3 by 240. (The number 240 is used for permanent disqualifications in accordance with the Act and the regulations.) The result is the amount of the TOCMP.

APPELLANT'S CONTENTIONS

In Appellant's July 9, 2020, administrative review request, Appellant provided the following summarized contentions, in relevant part:

- Appellant is confused by the penalty and does not understand why it was assessed a civil money penalty.
- Appellant only received notice that the SNAP account was closed but because it was selling the store it did not investigate the reason why.
- Appellant was never notified of any wrongdoing.

The preceding may represent only a brief summary of the Appellant's contentions presented 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.

ANALYSIS AND FINDINGS

The purpose of this review is limited to determining whether the Retailer Operations Division's decision to assess a TOCMP against Appellant was appropriate. The disqualification itself is not under review. Thus, any contentions pertaining to the original disqualification action by the Retailer Operations Division are not subject to review.

Documents in the case file show that Appellant sold and/or transferred the disqualified store to a new owner on or about January 28, 2019, and that this was the basis of the Retailer Operations Division's assessment of a 5 U.S.C. § 552 (b)(6) & (b)(7)(C) TOCMP. The disqualification letter dated May 23, 2018, informed Appellant that "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 as provided by SNAP regulations Sections 278.6(f)(2), (3), and (4). The amount of this sale or transfer CMP will be calculated based on SNAP regulations at 278.6(g)."

Appellant does not deny that it sold and/or transferred the business. However, Appellant states that it does not know why a penalty was imposed and that the firm only received notice that its SNAP was closing. The October 3, 2017, charge letter was delivered on October 4, 2017, to the address of the store and it was signed by "5 U.S.C. § 552 (b)(6) & (b)(7)(C)." Similarly, the October 18, 2017, determination letter was delivered on October 19, 2017, and signed by "5 U.S.C. § 552 (b)(6) & (b)(7)(C)." Both of these documents clearly state that the firm was

charged with trafficking SNAP benefits. In addition, each letter contained the following language:

In the event that you sell or transfer ownership of your store subsequent to your disqualification, you will be subject to an liable for a CMP as provided by SNAP regulations Section 278.6(f)(2)(3), and (4). The amount of the sale or transfer CMP will be calculated based on the SNAP regulations Section 278.6(g).

The evidence supports that Appellant was properly notified about the transfer for ownership civil money penalty.

TOCMP Calculation

A review of the case record documents that the Retailer Operations Division correctly calculated the amount of the TOCMP under 7 CFR § 278.6(g). Modifications to the TOCMP may occur only when there is an error in calculation or the amount exceeds the agency limit.

That regulation states that the TOCMP is to be calculated on a formula which includes the SNAP redemption volume of the store during the 12 months prior to the firm being notified of the violations that led to the store's disqualification. The Retailer Operations Division correctly determined that the initial calculated amount of the TOCMP was 5 U.S.C. § 552 (b)(6) & (b)(7)(C). However, the Retailer Operations Division properly determined that this initial calculated TOCMP was above the agency limit, which is \$11,000 per violation or trafficking pattern in an EBT case. The October 3, 2017, trafficking charge letter identified two patterns of trafficking based on irregular SNAP transaction data. Therefore, the Retailer Operations Division correctly assessed the final TOCMP at 5 U.S.C. § 552 (b)(6) & (b)(7)(C) which is the agency limit per violation multiplied by the number of trafficking patterns 5 U.S.C. § 552 (b)(6) & (b)(7)(C)

Summary

In summary, the SNAP regulations at 7 CFR § 278.6(f)(2) authorize FNS to assess a TOCMP against the owner of a disqualified retail food store that has been sold or in which the ownership is otherwise transferred. The Retailer Operations Division determined that a legal sale of Pat's Liquor did occur and this is supported by documents in the case record. Appellant's contentions do not give any legal grounds for vacating or reducing the TOCMP. Moreover, the regulations at 7 CFR § 278.6(g) outline how to calculate the amount of the TOCMP, as described above, and do not provide any authority to waive or reduce the assessed TOCMP. As such, there is no discretion in the calculation of the TOCMP amount.

CONCLUSION

This review finds that the evidence provided by the Retailer Operations Division as to a bona fide sale of a disqualified retail food store is sufficient to support its determination to assess a transfer of ownership CMP against Appellant in the amount of 5 U.S.C. § 552 (b)(6) & (b)(7)(C).

RIGHTS AND REMEDIES

Applicable rights to a judicial review of this decision are set forth in 7 USC § 2023 and 7 CFR § 279.7. 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 the Appellant's owners 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, 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.

Mary Kate Karagiorgos
ADMINISTRATIVE REVIEW OFFICER

September 17, 2020